DR. KENNETH KAUNDA

DISTRICT MUNICIPALITY

Dr Kenneth Kaunda District Municipality
Annual Financial Statements
for the yearended June 30, 2025

General Information

Legal form of entity	District Municipality
Members of Council	
Executive Mayor	Num, Nikiwe Julia
Speaker	Nxozana,Xolile Christopher
Chief Whip	Lesie,Serame Jeffrey
Chairperson MPAC	James Ntlupheko Tsolela (Appointed 20 September 2024)
Member of Mayoral Committee	Lekgari TN (Community Services)
	Mampe,Tibane Raymond (Local Economic Development and T ourism)
	Matsapola,Dinah Mpho(Special programs Portfolio)
	Itebogeng LV (Corporate Services) (Appointed 02 April 2025)
	Molapisi LG (Budget and Treasury Office)
	Mphafudi,Zanele Ezekiel (Technical services)
Part-time Councillors	Bester, Christiaan Johannes
	Faku,Banele Sydwell
	De Bruin, Madra Dirkie (Appointed 29 July 2024)
	Jonas,Seunkie Lucas
	Kegontse,Kedibone Rosina
	Latha,Khatazile Rhoda
	Meya,Isaac Thomson
	Mokhele,Innocent Mosuwa
	Mokone,Matumelo Pauline
	Kasonkomona Francis (Appointed 20 September 2024)
	Scott Lee-Ann
	Motaung,Hellen Mapule
	Rantekane Lesego
	Mothupi, Abigail (Appointed 20 September 2024)
	Mosweu,Madikgapa Elisa (Resigned 26 November 2024)
	Scott,Lee-ann
	Terbanche, Johanna Fredrika (Appointed 29 July 2024)
	Tloome,Mafinki Stephen
	Hadson Heinricha
	Makgate, Mamosoeu Wendy
	Lourens Johannes Jakobus
	Kali Kgotso Bennet (Appointed 28 January 2025)
	Mosholi, Metlholo Robert (Resigned 24 October 2024)
	Van tonder,Matthys Jacobus
	Sesana,Songanyi Patrick (Resigned 31 July 2024)
Directly Elected Councillors	Stephanus Petrus Klopper (Appointed 29 July 2024)
	Mosiane, Segotso Barei Elizabeth
	Mostert,Willem Andries
	Mtshawulana, Portia Yanga (Resigned 31 July 2024)
	Setshoaro,Nonky Mary
	Oosthuizen-Van Tonder,Mariska Elizabeth
	Shuping,Lentikile Koos

General Information

	Strydom,Hendrina Margaretha Van Zyl,Karina Lizettte Mtshawulana, Portia Yanga (Resigned 31 July 2024) Thabanchu, Osebelwang Rosy (Resigned 01 December 2024)
Chief Finance Officer (CFO)	Jeanne-Marie Brown-Chief Financial Officer
Accounting Officer	Mokgatlhe J Ratlhogo-Municipal Manager
Registered office	Civic Centre Patmore Road Orkney 2620
Business address	Civic Centre Patmore Road Orkney 2620
Postal address	Private Bag X5017 Klerksdorp 2570
Bankers	ABSA
Auditors	Auditor General of South Africa

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Abbreviations used:

COID	Compensation for Occupational Injuries and Diseases
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IPSAS	International Public Sector Accounting Standards
MFMA	Municipal Finance Management Act
mSCOA	Municipal Standard Chart of Accounts
SALGA	South African Local Government Association
LGSETA	Local Government Services Sector Education and Training Authority
MPAC	Municipal Public Accounts Committee

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 were 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 annual financial statements set out on page Pages 7 to 11, which have been prepared on the going concern basis, were approved by the accounting officer on August 31, 2025

Accounting Officer
Mokgatlhe J Ratlhogo (Municipal Manager)

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 municipality is engaged in providing the following municipal services as per the Intergrated Development Plan and
operates principally in South Africa:

1.Basic service delivery and Infrastructre development

2.Municipal Institutional developement transformation

3.District Economic Development

4.Financial viabilty and management

5.Good governance and public participation

6.Spatial rationale

2. Going concern

We draw attention to the fact that the below figures are in rands and at June 30, 2025, the municipality had an accumulated surplus (deficit) of 55,035,306 and that the municipality's total assets exceed its liabilities by 55,035,306.

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

3. Subsequent events

The accounting officer is not aware of any matter or circumstance arising since the end of the financial year, that may need to be adjusted for or disclosed in the annual financial statements

4. Accounting policies

The annual financial statements are prepared in accordance with the South African Statements of Generally Recognised Accounting Practice (GRAP), including any interpretations of such statements issued by the Accounting Practices Board and the Accounting Standard Board as the prescribed framework by National Treasury.

5. Auditors

Auditor General of South Africa will continue in office for the next financial period.

Accounting Officer's Report

6. Non-compliance with applicable legislation

In terms of section 65 (2)(e) of the Municipal Finance Act (No. 56 of 2003), all money owing by the municipality be paid within 30 days of receiving the relevant invoice or statement, the municipality, could not settle all money owing within the prescribed period.

Award of a tender/Qoute to persons in the employment of state

Non-compliance with MFMA section 116- Procuring on expired contract

Non-compliance with MFMA section 75 by not placing all key documents and information on municipal website

Non-complince with MFMA section 11(4) to report to council on all withdrawals made in terms of subsection 1 (b) during the quarter

Non-compliance with MFMa section 131 not addressing all audit findings raised during 2023/2024 audit.

The annual financial statements set out on pages 7 to 11, which have been prepared on the going concern basis, were approved by the accounting officer on August 31, 2025 and were signed on its behalf by:

Accounting Officer
Mokgatlhe J Ratlhogo (Municipal Manager)

Statement of Financial Position as at June 30, 2025

Figures in Rand	Note(s)	2025	2024 Restated*
Assets			
Current Assets			
Receivables from exchange transactions	8	3,072,731	2,782,351
Receivables from non-exchange transactions	9	166,000	-
VAT receivable	10	1,795,285	1,005,408
Cash and cash equivalents	11	43,427,088	45,084,089
		48,461,104	**48,871,848**
Non-Current Assets			
Property, plant and equipment	3	56,316,475	50,799,708
Intangible assets	4	8,788,457	8,718,747
		65,104,932	**59,518,455**
Total Assets		**113,566,036**	**108,390,303**
Liabilities			
Current Liabilities			
Payables from exchange transactions	5	12,004,451	8,423,463
Payables from non-exchange transactions	6	348,023	347,159
Employee benefit obligations	7	21,037,152	18,979,938
Unspent conditional grants and receipts	13	3,104	3,000
Long service award liability	14	212,000	1,291,000
		33,604,730	**29,044,560**
Non-Current Liabilities			
Employee benefit obligations	7	19,844,000	17,106,000
Long service award liability	14	5,082,000	4,311,000
		24,926,000	**21,417,000**
Total Liabilities		**58,530,730**	**50,461,560**
Net Assets		**55,035,306**	**57,928,743**
Accumulated surplus	12	55,035,306	57,928,743
Total Net Assets		**55,035,306**	**57,928,743**

* See Note 31

Statement of Financial Performance

Figures in Rand	Note(s)	2025	2024 Restated*
Revenue			
Revenue from exchange transactions			
Sale of tender documents		3,478	20,957
Fees earned		-	103,810
Commissions received		17,133	135,744
Licensing and permits		1,374,873	659,960
Interest received - investment	16	5,723,356	9,178,792
Total revenue from exchange transactions		**7,118,840**	**10,099,263**
Revenue from non-exchange transactions			
Transfer revenue			
Government grants & subsidies	18	228,286,446	222,258,561
Total revenue	15	**235,405,286**	**232,357,824**
Expenditure			
Employee related costs	19	(144,145,038)	(130,310,549)
Remuneration of councillors	20	(11,668,517)	(12,159,180)
Depreciation and amortisation	21	(5,701,649)	(3,542,341)
Contracted Services	24	(40,805,927)	(43,487,032)
Transfers and Subsidies	17	(1,401,214)	(4,191,610)
General expenses	23	(32,115,597)	(55,898,983)
Total expenditure		**(235,837,942)**	**(249,589,695)**
Operating deficit	26	**(432,656)**	**(17,231,871)**
Gain on leave/Bonus provision		(1,990,244)	(3,239,213)
Actuarial gains/losses	7	(416,000)	(125,000)
Gain (loss) on disposal of assets		(54,541)	30,361
		(2,460,785)	**(3,333,852)**
Deficit for the year		**(2,893,441)**	**(20,565,723)**

* See Note 31

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus / deficit	Total net assets
Opening balance as previously reported	81,391,623	81,391,623
Adjustments		
Prior year adjustments	(2,897,157)	(2,897,157)
Balance at July 1, 2023 as restated*	**78,494,466**	**78,494,466**
Changes in net assets		
Deficit for the year	(20,565,723)	(20,565,723)
Total changes	(20,565,723)	(20,565,723)
Restated* Balance at July 1, 2024	**57,928,747**	**57,928,747**
Changes in net assets		
Surplus for the year	(2,893,441)	(2,893,441)
Total changes	(2,893,441)	(2,893,441)
Balance at June 30, 2025	**55,035,306**	**55,035,306**

Note(s)

* See Note 31

Cash Flow Statement

Figures in Rand	Note(s)	2025	2024 Restated*
Cash flows from operating activities			
Receipts			
Government grants and subsidies		228,120,550	222,258,561
Interest income		5,411,479	10,347,914
Cash receipts from charges of goods and services		1,395,484	1,333,162
		234,927,513	233,939,637
Payments			
Employee costs		(142,045,047)	(127,832,673)
Suppliers		(70,127,069)	(112,934,585)
Transfer payments		(1,401,214)	(4,191,610)
Remuneration of Councillors		(11,668,517)	(12,159,180)
		(225,241,847)	(257,118,048)
Net cash flows from operating activities	25	**9,685,666**	**(23,178,411)**
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(9,023,744)	(26,235,364)
Purchase of intangible assets	4	(2,318,923)	(2,284,509)
Net cash flows from investing activities		**(11,342,667)**	**(28,519,873)**
Net increase/(decrease) in cash and cash equivalents		**(1,657,001)**	**(51,698,284)**
Cash and cash equivalents at the beginning of the year		45,084,089	96,782,373
Cash and cash equivalents at the end of the year	11	**43,427,088**	**45,084,089**

* See Note 31

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						
Sale of tender documents	100,000	(95,000)	**5,000**	3,478	**(1,522)**	Note 40
Other Income	150,000	(150,000)	-	-	-	
Sale of assets	100,000	(100,000)	-	-	-	Note 40
Commissions received	170,000	(140,000)	**30,000**	17,133	**(12,867)**	Note 40
License and permits	650,000	710,000	**1,360,000**	1,374,873	**14,873**	Note 40
Interest received - investment	8,980,000	1,020,000	**10,000,000**	5,723,356	**(4,276,644)**	Note 40
Total revenue from exchange transactions	**10,150,000**	**1,245,000**	**11,395,000**	**7,118,840**	**(4,276,160)**	
Revenue from non-exchange transactions						
Transfer revenue						
Government grants & subsidies	231,022,000	(330,000)	**230,692,000**	228,286,446	**(2,405,554)**	Note 40
Total revenue	**241,172,000**	**915,000**	**242,087,000**	**235,405,286**	**(6,681,714)**	
Expenditure						
Employee related costs	(134,489,974)	(19,359,000)	**(153,848,974)**	(144,145,038)	**9,703,936**	Note 40
Remuneration of councillors	(13,191,805)	783,000	**(12,408,805)**	(11,668,517)	**740,288**	Note 40
Depreciation and amortisation	(7,183,565)	-	**(7,183,565)**	(5,701,649)	**1,481,916**	Note 40
Contracted Services	(40,373,000)	(569,175)	**(40,942,175)**	(40,805,927)	**136,248**	Note 40
Transfers and Subsidies	(4,530,000)	3,128,000	**(1,402,000)**	(1,401,214)	**786**	Note 40
General Expenses	(41,190,656)	8,251,961	**(32,938,695)**	(32,115,597)	**823,098**	Note 40
Total expenditure	**(240,959,000)**	**(7,765,214)**	**(248,724,214)**	**(235,837,942)**	**12,886,272**	
Operating deficit	**213,000**	**(6,850,214)**	**(6,637,214)**	**(432,656)**	**6,204,558**	
Gain on leave/Bonus provision	-	-	-	(1,990,244)	**(1,990,244)**	
Actuarial gains/losses	-	-	-	(416,000)	**(416,000)**	
Loss on non-current assets held for sale or disposal groups	-	-	-	(54,541)	**(54,541)**	Note 40
	-	**-**	**-**	**(2,460,785)**	**(2,460,785)**	
Operating surplus/(deficit)	**213,000**	**(6,850,214)**	**(6,637,214)**	**(2,893,441)**	**3,743,773**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**213,000**	**(6,850,214)**	**(6,637,214)**	**(2,893,441)**	**3,743,773**	

Significant Accounting Policies

Figures in Rand	Note(s)	2025	2024

1. Presentation of Annual Financial Statements

The significant accounting policies applied in the preparation of these annual financial statements are set out below The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

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

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

1.1 Presentation currency

These annual financial statements are presented in South African 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 Significant judgements and sources of estimation uncertainty

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

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

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

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

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

Significant Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the municipality is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, over-the counter derivatives) is determined by using valuation techniques. The municipality uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the end of the reporting period.

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

The carrying amount of available-for-sale financial assets would be an estimated - lower or - higher were the discounted rate used in the discount cash flow analysis to differ by 10% from management's estimates.

Impairment testing

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

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time.

Provisions

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

Useful lives of waste and water network and other assets

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

Significant Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Post-retirement benefits

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

The municipality determines the appropriate discount rate 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 7.

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.

1.4 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

Significant Accounting Policies

1.4 Property, plant and equipment (continued)

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

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

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

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

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

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

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

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

Item	Depreciation method	Average useful life
Machinery and equipment	Straight-line	2-12 years
Furniture and office equipment	Straight-line	3-10 years
Transport Assets	Straight-line	.
*Motor vehicle	Straight-line	4 years
*Computer equipment	Straight-line	3-5 years
Infrastructure assets	Straight-line	.
*Wifi equipment	Straight-line	3 years
*Telecommunication	Straight-line	5 years
*Access control	Straight-line	3 years
Community assets	Straight-line	.
*Land	Straight-line	No depreciation
*Car parks	Straight-line	30 years
*Car ports	Straight-line	10 years
*Fencing	Straight-line	10 years
*Mobile offices	Straight-line	10 years
*Mobile storage units	Straight-line	10 years
*Buidlings	Straight-line	25 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.

Significant Accounting Policies

1.4 Property, plant and equipment (continued)

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

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

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

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

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

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

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

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

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and
no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal
proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or
disposal

1.5 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.

1.5 Intangible assets (continued)

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

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

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.

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	3-5 years

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

1.5 Intangible assets (continued)

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

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

1.6 Financial instruments

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

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

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

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

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

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

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

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

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

1.6 Financial instruments (continued)

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;
- 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.

Significant Accounting Policies

1.6 Financial instruments (continued)

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.

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**
Other Financial assets	Financial asset measured at amortised cost
Cash and cash equivalents	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**
Other Financial liabilities	Financial liability measured at amortised cost
Payables from exchange transactions	Financial liability measured at amortised cost
Payables from non-exchange transactions	Financial liability measured at amortised cost

1.7 Leases

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

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

Finance leases - lessor

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

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

Significant Accounting Policies

1.7 Leases (continued)

Finance leases - lessee

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

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

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

Operating leases - lessor

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

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

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

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

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

Operating leases - lessee

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

1.8 Cash and cash equivalents

Cash comprises cash on hand and demand deposits.

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

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

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

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

Bank overdrafts which are repayable on demand forms an integral part of the entity's cash management activities, and as such are included as a component of cash and cash equivalents.

1.9 Impairment of cash-generating assets

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

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

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

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

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

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

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

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

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

Identification

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

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

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

Value in use

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

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

Significant Accounting Policies

1.9 Impairment of cash-generating assets (continued)

Basis for estimates of future cash flows

In measuring value in use the municipality:

- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and
- estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used, unless a higher rate can be justified.

Discount rate

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

1.9 Impairment of cash-generating assets (continued)

Cash-generating units

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

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

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

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

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

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

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

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

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

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

Significant Accounting Policies

1.9 Impairment of cash-generating assets (continued)

Reversal of impairment loss

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

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

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

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

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

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

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

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

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

1.10 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.

Significant Accounting Policies

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

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

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

Recoverable 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.

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.

Significant Accounting Policies

1.11 Employee benefits

Short-term employee benefits

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

Short-term employee benefits include items such as:

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

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

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

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

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

Significant Accounting Policies

1.11 Employee benefits (continued)

Post-employment benefits

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

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

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

Post-employment benefits: Defined contribution plans

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

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

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

Significant Accounting Policies

1.11 Employee benefits (continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

- the present value of the defined benefit obligation at the reporting date;

1.11 Employee benefits (continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Significant Accounting Policies

1.11 Employee benefits (continued)

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is [OR is not] presented as the net of the amount recognised for a reimbursement.

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

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

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

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

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

Employee benefits

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

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

the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or

the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:

- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Significant Accounting Policies

1.11 Employee benefits (continued)

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

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

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

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

1.12 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.

Significant Accounting Policies

1.12 Provisions and contingencies (continued)

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 29.

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 Provisions and contingencies (continued)

Decommissioning, restoration and similar liability

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

If the related asset is measured using the cost model:
- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity tests the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.9 and 1.10.

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

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

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

1.13 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.

Significant Accounting Policies

1.13 Revenue from exchange transactions (continued)

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).

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

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

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

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

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

Significant Accounting Policies

1.13 Revenue from exchange transactions (continued)

Interest, royalties and dividends

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

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

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

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

Dividends or similar distributions are recognised, in surplus or deficit, when the municipality's right to receive payment has been established.

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

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.

1.14 Revenue from non-exchange transactions (continued)

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.

Recognition

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

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

Measurement

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

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

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 Comparative figures

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

1.16 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.

1.17 Fruitless and wasteful expenditure

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

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial
performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of
the expense

1.18 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 recorded in the notes to the financial statements when confirmed. The amount recorded is equal
to the value of the irregular expenditure incurred, unless it is impractical to determine, in which case reasons therefore
must be provided in the notes

Irregular expenditure receivables are measured at the amount that is expected to be recovered and are de-recognised
when settled or written-off as irrecoverable

1.19 Segment information

A segment is an activity of an entity:

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

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

Measurement

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

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

Significant Accounting Policies

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 cash basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 7/1/2023 to 6/30/2024.

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).

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.

1.23 Separate financial statements

Consolidated financial statements are the financial statements of the economic entity in which the assets, liabilities, net assets, revenue, expenses and cash flows of the entity as a controlling entity, and its controlled entities, are presented as those of a single economic entity.

The equity method is a method of accounting whereby the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the investor's share of the investee's net assets. The investor's surplus or deficit includes its share of the investee's surplus or deficit and the investor's net assets includes its share of changes in the investee's net assets that have not been recognised in the investee's surplus or deficit.

An investment entity is an entity that obtains funds from one or more investors for the purpose of providing those investor(s) with investment management services, that has the purpose of investing funds solely for returns from capital appreciation, investment revenue, and which measures and evaluates the performance of substantially all of its investments on a fair value basis.

Separate financial statements are those presented by the entity, in which the entity could elect to account for its investments in controlled entities, joint ventures and associates either at cost, in accordance with the GRAP Standard on Financial Instruments or using the equity method as described in the accounting policies on Investments in Associates and Joint Ventures.

In the entity's separate financial statements, investments in controlled entities, associates and joint ventures are carried at cost;

In the entity's separate financial statements, investments in controlled entities are carried at cost;

In the entity's separate financial statements, investments in associates are carried at cost;

In the entity's separate financial statements, investments in joint ventures are carried at cost.

Separate financial statements are prepared in accordance with all applicable accounting policies, except:

- Similar investments in controlled entities are accounted for at cost;
- Joint ventures are accounted for at cost;
- Associates are accounted for at cost.

The entity as a controlling entity, which is not itself an investment entity, measures its investment in a controlled investment entity in accordance with the above, in its separate financial statements.

When the entity as controlling entity ceases to be an investment entity, or becomes an investment entity, it accounts for the change from the date when the change in status occurred, as follows:

1.23 Separate financial statements (continued)

- When the entity ceases to be an investment entity, the entity accounts for an investment in a controlled entity in accordance with the above. The date of the change of status is the deemed acquisition date. The fair value of the controlled entity at the deemed acquisition date represents the transferred deemed consideration when accounting for the investment as above.
- When the entity becomes an investment entity, it accounts for an investment in a controlled entity at fair value. The difference between the previous carrying amount of the controlled entity and its fair value at the date of the change of status is recognised as a gain or loss in surplus or deficit. The cumulative amount of any gain or loss previously recognised directly in net assets in respect of those controlled entities is treated as if the investment entity had disposed of those controlled entities at the date of change in status.

When the entity elects to measure its investments in associates or joint ventures at fair value, it also accounts for those investments in the same way in its separate financial statements.

Where the entity as controllong entity is required to measure its investment in a controlled entity at fair value, it also accounts for that investment in the same way in its separate financial statements.

Dividends or similar distributions from a controlled entity, a joint venture or an associate are recognised in the separate financial statements of the entity when the entity's right to receive the dividend or similar distribution is established. The dividend or similar distribution is recognised in surplus or deficit unless the entity elects to use the equity method, in which case the dividend or similar distribution is recognised as a reduction from the carrying amount of the investment.

When a controlling entity reorganises the structure of its economic entity by establishing a new entity as its controlling entity in a manner that satisfies the following criteria:

- The new controlling entity obtains control of the original controlling entity either (a) by issuing equity instruments in exchange for existing equity instruments of the original controlling entity or (b) by some other mechanism which results in the new controlling entity having a controlling ownership interest in the original controlling entity;
- The assets and liabilities of the new economic entity and the original economic entity are the same immediately before and after the reorganisation; and
- The owners of the original controlling entity before the reorganisation have the same absolute and relative interests in the net assets of the original economic entity and the new economic entity immediately before and after the reorganisation;

and the new controlling entity accounts for its investment in the original controlling entity at cost in its separate financial statements, the new controlling entity measures cost at the carrying amount of its share of the net asset items shown in the separate financial statements of the original controlling entity at the date of the reorganisation

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.Statutory receivables can arise from both exchange and non-exchange transactions

Recognition

Statutory receivables are recognised when the related revenue (exchange or non-exchange revenue) is recognised or when the receivable meets the definition of an asset. The Economic Entity initially measure 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 subsequently changed to reflect any interest or other charges that may have accrued on the receivable, less any impairment losses and amounts derecognised.

1.24 Statutory receivables (continued)

Impairment and uncollectibility of statutory receivables

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

If there is an indication that a statutory receivable, 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, statutory receivables, is reduced, through the use of an allowance account. The amount of the losses is recognised in Statement of Financial Performance. In estimating the future cash flows, 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 municipality discounts the estimated future cash flows using a rate that reflects the current risk-free rate , any risks specific to the statutory receivable, for which the future cash flow estimates have not been adjusted.

An impairment loss recognised in prior periods for a statutory receivable is revised if there has been a change in the estimates used since the last impairment loss was recognised, or to reflect the effect of discounting the estimated cash flows. Any previously recognised impairment loss is adjusted by adjusting the allowance account. The amount of any adjustment is recognised in the Statement of Financial Performance.

Derecognition

The Municipality derecognises a statutory receivable when the rights to the cash flows from the receivable are settled, expire or are waived or the Municipality transfers the receivable and substantially all the risks and rewards of ownership of the receivable to another entity

When the Municipality, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of receivable to another entity, the Municipality derecognises the receivable and recognises separately any rights and obligations created or retained in the transfer

1.25 Inventories

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

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

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

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

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

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

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

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

Significant Accounting Policies

1.25 Inventories (continued)

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

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

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

Standard/ Interpretation:	**Effective date: Years beginning on or after**	**Expected impact:**
• iGRAP 22 Foreign Currency Transactions and Advance Consideration	April 1, 2025	Unlikely there will be a material impact
• GRAP 104 (as revised): Financial Instruments	April 1, 2025	Unlikely there will be a material impact

Notes to the Annual Financial Statements

Figures in Rand

3. Property, plant and equipment

	2025			2024		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Machinery & Equipment	8,760,143	(6,206,524)	2,553,619	9,315,720	(6,091,929)	3,223,791
Furniture & Office Equipment	6,474,128	(5,463,343)	1,010,785	6,206,626	(5,718,252)	488,374
Transport Assets	17,185,814	(4,951,627)	12,234,187	9,946,483	(4,712,424)	5,234,059
Computer Equipment	11,907,550	(8,720,446)	3,187,104	11,454,935	(8,400,917)	3,054,018
Infrastructure Assets	36,563,626	(21,743,333)	14,820,293	36,563,625	(21,377,014)	15,186,611
Community Assets	28,559,597	(6,049,110)	22,510,487	28,559,597	(4,946,742)	23,612,855
Total	**109,450,858**	**(53,134,383)**	**56,316,475**	**102,046,986**	**(51,247,278)**	**50,799,708**

Reconciliation of property, plant and equipment - 2025

	Opening balance	Additions	Disposals	Additions to Work in Progress	Transfer out of work in Progress	Transfer Work in Progress to cost	Depreciation	Total
Machinery & Equipment	3,223,791	-	(14,996)	-	-	-	(655,176)	2,553,619
Furniture & Office Equipment	488,374	591,987	(808)	-	-	-	(68,768)	1,010,785
Transport Assets	5,234,059	7,205,046	-	-	-	-	(204,918)	12,234,187
Computer Equipment	3,054,018	1,235,146	(46,747)	-	-	-	(1,055,313)	3,187,104
Infrastructure Assets	15,186,611	-	(130)	-	-	-	(366,188)	14,820,293
Community Asset	23,612,855	-	(295)	-	-	-	(1,102,073)	22,510,487
	50,799,708	**9,032,179**	**(62,976)**	**-**	**-**	**-**	**(3,452,436)**	**56,316,475**

Notes to the Annual Financial Statements

3. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2024

	Opening balance	Prior period error	Additions	Disposals	Additions to Work in progress	Transfer out of work in progress	Transfer work in progress to cost	Depreciation and impairment	Total
Machinery & Equipment	2,544,029	(6,627)	1,209,625	-	-	-	-	(523,236)	3,223,791
Furniture & Office Equipment	315,020	35,793	233,859	-	-	-	-	(96,298)	488,374
Transport assets	5,438,612	(640)	-	-	-	-	-	(203,913)	5,234,059
Computer Equipment	3,507,042	19,572	799,381	(4,578)	-	-	-	(1,267,399)	3,054,018
Infrastructure Assets	10,981,072	(676)	3,043,255	-	1,427,707	(7,836,909)	7,836,909	(264,747)	15,186,611
Community Assets	4,476,096	(490,937)	20,000,000	-	-	-	-	(372,304)	23,612,855
	27,261,871	**(443,515)**	**25,286,120**	**(4,578)**	**1,427,707**	**(7,836,909)**	**7,836,909**	**(2,727,897)**	**50,799,708**

Assets under investigation

Assets with a Net Book Value of R 495 004 could not be physically verified by management as at 30 June 2025 (2024: R759 197.63).
These assets will be investigated by management in the 2025/2026 financial year to confirm their existence

The reason for the inability to verify the assets was due to the following:
- Lack of access to locked offices due to Civic Center building declared unsafe;
- Officials not producing their tools of trade for verification
- Lack of access to Schools;
'- IT department not producing asset transfer forms to update correct custodian;
'- civil unrest and numerous hijacking attempts

Notes to the Annual Financial Statements

3. Property, plant and equipment (continued)

Fully depreciated assets

Fully depreciated assets still in use are included in the Machinery & Equipment, Furniture & Office Equipment, Computer Equipment, Infrastructure, Computer Software and Transport Assets balance. The majority are old assets purchased in 2008-2018 for which the useful lives have not been extended and management plans to dispose and replace these assets in the near future.

4 009 assets have been impaired in the prior year and is under investigation for write off. Net book value as a result of the residual value of these assets amounts to 2025: Nil (2024: Nil) . The useful life for the assets was evaluated and no adjustment on the useful life will be made for these assets.

3. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2025

	Included within Infrastructure-Water project	Total
Opening balance	4,030,087	4,030,087
Additions/capital expenditure	-	-
	4,030,087	**4,030,087**

Reconciliation of Work-in-Progress 2024

	Infrastructure water project	Infrastructure Sanitation project	Total
Opening balance	2,602,380	7,836,909	10,439,289
Additions/capital expenditure	1,427,707	-	1,427,707
Transferred to completed items	-	(7,836,909)	(7,836,909)
	4,030,087	**-**	**4,030,087**

Notes to the Annual Financial Statements

Figures in Rand

3. Property, plant and equipment (continued)

Maintenance of property, plant and equipment

Maintenance of property, plant and equipment by condition - 2025

	Preventative Maintenance		Corrective Maintenance	
	Condition Based	Total	Total	Total
Buildings	935,093	935,093	-	935,093
Other	28,609	28,609	-	28,609
Motor vehicles	1,093,381	1,093,381	-	1,093,381
	2,057,083	**2,057,083**	**-**	**2,057,083**

Maintenance of property, plant and equipment by condition - 2024

	Preventative Maintenance		Corrective Maintenance	
	Condition Based	Total	Total	Total
Buildings	256,515	256,515	-	256,515
Other	112,330	112,330	-	112,330
Motor vehicles	716,028	716,028	-	716,028
	1,084,873	**1,084,873**	**-**	**1,084,873**

Sec 63 MFMA

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

3. Property, plant and equipment (continued)

Work in progress

Infrastructure:
The work in progress consists of work already carried out for the water project. To date cost capitalised under WIP are as follows: Capitalised Expenditure 2025: R0 (2024: R1 427 707).

Notes to the Annual Financial Statements

Figures in Rand

4. Intangible assets

	2025			2024		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	17,238,934	(8,450,477)	8,788,457	14,920,012	(6,201,265)	8,718,747

Reconciliation of intangible assets - 2025

	Opening balance	Additions	Disposals	Additions to Work in Progress	Transfer out of Work in Progress	Transfer Work in Progress to Cost	Amortisation	Total
Computer software, other	8,718,747	379,793	-	1,939,130	(8,325,211)	8,325,211	(2,249,213)	8,788,457

Reconciliation of intangible assets - 2024

	Opening balance	Prior period error	Additions	Additions to Work in progress	Amortisation	Total
Computer software, other	7,248,691	673,639	150,000	1,460,870	(814,453)	8,718,747

Intangible assets in the process of being constructed or developed

The work in progress consists of work already carried out for the Financial System. To date cost capitalised under WIP are as follows:Capitalised expenditure 2025: R0 (2024: R1 460 870.00)

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

5. Payables from exchange transactions

	2025	2024
Trade payables	11,219,689	8,396,134
Other creditors clearing account	-	-
Compensation Commissioner	828,672	23,990
Salary clearing account	(43,910)	3,339
	12,004,451	**8,423,463**

The ageing of Trade payables is summarised below:

Trade payables:. relate to Accruals at year ended 30 June 2025

Compensation Commissioner:.Provision made relating to 2024/25 financial year

Salary clearing account: relate to suspence account

Leave and bonus provision is reclassified to Employee benefit obligation as per GRAP 25.

DESCRIPTION	0-6 MONTHS	7 TO 12 MONTHS	13 TO 24 MONTHS	OVER 2 YEARS	Total
Trade payables	11,175,779	-	-	-	11,175,779
Compensation commissioner	804,682	-	23,990	-	828,672
	11,980,461	**-**	**23,990**	**-**	**12,004,451**

6. Payables from non-exchange transactions

	2025	2024
Other payables from non-exchange transactions	348,023	347,159

	0-6 MONTHS	**7 TO 12 MONTHS**	**13 TO 24 MONTHS**	**OVER 2 YEARS**	**Total**
Payables from non exchange	-	-	-	348,023	348,023

7. Employee benefit obligation

Defined benefit plans

Post retirement medical aid liability

The Muinicipality provides certain post retirement medical benefits by funding the medical aid contributions of certain retired members of the Municipality. According to the rules of the medical aid funds,with which the Municipality is associated, a member(who is on the currecnt conditions of service), on retirement is entitled to remain a continued member of such medical aid fund, in which case the Municipality is liable for a certain portion of the medical aid membership fee.The Municipality operates an unfunded defined benefit plan for these qualifying employees.

The most recent Actuarial valuations of plan assets and the present value of the unfunded undefined benefit obligation were carried out as at 30 June 2025 by Arch Actuarial consulting, a member of the Actuarial Society of South Africa The present value of the defined benefit obligation, and the related current service cost and past service cost were measured using the projected unit credit method.No other post retirement benefits are provided by the Municipality.

The plan is a final salary pension / flat plan or a post employment medical benefit plan

Post retirement medical aid plan

The Municipality makes monthly contributions for health care arrangements to the following medical aid schemes
-Bonitas
-Sizwe Hosmed;
-LA Health;
-Key Health
-Samwumed

The current service cost for the the year ending 30 June 2025 is estimated at R790 000.00 it is estimated to be R944 000.00 for the ensuing year. The Post Employment Health Care Benefit Plan is a defined benefit plan,of which the members are made up as follows:

	2025	2024
Eligible Employees		
Total number of eligible employees	152	158
Number of in-service members	137	142
Average age	45	44
Average past service	11	11
Average current value of post-employment subsidy p.m.	3,409	3,229
Number of in-service non-members	15	16
Average age	46	47
Average past service	8	8
Average current value of post-employment subsidy p.m	3,367	3,349
	-	-

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

7. Employee benefit obligation (continued)

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

Carrying value		
Opening balance	(17,791,000)	(15,410,000)
Current service cost	(790,000)	(745,000)
Interest cost	(2,149,000)	(1,960,000)
Expected subsidy (benefit) payments	685,000	-
Actuarial gains/(losses)	(551,000)	324,000
	(20,596,000)	**(17,791,000)**

Non-current liabilities	(19,844,000)	(17,106,000)
Current liabilities	(21,037,152)	(18,979,938)
	(40,881,152)	**(36,085,938)**

This is an estimate of subsidies (benefit) paid in respect of continuation members based on the data at the previous valuation date. If the actual amount of subsidies paid is used instead of this estimate, then the Actuarial loss /(Gain) must change to exactly offset the impact, such that the closing Accrued Liability remains unchanged, for example if the actual amount of subsidies paid is R100 000.00 less than the estimate, then the Actuarial Loss/ (Gain) would have to reduce by R100 000.00 to leave the closing Accrued Liability as is.

Figures in Rand	2025	2024

7. Employee benefit obligation (continued)

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	11.30 %	12.31 %
CPI inflation rate	5.30 %	7.78 %
Medical aid contribution inflation rate	7.10 %	5.46 %
Net discount rate (medical aid contributions)	3.90 %	6.28 %
Maximum subsidy inflation rate	4.70 %	4.20 %
Net discount rate (maximum subsidy)	6.30 %	6.50 %

7. Employee benefit obligation (continued)

The following tests of reasonability were performed on the data received (where applicable)

Eligible employees and continuation members were checked for completeness of date of birth, gender, income where necessary, and medical aid scheme, option and dependants. Employees' dates of employment were also checked

In addition, the following data checks were performed for both employees and continuation members, where applicable:

The effect of the major categories of plan assets is as follow:

- dates are valid;
- ages within reasonable ranges;
- periods of employment within reasonable ranges, and consistent with dates of birth; and
- incomes within reasonable ranges

The following statistics were calculated for both employees and continuation members, where applicable, and were checked
for reasonability:

Salaries - Changes in an index or other variable specified in the formal or constructive terms of a plan as the basis for future
benefit increases:
- average age;
- average number of dependants;
- average period of employment; and
- average subsidy per month.

Where information was not clear or not provided, the valuation was conducted on the premise that the information provided
was correct or appropriate assumptions were made.

It is difficult to predict future investment returns and inflation rates. The relationship between them is more stable and therefore easier to predict. GRAP 25 requires that financial assumptions be based on market expectations at this Valuation for the period over which the defined benefit obligation (DBO) is to be settled.

Discount Rate
GRAP 25 stipulates that the choice of this rate should be derived from government bond yields consistent with the estimated term of the post-employment DBO. However, where there is no deep market in government bonds with a sufficiently long maturity to match the estimated term of all the benefit payments, current market rates of the appropriate term should be used to discount shorter term payments, and the discount rate for longer maturities should be estimated by extrapolating current market rates along the yield curve

Consequently, a discount rate of 11.3% per annum has been used. The corresponding Index-linked yield at this term is 5.3%. These rates do not reflect any adjustment for taxation. These rates were deduced from the interest rate data obtained from the Johannesburg Stock Exchange after the market close on 28 June 2025.

These yields were obtained by calculating the duration of the DBO and then taking the fixed-interest and index-linked yields from the respective yield curves at that duration using an iterative process (because the yields depend on the duration, which in turn depends on the DBO).

Figures in Rand	2025	2024

7. Employee benefit obligation (continued)

Medical aid contribution Inflation rate
This assumption is required to reflect estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs (for example, due to technological advances or changes in utilisation patterns). Any assumption regarding future medical scheme contribution increases is therefore subjective.

Medical aid contribution inflation rate of 7.1% has been assumed. This is 1.8% in excess of expected CPI inflation over the expected term of the DBO, namely 5.3% per annum. A larger differential would be unsustainable, eventually forcing members to less expensive options. This implies a net discount rate of 3.9% which derives from ((1+11.3%)/(1+7.1%))-1

The CPI inflation assumption of 5.3% was obtained from the differential between market yields on index-linked bonds consistent with the estimated term of the DBO (5.2%) and those of fixed interest bonds (11.3%) with a risk premium adjustment for the uncertainty implicit in guaranteeing real increases (0.50%). The next contribution increase was assumed to occur with effect from 1 January 2026.

Maximum Subsidy Inflation Rate
This assumption is required to reflect estimated future changes in the maximum amount to which subsidies are limited. This maximum amount is set at R 5,791.15 per family per month for the year ending 30 June 2026. The annual increases to this maximum amount are periodically specified by the local government bargaining council.

Recent past annual increases balanced with sustainability needs of employees have resulted in this assumption being set at 75% of salary inflation. The future salary inflation assumption of 6.3% per annum, was set to be 1.00% above expected CPI inflation. Thus a maximum subsidy inflation assumption of 4.7% per annum was used. The next increase to the maximum subsidy was assumed to occur with effect from 1 July 2026.

Reconciliation of Employee benefit obligation

Post employment medical aid subsidy liability	20,596,000	17,791,000
Leave Accrual	17,437,280	15,560,020
13th Cheque Accrual	2,847,872	2,734,918
	40,881,152	**36,085,938**

Accrual for 13th cheque and leave pay
Accruals for 13th cheque amounts to one month's basic salary payable once in the financial year. The 13th cheque will be pro-rated for empoyees commencing employment during the year and have not completed a full year of service.

Accrual for leave pay relates to employees' entitlement to annual leave that is due as a result of services rendered by employees up to reporting date. The accrual has been calculated based on salary rates effective on the reporting date.

8. Receivables from exchange transactions

Prepaid expenses	1,400,152	1,400,152
Salaries and bank clearing account	747,540	769,037
Accrual- Interest on call deposit	530,507	218,630
Other debtors	394,532	394,297
Less: Allowance for doubtful debt	-	235
	3,072,731	**2,782,351**

Figures in Rand	2025	2024

8. Receivables from exchange transactions (continued)

Prepaid Expenses- Payment made relates to procurement of Municipal Offices at Ventersdorp which were procured through attorney Toka Machabaphala

Salaries and bank clearing account- Relates to Staff debtors (Overpayments made)

Accrual-Interest on call deposit- Accrued interest earned on fixed deposit investment with Absa bank

Other debtors- Payments made errously to suppliers

Receivables from exchange transactions	0-6 MONTHS	7 TO 12 MONTHS	13 TO 24 MONTHS	OVER 2 YEARS		Total
Prepaid expenses	-	-	1,400,152	-	-	1,400,152
Salaries and bank clearing account	-	-	747,540	-	-	747,540
Accrual- Interest on call deposit	530,507	-	-	-	-	530,507
Other debtors	-	-	174,428	219,869	-	394,297
Less: Allowance for doubtful debt	-	-	-	235	-	235
Subtotal	530,507	-	2,322,120	220,104	-	3,072,731
	530,507	**-**	**2,322,120**	**220,104**	**-**	**3,072,731**

9. Receivables from non-exchange transactions

	2025	2024
Receivables from non-exchange revenue-Equitable share	166,000	-

Receivables from non-exchage transaction result from shortfall amounting to R166 thousand on transfer of third trench Equitable share (which was scheduled to be received on the 12 March 2025 as per the NT Payment schedule). Management wrote to National treasury alerting them of the shortfall and in response the National treasury admitted and commited to transfer the shortfall amounting to R166 thousand during the 2025/2026 Financial year..

Heading	**0-6 MONTHS**	**7 TO 12 MONTHS**	**13 TO 24 MONTHS**	**OVER 2 YEARS**	**Total**
Receivables from non exchage	166,000	-	-	-	166,000

10. VAT receivable

	2025	2024
VAT Control	557,299	1,005,408
VAT Input Accrual	1,237,986	-
	1,795,285	**1,005,408**

VAT 201 returns are submitted monthly on a payment basis

11. Cash and cash equivalents

Cash and cash equivalents consist of:

Figures in Rand	2025	2024

11. Cash and cash equivalents (continued)

Cash on hand	6,600	6,600
Bank balances	13,420,488	15,068,507
Short-term deposits	30,000,000	30,000,000
Not reconciled items/Payments not cashed at 30 June	-	6,600
Take on	-	2,382
	43,427,088	**45,084,089**

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
Current account (Primary bank account ABSA Klerksdorp account no:950000627	12,295,811	13,978,821	58,820,905	12,295,811	13,985,421	55,737,506
Current Account Local Government support Grant Absa Account no:4056438304	1,131,277	1,096,286	1,044,868	1,131,277	1,096,286	1,044,868
Absa-Investment Fixed deposit 20-8162-8405	-	30,000,000	-	-	30,000,000	-
Fixed deposit Investments-Standard bank-038659190-313	30,000,000	-	-	30,000,000	-	-
Agency Take on	-	2,382	-	-	2,382	-
Total	**43,427,088**	**45,077,489**	**59,865,773**	**43,427,088**	**45,084,089**	**56,782,374**

Figures in Rand	2025	2024

12. Accumulated surplus

Ring-fenced internal funds and reserves within accumulated surplus - 2025

	Capital replacement reserve	Total
Opening balance	1,588,167	1,588,167

Ring-fenced internal funds and reserves within accumulated surplus - 2024

	Capital replacement reserve	Total
Opening balance	1,588,167	1,588,167

13. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

	2025	2024
Unspent conditional grants and receipts		
Energy & demand side mng grant	103	-
Fire support grant	3,000	2,835
Rural Roads Asset Management Grant	1	165
	3,104	**3,000**

14. Long service award liability

At the previous valuation, it was understood that there is no award upon reaching 5 years of service. At this valuation, it was established that there is a 5-year award of 5 leave days.

The Municipality offers employees LSA for every five years of service completed, from five years of service to 45 years of service, inclusive.

The Municipality indicates that employees' costs to council, referred to as "earnings" in the Actuarial valuation of the net defined liability report, are used to determine the Rand value of LSA.

In the month that each "Completed Service" milestone is reached, the employee is granted an LSA. Working days awarded
are valued at 1/250th of annual earnings per day.

In estimating the LSA net defined benefit of the Municipality a number of actuarial assumptions are required. The GRAP
25 Statement places the responsibility on management to set these assumptions, as guided by the principles set out in the
Statement and in discussion with the actuary.

14. Long service award liability (continued)

It should be noted that the valuation method and assumptions do not affect the ultimate cost of the LSA arrangement – this
is determined by actual experience and by the benefits provided. The method and assumptions influence how the DBO and Current-Service costs are recognised over time

Eligible employees were checked for completeness of date of birth, date of employment, gender, personnel sub-area and
earnings. Enquiries were made regarding any gaps in the data that were found

In addition, the following data checks were performed:
• dates are valid;
• ages within reasonable ranges;
• periods of employment within reasonable ranges, and consistent with dates of birth;
• genders, dates of birth and employment are consistent with any available prior year's data;
• genders and dates of birth are consistent with any ID numbers provided;
• ages at the time of employment are reasonable;
• earnings within reasonable ranges;
• changes in earnings are reasonable when compared to any available prior year data.

The following statistics were calculated and compared for reasonability with the corresponding statistics as at the previous
valuation:
• average age and earnings-weighted average age;
• average past service and earnings-weighted average past service; and
• average monthly earnings.

Where information was not clear or not provided, the valuation was conducted on the premise that the information provided
was correct or appropriate assumptions were made

Discount Rate
GRAP 25 stipulates that the choice of this rate should be derived from government bond yields consistent with the estimated term of the DBO. However, where there is no deep market in government bonds with a sufficiently long maturity to match the estimated term of all the benefit payments, current market rates of the appropriate term should be used to discount shorter term payments, and the discount rate for longer maturities should be estimated by extrapolating current market rates along the yield curve

Consequently, a discount rate of 10% per annum has been used. The corresponding liability-weighted index-linked yield is 5.3%. These rates do not reflect any adjustment for taxation, and were deduced from the interest rate data obtained from the JSE after the market close on 28 June 2025.

These yields were obtained by calculating the duration of the DBO and then taking the fixed-interest and index-linked yields from the respective yield curves at that duration using an iterative process (because the yields depend on the duration, which in turn depends on the DBO). The duration of the DBO was estimated to be 8.75 years.

Earnings Inflation Rate
This assumption is required to reflect the estimated growth in earnings of the eligible employees until retirement. It is important in that the LSA are based on an employee's earnings at the date of the award.

Figures in Rand	2025	2024

14. Long service award liability (continued)

The assumption is traditionally split into two components, namely general earnings inflation and promotional earnings escalation. The latter is considered under demographic assumptions.

General Earnings Inflation Rate
This assumption is more stable relative to the growth in Consumer Price Index (CPI) than in absolute terms. In most industries, experience has shown, that over the long-term, earnings inflation is between 1.0% and 1.5% above CPI inflation. The CPI inflation assumption of 4% per annum was obtained from the differential between market yields on index-linked bonds (5.3%) consistent with the estimated terms of the DBO and those of nominal bonds (10%) with a risk premium adjustment for the uncertainty implicit in guaranteeing real increases (0.50%). Thus, a general earnings inflation rate of 5% per annum over the expected term of the DBO has been assumed, which is 1.00% higher than the estimate of CPI inflation over the same term. This assumption reflects a net discount rate of 4.8%. It was assumed that the next general earnings increase will take place on 1 July 2026.

The Municipality does not pay any pro-rata LSA.

Reconciliation of Long Service Award

Defined benefit Obligation	(5,602,000)	(4,796,000)
Current service cost	(564,000)	(468,000)
Interest cost	(554,000)	620,000
Expected benefits vesting	1,291,000	(509,000)
Actuarial Gain	135,000	(449,000)
	(5,294,000)	**(5,602,000)**

Long Service Award

Current portion	(212,000)	(1,291,000)
Non-current portion	(5,082,000)	(4,311,000)
	(5,294,000)	**(5,602,000)**

15. Revenue

Sale of tender documents	3,478	20,957
Fees earned	-	103,810
Commissions received	17,133	135,744
Licensing and permits	1,374,873	659,960
Interest received - investment	5,723,356	9,178,792
Government grants & subsidies	228,286,446	222,258,561
	235,405,286	**232,357,824**

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

Sale of tender documents	3,478	20,957
Fees earned	-	103,810
Commissions received	17,133	135,744
Licensing and permits	1,374,873	659,960
Interest received - investment	5,723,356	9,178,792
	7,118,840	**10,099,263**

Figures in Rand	2025	2024

15. Revenue (continued)

The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Transfer revenue		
Government grants & subsidies	228,286,446	222,258,561

16. Investment revenue

Interest revenue		
Interest revenue	2,951,348	2,363,082
Investment and call deposit	2,772,008	6,815,710
	5,723,356	**9,178,792**

17. Transfer and subsidies

Other subsidies		
Busaries Non Employees	181,552	61,759
Dr Kenneth Kaunda Economic Development Agency	-	3,508,563
SMME Sport support (N12 Marathon)	329,000	-
Merit Bursaries Community & SMME support Arts and Culture	890,662	621,288
	1,401,214	**4,191,610**

18. Government grants & subsidies

Operating grants		
Equitable share	33,503,000	32,150,000
Disaster Capacity Grant-(NW COOP & TRAD AFFAIRS)	-	300,000
LG Seta Mandatory grant	1,094,549	2,592,561
Expanded Public Works Program	1,122,000	2,177,000
Finance Management Grant	1,000,000	1,000,000
RSC Replacement Grant	184,806,000	181,398,000
Rural Road Assets Management System Grant	2,761,000	2,641,000
Energy and efficincy demang side management grant	3,999,897	-
	228,286,446	**222,258,561**

Figures in Rand	2025	2024

18. Government grants & subsidies (continued)

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	9,977,446	8,710,561
Unconditional grants received	218,309,000	213,548,000
	228,286,446	**222,258,561**

Equitable share

Current-year receipts	33,477,525	32,150,000
Transferred to revenue	(33,503,000)	(32,150,000)
	(25,475)	**-**

The balance result from shortfall amounting to R166 thousand on transfer of Second trench Equitable share (which was scheduled to be received on the 04 December 2024 as per the NT Payment schedule). Management wrote to National treasury alerting them of the shortfall and in response the National treasury admitted and commited to transfer the shortfall amounting to R166 thousand during the 2025/2026 Financial year.

Fire Support Grant

Fire support grant	2,835	2,835

LG Seta Mandatory Grant

Current-year receipts	1,094,549	2,592,561
Conditions met - transferred to revenue	(1,094,549)	(2,592,561)
	-	-

Expanded Public Works Program

Current-year receipts	1,122,000	2,177,000
Conditions met - transferred to revenue	(1,122,000)	(2,177,000)
	-	-

Finance Management Grant

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

RSC Replacement Grant

Current-year receipts	184,665,475	181,398,000
Transferred to revenue	(184,806,000)	(181,398,000)
	(140,525)	**-**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

18. Government grants & subsidies (continued)

Rural Road Asset Management Grant

Balance unspent at beginning of year	166	166
Current-year receipts	2,761,000	2,641,000
Conditions met - transferred to revenue	(2,761,000)	(2,641,000)
	166	**166**

Disaster Capacity Grant- (NW COOP GOV & TRAD AFFAIRS)

Current-year receipts	-	300,000
Conditions met - transferred to revenue	-	(300,000)
	-	**-**

Energy and efficiency demand side grant

Current-year receipts	4,000,000	-
Conditions met - transferred to revenue	(3,999,897)	-
	103	**-**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

19. Employee related costs

Basic	88,991,244	80,276,679
Medical aid - company contributions	7,360,040	6,197,110
UIF	410,807	340,438
Bargaining Council	25,344	21,372
Leave pay provision charge	3,896,705	3,474,432
Cell phone allowance	1,506,542	1,367,622
Defined contribution plans	2,081,000	3,064,964
Overtime payments	224,952	319,612
Long-service awards	1,915,140	892,235
13th Cheques	7,007,721	5,735,295
Acting allowances	1,915,899	1,611,504
Car allowance	11,114,655	10,625,845
Housing benefits and allowances	615,381	599,464
Cash Gratuity allowance	54,240	106,477
Standby Allowance	983,017	1,523,599
Group life Insurance- Council contribution	971,502	814,367
Pension fund- Council contribution	14,553,552	12,874,534
Danger allowance	517,297	465,000
	144,145,038	**130,310,549**

Remuneration of municipal manager- MJ Ratlhogo

Annual Remuneration	1,130,697	1,065,516
Car Allowance	180,000	180,000
Other allowances-cellphone	30,000	30,000
Ad-hoc subsistance and travel	1,107	-
Cash gratuity allowances	20,340	20,340
Bonus	88,094	88,793
Leave sold	44,315	43,033
	1,494,553	**1,427,682**

Remuneration of chief finance officer-L Steenkamp

Annual Remuneration	288,918	799,296
Car Allowance	45,387	171,600
Bonus	17,930	66,608
Other allowances-cellphone	6,348	24,000
Ad-hoc subsistance and travel	-	2,918
Leave sold	203,127	33,202
Cash gratuity allowances	5,380	20,340
	567,090	**1,117,964**

CFO Extended Contract ended 4 October 2024

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

19. Employee related costs (continued)

Remuneration of Senior manager Corporate services-SC Abrams

Annual Remuneration	19,500	201,486
Car Allowance	-	7,636
Cash gratuity allowances	-	6,472
Leave sold	-	108,740
Car allowance/Travelling allowance	-	113,839
Bonus	-	30,503
	19,500	**468,676**

Senior Manager Corporate services resigned on the 26 October 2023.

Remuneration of Chief Audit Executive-SG Mtemekwana

Annual Remuneration	1,335,447	594,804
Cell phone Allowance	24,000	24,000
Ad-hoc subsistance and travell	2,314	-
car allowance/Travell allowance	313,056	313,056
Leave sold	19,319	29,052
Cash gratuity allowances	20,340	20,340
	1,714,476	**981,252**

Remuneration of Director District Economic Development-RM Rampedi

Annual Remuneration	1,458,970	756,300
Cell phone Allowance	24,000	24,000
Car allowance/Travelling allowance	120,000	120,000
Bonus	65,074	60,604
Leave sold	19,319	29,052
Cash gratuity allowances	20,340	20,340
	1,707,703	**1,010,296**

Remuneration of Director Community Services-MA Metswamere

Annual Remuneration	852,876	791,592
Car Allowance	180,000	180,000
Leave sold	10,446	55,189
Cell phone allowance	24,000	24,000
Bonus	71,073	65,966
Cash gratuity allowances	20,340	18,645
	1,158,735	**1,135,392**

Precautionary suspension since 10 May 2023.

Figures in Rand	2025	2024

19. Employee related costs (continued)

Acting CFO- JM Brown (5 October 2024-30 June 2025)

Acting allowance	64,914	-
Cell phone Allowance	4,938	-
	69,852	**-**

Mrs J Brown was appointed as CFO and resumed duties on 1 July 2025

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

19. Employee related costs (continued)

Acting Director Corporate services-MB Molefe

Annual Remuneration	-	24,864
Cell phone Allowance	-	2,752
	-	**27,616**

Acting Director Community services CP Mofokeng

Annual Remuneration	-	8,052
Cell phone Allowance	-	850
	-	**8,902**

Acting Director Corporate Services-LM Ramorola (1-31August 2024 and 1-31 October 2024)

Annual Remuneration	30,486	55,032
Cell phone Allowance	3,400	6,064
	33,886	**61,096**

Acting Director Community Services- KA Sothoane (1 July 2024- 31 October 2024) & (1 May 2025 to date)

Annual Remuneration	44,974	54,874
Cell phone Allowance	5,100	7,595
	50,074	**62,469**

Acting Director Corporate services-Octavius Baloyi (1 November 2024- to date)

Acting Allowance	67,823	-
Cell phone Allowance	4,950	-
	72,773	**-**

Acting Director Community Services-Tumelo Mosebi (1 November 2024- 30 April 2025)

Acting Allowance	53,580	-
Cell phone Allowance	4,250	-
	57,830	**-**

20. Remuneration of councillors

Executive Major	1,084,591	1,043,854
Mayoral Committee Members	3,555,626	4,131,215
Speaker	877,080	845,714
Councillors	5,325,348	5,335,460
Single Whip	825,872	802,937
	11,668,517	**12,159,180**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

20. Remuneration of councillors (continued)

Additional information

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

21. Depreciation and amortisation

Property, plant and equipment	3,452,436	2,727,888
Intangible assets	2,249,213	814,453
	5,701,649	**3,542,341**

22. Auditors' remuneration

Fees	5,866,294	5,033,353

23. General expenses

Assessment rates & municipal charges	1,738,348	1,496,255
Auditors remuneration	5,866,294	5,033,353
Bank charges	260,242	222,885
Fines and penalties	-	3,979
Hire Charges	1,116,947	16,045,244
Insurance	891,318	1,817,828
Conferences and seminars	393,592	822,113
Skills development levy	1,446,223	955,588
IT expenses	2,386,838	3,831,240
Compensation commssioner	1,498,935	746,521
Motor vehicle expenses	183,814	186,362
Printing and stationery	74,470	53,786
Protective clothing	402,792	467,504
License fees/communications	191,188	370,391
Subscriptions and membership fees	1,532,003	1,518,581
Telephone and fax	780,825	1,062,250
Travel and subsistence	1,454,855	1,655,142
Training	1,488,041	2,947,556
Toll gate fees	2,128	2,106
Office rental	4,939,730	4,458,605
Business expenses councillors and directors	119,804	106,165
Events and campaigns	2,397,169	5,592,309
Consumables	2,950,041	6,503,220
	32,115,597	**55,898,983**

24. Contracted services

Presented previously		
Outsorced Services	15,652,862	20,199,923
Repairs and maintenance/Maintenance of equipment	2,057,082	1,084,873
Consultants and Proffessional Services	15,402,755	13,588,947
Contractors	7,693,228	8,613,289
	40,805,927	**43,487,032**

Figures in Rand	2025	2024

24. Contracted services (continued)

The expenses for repairs and maintenance (maintenance of assets and equipment) for the current year as at 30 June 2025 amounts to R2 057 082.00 and R1 084 873.00 for the prior year

25. Cash generated from (used in) operations

	2025	2024
Deficit	(2,893,441)	(20,565,723)
Adjustments for:		
Depreciation and amortisation	5,701,649	3,542,341
Gain (loss) on discontinued operations	54,541	(30,361)
Movements in retirement benefit assets and liabilities	4,487,213	21,060,938
Changes in working capital:		
Receivables from exchange transactions	(290,380)	1,429,956
Vat receivables	(30,186,106)	819,437
Other receivables from non-exchange transactions	(166,000)	-
Payables from exchange transactions	3,580,993	(29,421,257)
VAT	29,396,229	-
Payables from non-exchange	864	(13,742)
Unspent conditional grants and receipts	104	-
	9,685,666	**(23,178,411)**

26. Operating deficit

Operating deficit for the year is stated after accounting for the following:

	2025	2024
Loss on sale of property, plant and equipment	(1,990,244)	(3,239,213)
Gain (loss) on sale of non-current assets held for sale and net assets of disposal groups	54,541	(30,361)
Amortisation on intangible assets	2,249,213	814,453
Depreciation on property, plant and equipment	3,452,436	2,727,888
Employee costs	155,813,555	142,469,729

27. Financial instruments disclosure

Categories of financial instruments

2025

Financial assets

	At amortised cost	Total
Receivables from exchange transactions	1,672,579	1,672,579
Cash and cash equivalents	43,427,088	43,427,088
	45,099,667	**45,099,667**

Financial liabilities

	At amortised cost	Total
Payables from exchange transactions	12,004,451	12,004,451

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

27. Financial instruments disclosure (continued)

2024

Financial assets

	At amortised cost	Total
Receivables from exchange transactions	1,382,199	1,382,199
Cash and cash equivalents	45,084,089	45,084,089
	46,466,288	**46,466,288**

Financial liabilities

	At amortised cost	Total
Payables from exchange transactions	8,423,459	8,423,459

Financial assets past due but not impaired-2025	**0-6 Months**	**7-12 Months**	**13-24 Months**	**Over 2 Years**	**Total**
Salary and Bank Clearing Account	-	120,925	133,212	493,403	747,540
Accrual - Interest on call deposit	530,507	-	-	-	530,507
Other Debtors	-	-	174,428	220,104	394,532
	530,507	**120,925**	**307,640**	**713,507**	**1,672,579**
Non-Exchange Transactions	166,000	-	-	-	166,000

Financial assets past due but not impaired-2024	**0-6 Months**	**7-12 Months**	**13-24 Months**	**Over 2 Years**	**Total**
Salary and Bank Clearing Account	103,810	-	135,295	394,636	633,741
Accrual - Interest on call deposit	218,630	-	-	-	218,630
Other Debtors	174,428	-	355,164	235	529,827
	496,868	**-**	**490,459**	**394,871**	**1,382,198**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

28. Operating Leases

Operating leases - as lessee (expense)

Minimum lease payments due		
- within one year	-	1,136,850
- in second to fifth year inclusive	1,136,850	1,800,013
- later than five years	-	-
	1,136,850	**2,936,863**

.

Hestifusion (Pty) LTD T/A Nashua North West:
Nature of the lease:
The lease agreement is between Hestifusion(PTY) LTD and Dr Kenneth Kaunda District Municipality to lease printers.
Terms of the lease
The lease agreement shall be for a period of 36 months commencing from 1 February 2023
Amount of the lease
The lease rental amount is R94 737.51 vat exclusive with an annual increase of 0.0%

Matlosana City Council:
Nature of the lease
The lease agreement is between City of Matlosana Local Municipality and Dr Kenneth Kaunda District Municipality to lease property situated in Orkney, Civic center, Patmore Road to Occupy as Municipal offices.
Term of lease
The Municipality will occupy the property in terms of the lease agreement as from 1 February 2002 for an indefinite period. Either party may cancel this lease agreement on 3 (three) months written notice
Amount of the lease:
The lease amount for the current financial year is R67 413.88 vat exclusive (No liability calculated as lease can be cancelled
within three months)

Colombia Falls properties 80 (PTY) LTD:
Nature of the lease:
The lease agreement is between Colombia Falls Properties 80 (PTY) LTD and Dr Kenneth Kaunda District Municipality to lease municipal offices at Orkney, Civic center ,Patmore road (opposite City of matlosana Building)

Amount of the lease
The lease amount for the current financial year is R233 846.05 vat exclusive

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

29. Contingencies

The municipality is currently engaged in litigation which could result in damages / costs being awarded against Council if claimants are successful in their actions. The following are the estimates

Contingent liabilities.

	2025	2024
Dr KKDM 56868/2012	-	-
The procurement process followed for photocopy machines was flawed and the contract was deemed to be null and void. The agreement was terminated and the rights of the Master Rental Agreement were then ceded by Toshiba to Merchant West Asset Rentals (MW Rentals). The litigation matter is still ongoing. The potential cost to DR KK amounts to R1 518 461.	1,518,461	1,518,461
Dr KKDM JR 2114/ 18	-	-
The applicant brought forward an unfair dismissal dispute following the termination of his fixed term employment contract in 2017. The litigation matter is still ongoing. The potential cost to DR KK amounts to R950 000..	950,000	950,000
Dr KKDM 172 / 2019	-	-
A disciplinary hearing arose as a result of the manger for legal services not being compensated for services rendered. The matter is still ongoing. The potential cost to DR KK amounts to R292 340..	292,340	292,340
Dr KKDM JS366/21 & JS532/21	-	-
JS366/21 - Applicant referred a dispute to the Labour Court averring that he has been victimized by the Respondent by making working conditions unbearable following his suspension in April 2021. JS 532/21 - Applicant alleged that the Respondent appointed Manager Administration and Records Management without proper qualifications. He claimed compensation for the humiliation caused by the appointment of the said employee. The manager has subsequently went on retirement in the 2024/2025 Financial Year and has agreed to withdraw the matter and serve a notice of withdrawal.	-	270,000
Dr KKDM NW/KLD/RC-63/21	-	-
The applicant alleges that the Municipality is indebted to them after services were rendered to install braai stands in parks around the district. The Municipality denies the claim as there was no formal procurement process followed and an agreement was established that the applicant was donating the braai stands. The matter is still ongoing. The potential cost to DR KK amounts to R241 000.	241,000	241,000
Disciplinary Hearing: Manager Legal Services	-	-
The disciplinary hearing of Manager Legal Services stems from his precautionary suspension on 8th April 2021.The matter has subsequently been closed as the employee has gone on retirement..	-	300,000
Disciplinary Hearing: Manager Legal Services	-	-
The disciplinary hearing of Manager Legal Services stems from his precautionary suspension on 8th April 2021. The matter has subsequently been closed as the employee has gone on retirement.	-	200,000

Figures in Rand	2025	2024
29. Contingencies (continued)		
Disciplinary Hearing: Senior Manager LED & Planning	-	-
During a disciplinary hearing held, the senior manager raised points that allegations of financial misconduct must be referred to the appropriate committee. The points that were provisionally upheld by the chairperson pending the Municipality referring the charges to the Financial Misconduct Board. The matter is still ongoing. The potential cost to DRK KK amounts to R700 000.	700,000	700,000
Dr KKDM JS 224/23	-	-
The applicant brought an application against the Municipality and the Executive Mayor for unfair discrimination in the Labour Court. The matter is still ongoing. The potential cost to DR KK amounts to R200 000.	200,000	200,000
Dr KKDM M423 / 2023	-	-
Our attorneys issued an application to compel Spar to comply with the By-Law in relation to the transgression of the Noise Control By-laws . Costs reserved to be argued and therefore the matter is still ongoing. The potental cost to DR KK amounts to R200 000.	200,000	200,000
Dr KKDM M631 / 22	-	-
The Municipality was served Notice of Motion filed by applicants seeking a court order directing the Municipality to furnish them with the SLA within 15 days of the order being granted, further directing the Municipality to pay the costs of the application on attorney and client scale as well as provide alternative relief.The matter has subsequently been finsalised.	-	300,000
Dr KKDM NWKD 2498/23	-	-
Both senior managers brought an unfair labour practice grievance in relation to unfair suspension.The arbitration was heard and commissioner handed down the arbitration award. The matter was subsequently finalised.	-	400,000
Review Application DrKKDM//Senior Manager Community Services	-	-
The Municipality instituted a review application against the arbitration award issued against the Municipality. The matter is still ongoing. The potential cost to DR KK amounts to R400 000.	400,000	400,000
	4,501,801	**5,971,801**

Contingent assets

Summons - Recovery Dr KKDM // Former Manager Administration and Records Management & Accountant Expenditure Case no:4342/25	-	-
A summons was issued to individuals who are alleged to have committed theft and money laundering against the Municipality. The Defendants made an offer to pay the amount the Municipality is claiming on the Summons.	1,123,978	-
	1,123,978	**-**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

30. Related parties

Relationships	
Controlled entities	Dr Kenneth Kaunda District Municipality Economic Agency (Liquidated)
Members of Council	Refer to General information page 1 & 2 for Councillors' names and relations
Members of key management	MJ Ratlhogo-Municipal Manager L Steenkamp- CFO (Extended Contract ended 4 October 2024) SG Mtemekwana- Chief Audit Executive RM Rampedi-Director LED and Planning MA Metswamere- Director Community services (On suspension) J Brown-Acting CFO Lerato Ramorola-Acting Director Corporate Services Sothaone KA-Acting Director Community services O Baloyi- Acting Director Corporate services T Mosebi- Acting Director Community services

Related party balances/ transactions

	2025	2024
Transfer payments grants		
DR Kenneth Kaunda District Municipality economic agency	-	3,508,563
	-	-
	-	-

	2025	2024
Remuneration of municipal manager- MJ Ratlhogo		
Annual Remuneration	1,130,697	1,065,516
Car Allowance	180,000	180,000
Other allowances-cellphone	30,000	30,000
Ad-hoc subsistance and travel	1,107	-
Cash gratuity allowances	20,340	20,340
Bonus	88,094	88,793
Leave sold	44,315	43,033
	1,494,553	**1,427,682**

	2025	2024
Remuneration of chief finance officer-L Steenkamp		
Annual Remuneration	288,918	799,296
Car allowance	45,387	171,600
Bonus	17,930	66,608
Other allowances-cellphone	6,348	24,000
Ad-hoc subsistance and travel	-	2,918
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Cash gratuity allowances	5,380	20,340
	567,090	**1,117,964**

Extended Contract ended 4 October 2024

Figures in Rand	2025	2024

30. Related parties (continued)

Remuneration of Senior manager Corporate services-SC Abrams

Annual Remuneration	19,500	201,486
Car allowance	-	7,636
Cash gratuity allowances	-	6,472
Leave sold	-	108,740
Bonus	-	30,503
Car Allowance	-	113,839
	19,500	**468,676**

Senior Manager Corporate services resigned on the 26 October 2023.

Remuneration of Chief Audit Executive-SG Mtemekwana

Annual Remuneration	1,335,447	594,804
Cell phone Allowance	24,000	24,000
car allowance/Travell allowance	313,056	313,056
Leave sold	19,319	29,052
Cash gratuity allowances	20,340	20,340
Ad-hoc subsistance and travel	2,314	-
	1,714,476	**981,252**

Remuneration of Director District Economic Development-RM Rampedi

Annual Remuneration	1,458,970	756,300
Cell phone Allowance	24,000	24,000
Car allowance/Travelling allowance	120,000	120,000
Bonus	65,074	60,604
Leave sold	19,319	29,052
Cash gratuity allowances	20,340	20,340
	1,707,703	**1,010,296**

Remuneration of Director Community Services-MA Metswamere

Annual Remuneration	852,876	791,592
Car allowance	180,000	180,000
Leave sold	10,446	55,189
Cell phone allowance	24,000	24,000
Bonus	71,073	65,966
Cash gratuity allowances	20,340	18,645
	1,158,735	**1,135,392**

Precautionary suspension since 10 May 2023.

Acting CFO-JM Brown (5 October 2024 -31 May 2025)

Acting Allowance	64,914	-
Cell phone Allowance	4,938	-
	69,852	**-**

Mrs J Brown was appointed as CFO and resumed duties on 1 July 2025

Acting Director Corporate services-MB Molefe

Acting Allowance	-	24,864

Notes to the Annual Financial Statements

Figures in Rand	2025	2024
30. Related parties (continued)		
Cell phone Allowance	-	2,752
	-	**27,616**
Acting Director Community services -CP mofokeng		
Acting Allowance	-	8,052
Cell phone Allowance	-	850
	-	**8,902**
Acting Director Corporate Services-LM Ramorola (1-31August 2024 and 1-31 October 2024)		
Acting Allowance	30,486	55,032
Cell phone Allowance	3,400	6,064
	33,886	**61,096**
Acting Director Community Services- KA Sothoane(1 July 2024- 31 October 2024) & (1 May 2025 to date)		
Acting Allowance	44,974	54,874
Cell phone Allowance	5,100	7,595
	50,074	**62,469**
Acting Senior Manager Corporate Service-Octavius Baloyi (1 November 2025 to date)		
Acting Allowance	67,823	-
Cell phone Allowance	4,950	-
	72,773	**-**
Acting Senior Manager Community services-Tumelo Mosebi (1 November 2024- 30 April 2025)		
Acting Allowance	53,580	-
Cell phone Allowance	4,250	-
	57,830	**-**

Figures in Rand	2025	2024

30. Related parties (continued)

Key management information

Class	Description	Number
Executive Mayor	Executive Authority	1
Speaker	Executive Authority	1
Single Whip	Executive Authority	1
Member of Mayoral Council	Executive Authority	6
Chairperson sec 79 Committees	Executive Authority	3
Chairperson of MPAC	Executive Authority	1
Councillors (Full time)/Directly elected	Executive Authority	8
Councillors (Part time)	Executive Authority	19

Remuneration of key management

Management class: Councillors

Notes to the Annual Financial Statements

Figures in Rand

30. Related parties (continued)

2025

Name	Allowance	Travelling	Cell	Medical Aid	Sitting	Travell	Pension	Total
NJ NUM	1,037,587	-	47,004	-	-	-	-	1,084,591
XC NXOZANA	593,784	205,058	47,004	31,234	-	-	-	877,080
SJ LESIE	486,734	192,409	47,004	-	-	-	74,294	800,441
MW MAKGATE	567,307	190,682	50,560	-	-	-	-	808,549
TR MAMPE	339,214	111,292	-	-	-	-	-	450,506
DM MATSAPOLA	495,545	192,410	47,004	-	-	-	83,104	818,063
LG MOLAPISI	503,353	192,410	47,004	18,374	-	-	83,104	844,245
OR THABANCHU	193,821	64,607	-	-	-	-	-	258,428
ZS MPHAFUDI	526,508	192,409	47,004	59,951	-	-	-	825,872
T LEKGARI	480,936	184,757	47,004	-	-	-	72,089	784,786
L RENTEKANE	251,438	82,500	-	-	-	-	-	333,938
PY MTHAWULANA	30,601	9,606	-	-	-	-	-	40,207
MI MANGESI	21,315	7,114	-	-	-	-	-	28,429
HFC JORDAAN	26,274	6,300	3,917	-	-	2,457	-	38,948
MOSIANE SEGOTSO	207,868	81,117	47,004	41,446	-	-	-	377,435
WA MOSTERT	281,620	-	47,004	-	-	-	46,742	375,366
NM SETSHOARO	247,245	81,117	47,004	-	-	268	-	375,634
ME OOSTHUIZEN	248,190	80,172	47,004	-	-	-	-	375,366
LK SHUPING	203,932	81,117	47,004	-	3,675	1,042	39,189	375,959
HM STRYDOM	247,245	81,117	47,004	-	-	-	-	375,366
KL VAN ZYL	247,245	81,117	47,004	-	-	-	-	375,366
CJ BESTER	-	-	-	-	28,148	136	-	28,284
BS FAKU	-	-	-	-	20,404	356	-	20,760
C HATTINGH	-	-	-	-	708	-	-	708
SL JONAS	-	-	-	-	39,830	1,422	-	41,252
KR KEGONTSE	-	-	-	-	17,954	672	-	18,626
KR LATHA	-	-	-	-	38,181	1,518	-	39,699
IT MEYA	-	-	-	-	32,122	4,796	-	36,918

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30. Related parties (continued)

IM MOKHELE	-	-	-	-	42,564	661	-	43,225
MP MOKONE	-	-	-	-	28,265	2,528	-	30,793
MR MOSHOLI	-	-	-	-	2,135	781	-	2,916
ME MOSWEU	-	-	-	-	11,925	466	-	12,391
HM MOTAUNG	-	-	-	-	12,644	899	-	13,543
A MOTHUPI	-	-	-	-	18,456	201	-	18,657
PE RAMPAI	-	-	-	-	27,936	2,037	-	29,973
L SCOTT	-	-	-	-	61,911	1,898	-	63,809
SP SESANA	-	-	-	-	3,350	-	-	3,350
MS TLOOME	-	-	-	-	27,658	967	-	28,625
H HODGSON	-	-	-	-	31,282	1,534	-	32,816
JJ LOURENS	-	-	-	-	28,275	741	-	29,016
NJ TSOLELA	45,906	15,302	3,917	-	28,519	619	-	94,263
KB KALI	-	-	-	-	16,188	210	-	16,398
MD DE BRUIN	-	-	-	-	16,006	-	-	16,006
JF TERBLANCHE	-	-	-	-	25,877	257	-	26,134
SP KLOPPERS	222,357	76,779	43,087	-	-	-	-	342,223
F KASONKOMONA	-	-	-	-	48,291	828	-	49,119
ITEBOGENG, Lebogang Victor	22,382	-	-	-	7,472	-	-	29,854
	7,528,407	**2,209,392**	**759,537**	**151,005**	**619,776**	**27,294**	**398,522**	**11,693,933**

Notes to the Annual Financial Statements

Figures in Rand

30. Related parties (continued)

2024

Name	Allowance	Travelling	Cell	Medical Aid	Sitting	Travell	Pension	Total
NJ NUM	990,646	-	53,208	-	-	-	-	1,043,854
XC NXOZANA	584,363	198,126	53,208	10,017	-	-	-	845,714
SJ LESIE	461,993	185,666	53,208	-	-	7,061	95,009	802,937
MW MAKGATE	557,002	185,666	53,208	-	-	-	-	795,876
TR MAMPE	321,876	107,292	10,200	-	-	-	-	439,368
DM MATSAPOLA	477,831	185,666	53,208	-	-	-	79,174	795,879
LG MOLAPISI	477,827	185,666	53,208	-	-	-	79,174	795,875
OR THABANCHU	281,591	93,864	10,200	-	-	-	-	385,655
ZS MPHAFUDI	495,904	185,666	57,394	53,755	-	-	-	792,719
T LEKGARI	448,684	180,295	53,208	-	-	-	92,202	774,389
L RENTEKANE	278,984	92,993	12,900	-	-	-	-	384,877
PY MTSHWAWULA	264,828	88,492	11,100	-	-	-	-	364,420
MI MANGESI	265,341	88,492	10,200	-	-	-	-	364,033
HFC JORDAAN	235,125	78,375	53,208	-	-	-	-	366,708
MOSIANE SEGOTSO	197,263	78,375	53,208	37,862	-	-	-	366,708
WA MOSTERT	268,966	-	53,208	-	-	-	44,534	366,708
NM SETSHOARO	230,281	76,760	49,589	-	-	-	-	356,630
ME OOSTHUIZEN	235,125	78,375	53,208	-	-	-	-	366,708
LK SHUPING	195,045	78,375	53,208	-	-	-	40,080	366,708
HM STRYDOM	235,125	78,375	53,208	-	-	-	-	366,708
KL VAN ZYL	235,125	78,375	53,208	-	-	-	-	366,708
CJ BESTER	-	-	-	-	30,740	1,001	-	31,741
BS FAKU	-	-	-	-	15,808	1,731	-	17,539
C HATTINGH	-	-	-	-	25,144	615	-	25,759
SL JONAS	-	-	-	-	53,093	3,328	-	56,421
KR KEGONTSE	-	-	-	-	19,822	3,656	-	23,478
KR LATHA	-	-	-	-	33,012	8,482	-	41,494
IT MEYA	-	-	-	-	27,158	7,684	-	34,842

Notes to the Annual Financial Statements

Figures in Rand

30. Related parties (continued)

IM MOKHELE	-	-	-	-	55,150	2,357	-	57,507
MP MOKONE	-	-	-	-	22,656	-	-	22,656
MR MOSHOLI	-	-	-	-	32,783	16,774	-	49,557
ME MOSWEU	-	-	-	-	26,942	2,590	-	29,532
HM MOTAUNG	-	-	-	-	10,300	4,826	-	15,126
LS MOTLHOIWA	-	-	-	-	37,371	16,719	-	54,090
PE RAMPAI	-	-	-	-	28,165	10,236	-	38,401
L SCOTT	-	-	-	-	40,910	1,790	-	42,700
SP SESANA	-	-	-	-	34,494	-	-	34,494
MS TLOOME	-	-	-	-	19,649	4,758	-	24,407
H HADSON	-	-	-	-	14,586	2,286	-	16,872
JJ LOURENS	-	-	-	-	28,481	4,901	-	33,382
	7,738,925	**2,324,894**	**906,495**	**101,634**	**556,264**	**100,795**	**430,173**	**12,159,180**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

31. Prior period errors

The prior period adjustments were made up as follows:

The take on from Agency in addition to other movements in the Municipality in the current year, resulting in the following:
1) An increase in VAT payables of R2 844 126.
2) A decrease in payables of R6 791 077.
3) A decrease in Property, Plant and Equipment of R443 519.
4) An increase in intangible assets of R673 640.
5) A decrease in Investment in Subsidiary of R120.
6) An increase in Cash and Cash Equivalents of R6 508 046
7) A decrease in Retained Earnings of R2 897 157

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

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

31. Prior period errors (continued)

Statemement of financial position and Statement of Financial performance

	2023/24	2022/23
VAT Payable	-	(2,844,126)
Payables from exchange transactions	-	(6,791,077)
Property, Plant and Equipment	-	(443,519)
Intangible Assets	-	673,640
Retained Earnings/Accumulated surplus	-	2,897,157
Investment in subsidiary	-	(120)
Cash and cash equivalent	-	6,508,046
Net assets adjustment	-	-

	Prior Period Audited Balance	Error Adjustment	Total
VAT Payables	-	(2,844,126)	(2,844,126)
Payables from exchange transactions	(19,927,321)	11,503,860	(8,423,461)
Property, Plant and Equipment	51,243,223	(443,519)	50,799,704
Intangible Assets	8,045,108	673,640	8,718,748
Investment in subsidiary	120	(120)	-
Cash and Cash Equivalents	38,576,043	6,508,046	45,084,089
Employee Benefit Obligation	-	(18,979,938)	(18,979,938)
Retained Earnings	(60,825,900)	2,897,157	(57,928,743)
Post Employment Medical Aid Liability	(685,000)	685,000	-
	16,426,273	-	**16,426,273**

Prior Period Error Relating to Disclosure (GRAP Reclassification):

Bonus provision and the leave liability provision does not meet the requirements of GRAP 104 Financial instruments, but should instead be classified as an employee beneift obligation as per GRAP 25.

Bonus provision and the leave liability provision have therefore been reclassified from payables to employee benefit obligation.

The reclassification resulted in the following:

1) An increase in employee benefit obligation of **R18 979 938**
2) A decrease in payables of **R18 294 938**
3) A decrease in post employment medical aid liability of **R685 000**

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.

The table below analyses the municipality's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

At 30 June 2025	**Less than 1 year**	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 years**	
Payables from non-exchange transactions	348,023	-	-	-	-
Payables from exchange transactions	12,004,451	-	-	-	-
	12,352,474	**-**	**-**	**-**	**-**

At 30 June 2024	**Less than 1 year**	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 years**	
Payables from non-exchange transactions	347,159	-	-	-	-
Payables from exchange transactions	8,423,459	-	-	-	-
	8,770,618	**-**	**-**	**-**	**-**

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 the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

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

Financial instrument	2025	2024
Receivables from exchange transactions	1,672,579	1,382,199
Cash and cash equivalents	43,427,088	45,084,089

33. Going concern

We draw attention to the fact that the below figures are in rands and at June 30, 2025, the municipality had an accumulated surplus (deficit) of 55,035,306 and that the municipality's total Assets exceed its Liabilities by 55,035,306.

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.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

34. Unauthorised expenditure

Opening balance as previously reported	75,698,064	72,189,501
Add: Unauthorised expenditure - current	-	-
Add: Unauthorised expenditure - prior period	-	3,508,563
Less: Amount recovered - current	-	-
Less: Amount recovered - prior period	-	-
Less: Amount authorised - current	-	-
Less: Amount authorised - prior period	-	-
Closing balance	**75,698,064**	**75,698,064**

35. Fruitless and wasteful expenditure

Opening balance as previously reported	12,372,036	12,133,575
Add: Fruitless and wasteful expenditure Prior period Agency	646,600	238,461
Add: Fruitless and wasteful expenditure identified - Current	120,905	-
Less: Amount recovered - current	-	-
Less: Amount recovered - prior period	-	-
Less: Amount written off - current	-	-
Less: Amount written off - prior period	-	-
Closing balance	**13,139,541**	**12,372,036**

The total amount of R120 905 relate to Payments erroneouly made to staff and the R646 600 relate to Agency Take on.

36. Irregular expenditure

Opening balance as previously reported	349,405,775	302,112,269
Add: Irregular expenditure - current	-	-
Add: Irregular expenditure - prior period Agency	-	-
Opening balance as Re-stated	349,405,775	302,112,269
Add: Irregular expenditure - current	27,967,629	47,293,506
Add: Irregular expenditure - prior period Agency	9,119,494	-
Less: Amount recovered - current	-	-
Less: Amount recovered - prior period	-	-
Less: Amount written off - current	-	-
Less: Amount written off - prior period	-	-
Closing balance	**386,492,898**	**349,405,775**

Figures in Rand	2025	2024

36. Irregular expenditure (continued)

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

	No disciplinary steps/criminal proceedings were initiated for the irregular expenditure incurred in the current and prior year	2025	2024
Non compliance with SCM regulation 28(1) (b)		-	712,000
Procurement made on expired contract and Non-comliance with SCM regulations (AGENCY)		9,119,494	-
Non Compliance with laws and regulation of treasury regulation framework contracts and PPPFA 2022-Not implementing rotational process as stated in tender document		5,637,010	13,931,571
Non-Compliance SCM Policy Sec,12.14, PPR 2017, Bid Adjudication Committee-Non-compliance to Preferential procurement Policy Framework Act and the Regulations - that the highest scored bidder must be awarded a tender.		7,947,115	-
Non compliance with SCM regulation 5		-	1,526,608
Adjudication Committees were not properly constituted in accordance with the regulation for the appointment of service providers through the competitive bidding processes		-	11,306,766
Non compliance with section 57 of the municipal systems act		-	1,544,589
Non compliance with SCM regulation17&18,atleast three written qoutations notobtained		10,365,368	15,957,250
Non compliance sec 116 contract management		1,765,962	2,314,722
There is no evidence that the BEC “bid evaluation committee” compared the offered price to the market to ensure that it is competitive and economical as required by section 62 of the MFMA par (1) (a).		2,252,174	-
		37,087,123	**47,293,506**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

36. Irregular expenditure (continued)

The National treasury MFMA Circular 68 - requires that the Irregular expenditure to be disclosed inclusive of vat, however the municipality in the current year disclosed the irregular expenditure exclusive of vat provided that MFMA circular 68 had not been noted by council.

37. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year subscription / fee	1,472,407	1,457,173
Amount paid - current year	(1,472,407)	(1,457,173)
Amount paid - previous years	-	-
	-	-

Audit fees

Opening balance	23,848	16,490
Current year subscription / fee	5,866,294	5,455,586
Amount paid - current year	(5,866,294)	(5,448,228)
	23,848	**23,848**

PAYE and UIF

Current year subscription / fee	29,166,400	26,378,033
Amount paid - current year	(29,166,400)	(26,378,033)
	-	-

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

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

Pension and Medical Aid Deductions

Current year subscription / fee	21,913,592	19,071,643
Amount paid - current year	(21,913,592)	(19,071,643)
	-	-

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

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

Deviation from supply chain management regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved by the Accounting officer and noted by Council.
Deviations from Supply chain management processes were identified during the year and have been approved by the Accounting officer and reported to Council.

Incident	2025	2024
Kishugu Aviation (Pty) Ltd-The DRMC used the services of Kishugu Aviation to extinguish Velds Fires to assist embattled Farmers-Procurement done through Regulation 36 (1)(a)(ii) If such goods and services are produced or available from a single provider only;	-	295,263
Hasler Business Systems KKDM-(Annual Fees: Franking Machine) and purchase of ink-Procurement done through Regulation 36 (1)(a)(ii) If such goods and services are produced or available from a single provider only; (annual maintenance and license fees)	24,313	17,543
Adapt IT (renewal of caseware license/Caseware KKDM D6/22-Procurement done through Regulation 36 (1)(a)(ii) If such goods and services are produced or available from a single provider only;	112,452	166,403
Oranje Toyota Klerksdorp T/A CFAO Mobility Pty Ltd-Repairs of the Toyota Quantum Registration no: FMC 374 NW-Procurement done through Regulation 36 (1)(a)(ii) If such goods and services are produced or available from a single provider only	-	63,161
Kagiso Ke Tholo Business Enterprise (Pty) Ltd-Procurement of 1000 of 40kg animal feeds to assist embattled Farmers-Procurement done through Regulation. 36 (1)(a) (i) In an emergency ,The Farmers are the first line of defense for fighting veld fires	-	295,000
Midvaal Water Company-Water Samples to analysed the water for Matlosana,Maquassi Hills and JB Marks due the Proximity and the Turnaroud Time for Results-Procurement done through Regulation 36 (1)(a)(ii) If such goods and services areproduced or available from a single provider only	-	50,445
Marce Projects (Pty) Ltd-Procurement of TNT Hydraulic Tool and Equipment Set (Jawsof Life) for Dr KK Fire and Rescue Services/Maquassi Hills-Procurement done throughRegulation 36 (1)(a) (i) (In an emergency ,Marce Projects (Pty) Ltd is the only companyin South Africa that is accredited to manufacture Jaws of Life to comply with SANS10090: Community Protection Against Fire, Fire Brigade Act, (Act, 99 of 1987)	-	798,926
Government Printing Works-Publishing of by laws for Dr KKDM-Procurement done through Regulation 36 (1)(a)(ii) If such goods and services are produced or available from a single provider only;	272,371	-
SABC-Annual subscription fees for TV licences-Procurement done through Regulation36 (1)(a)(ii) If such goods and services are produced or available from a singleprovider only;	5,300	6,890
Envirocare Laboratory T/A Chisik (water sampling) and use of laboratoty by themunicipality-Water Samples analyses for Matlosana and Maquassi Hills due theProximity and the turnaroud time for resultsmunicipality- and food sample analysis for JB marks and Ventersdorp-Procurementdone through Regulation 36 (1)(a)(ii) If such goods and services are produced oravailable from a single provider only;	-	107,834
Thata Consulting-Supply and delivery of 1500 bottled water (500ml) and 1200 Mageu (1lt) for illegal miners in the Margaret Shaft in Stilfontein-Procurement done through Regulation 36 (1) (a)(v) in any other acceptional case where it is impractical or impossible to follow the official procurement processes; On Sunday 03/11/2024 the Dr KKDM was alerted by SAPS that illegal miners are surfacing in Stilfontein Margaret Mining Shaft. The illegal miners were very weak, evidently dehydrated and starving and the Dr KKDM intervene by procuring water and mageu to assist these illegal miners	57,000	1,881
Working with Fire-Procurement done through Regulation. 36 (1)(a) (i) In an emergency	-	7,452
	471,436	**1,810,798**

Figures in Rand	2025	2024

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

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

About Profit (MOTHER: Monyahane Ernestinah Ntaopane works for JB Marks Local Municipality)	-	168,743

The above awards were made during the current and previous financial year, to Suppliers who have close family members in service of state.Both Suppliers completed the declaration of Interest (MBD 4 FORM)

38. Segment information

General information

Identification of segments

The municipality is organised and reports to management on the basis of Five major functional areas: Executive and council, Finance and administration, Local Economic Development and Planning and Community Services .The segments were organised around the type of service delivered and the target markets.

IInformation reported about these segments is used by management as a basis for evaluating the segments' performances and for making decisions about the allocation of resources..

Reportable segments are identified based on activities performed of the municipality that generates economic benefits or service potential including internal services that contribute to achieving the municipality's objectives without necessarily generating net cash inflows.

The activities are monitored and reported upon by the department heads on a regular basis through the preparation of the MFMA section 71 reports. The Section 71 reports are then reviewed by management and Council to make strategic decisions in monitoring activities performance. The disclosure of information about segments in these reports are organised around the type of service delivered, in a standardised format namely the National treasury template C schedule- C2 schedule.

Information about geographical areas

Separate financial and other relevant information on geographical areas in which the municipality operates is not available as the municipality only operates in the Dr kenneth kaunda district, and within its demarcated boundaries.

Aggregated segments

Segments were aggregated on the basis of services delivered as management considered that the economic characteristics of the segments were sufficiently similar to warrant aggregation and segments are aggregated because they have similar economic characteristics and share a majority of the aggregation as per the criteria below:

.-The nature of the goods and/or services delivered to the customers
-The type or class of customers to which goods and services are delivered
-The method used to distribute the goods or provide the services,

38. Segment information (continued)

Types of goods and/or services by segment

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

Reportable segment	Goods and/or services
Executive and council	Support services in relation to financial management and governance decision making
Finance and Administration	Financial management, Corporate administration & HR Management
Municipal manager	Ensuring good govenance, accountability and effective management of public resources
Local Economic Development and Planning	Local economic development and SMME support
Community Services	enhancing the quality of life for residents, ensuring social welfare, and supporting the well-being of the community

Notes to the Annual Financial Statements

Figures in Rand

38. Segment information (continued)

Segment surplus or deficit, assets and liabilities

2025

	Executive and council	Finance and administration	Municipal Manager	Community services	LED and Planning	Total
Revenue						
Revenue from non-exchange transactions	-	220,403,549	-	-	7,882,896	228,286,445
Revenue from exchange transactions	-	5,743,967	-	1,374,873	-	7,118,840
Total segment revenue	**-**	**226,147,516**	**-**	**1,374,873**	**7,882,896**	**235,405,285**
Entity's revenue						**235,405,285**
Expenditure						
Salaries and wages	(11,668,517)	(38,510,268)	(33,483,851)	(57,114,068)	(15,036,851)	(155,813,555)
Depreciation and Amortisation	(12,039)	(3,816,434)	(270,645)	(1,235,072)	(367,459)	(5,701,649)
Other expenses	(10,543,714)	(26,753,799)	(15,635,336)	(4,902,144)	(16,487,745)	(74,322,738)
Total segment expenditure	**(22,224,270)**	**(69,080,501)**	**(49,389,833)**	**(63,251,284)**	**(31,892,055)**	**(235,837,942)**
Total segmental surplus/(deficit)	**(22,224,270)**	**157,067,015**	**(49,389,833)**	**(61,876,411)**	**(24,009,158)**	**(432,656)**
Total segmental surplus/(deficit)						(432,656)
Gain/(Loss) on leave provision						(1,990,244)
Actuarial gains/Losses						(416,000)
Gain/(Loss) on disposal of assets						(54,541)
Entity's surplus (deficit) for the period						**(2,893,441)**
Assets						
Segment assets	1,312,258	68,366,055	1,895,483	22,162,571	19,829,669	113,566,036
Total assets as per Statement of financial Position						**113,566,036**

Notes to the Annual Financial Statements

Figures in Rand

38. Segment information (continued)

	Executive and council	Finance and administration	Municipal Manager	Community services	LED and Planning	Total
Liabilities						
Segment liabilities	-	58,530,730	-	-	-	58,530,730
Total liabilities as per Statement of financial Position						**58,530,730**

2024

	Executive and council	Finance and administration	Municipal manager	Community services	LED and Planning	Total
Revenue						
Revenue from non-exchange transactions	-	217,140,561	-	300,000	4,818,000	222,258,561
Revenue from exchange transactions	-	9,439,303	-	659,960	-	10,099,263
Total segment revenue	**-**	**226,579,864**	**-**	**959,960**	**4,818,000**	**232,357,824**
Entity's revenue						**232,357,824**
Expenditure						
Salaries and wages	(12,159,180)	(37,997,228)	(28,761,197)	(51,428,426)	(12,123,698)	(142,469,729)
Depreciation and amortisation	(18,532)	(2,117,531)	(72,549)	(1,058,389)	(275,340)	(3,542,341)
Other expenses	(10,409,358)	(30,530,000)	(18,133,295)	(10,809,456)	(33,695,516)	(103,577,625)
Total segment expenditure	**22,587,070**	**70,644,759**	**46,967,041**	**63,296,271**	**46,094,555**	**249,589,696**
Total segmental surplus/(deficit)	**(22,587,070)**	**155,935,105**	**(46,967,041)**	**(62,336,311)**	**(41,276,555)**	**(17,231,872)**
Total segmental surplus/(deficit)						(17,231,872)
Gain on leave provision						(3,239,213)
Actuarial gains and losses						(125,000)
Gain(loss) on disposal of assets						30,361
Entity's surplus (deficit) for the period						**(20,565,724)**

Notes to the Annual Financial Statements

Figures in Rand

38. Segment information (continued)

Assets						
Segment assets	380,814	74,606,827	1,421,197	16,876,712	15,104,753	108,390,303
Total assets as per Statement of financial Position						**108,390,303**
Liabilities						
Segment liabilities	-	50,461,560	-	-	-	50,461,560
Total liabilities as per Statement of financial Position						**50,461,560**

Notes to the Annual Financial Statements

39. Budget differences

Differences between budget and actual amounts basis of preparation and presentation

The budget has been prepared on the accrual basis of accounting in accordance with the prescripts of the Municipal budget regulations as well as MFMA budget circulars.

Variances of 10% and above are regarded as significant and explained.

Revenue:

Government Grants & Subsidies - The difference results from LGSETA Grant. This is due to the payment schedule as well as the financial year end which are not the same.

Interest received - external investment- This is due to funds being prioritised for operational and service delivery needs.

Sale of Tender Documents: The Difference is as a result of less tender documents being sold during the 2024/2025 Financial Year.

Tender documents are now being uploaded on E-Tender and Services providers can access and download them without having to purchase them at the municipality

License and Permits: Management expanded the scope of service inspections by including Tuck shops.

Commission: The difference is due to lower employee uptake of insurance policies and reduced premium collections

Sale of Assets: No assets auctioned /sold/ disposed to date.

Expenditure:

Depreciation and amortisation- Due to additions.

Other Expenditure: For the 2024/2025 Financial Year, the variance between the budgeted and actual amounts is less than 10%, which falls within acceptable thresholds as per municipal financial management guidelines..