Central Karoo District Municipality
Annual Financial Statements
for the year ended 30 June 2025

Table of Contents

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

General Information

Nature of business and principal activities	Central Karoo District Municipality is a district municipality performing functions as set out in the Constitution. (Act no. 108 of 1998)
Grading of local authority	C
Legal form of entity	Municipality in terms of section 1 of the Local Government: Municipal Structures Act (Act 117 of 1998) read with section 155 (1) of the Constitution of the republic of South Africa (Act 108 of 1996)
Jurisdiction	The Central Karoo District Municipality includes the following municipal areas: Beaufort West Municipality Prince Albert Municipality Laingsburg Municipality
Executive Mayor	Ms. J. Botha
Executive Deputy Mayor	Mr. D.W. Sampie
Speaker	Ms. T.C.J. Prince

Executive mayor and chairperson of mayoral commitee

Portfolio	**Councillor**
Executive mayor	Ms. J. Botha
Executive deputy mayor	Mr. D.W. Sampie
Speaker	Ms. T.C.J. Prince
Executive Councillor	Ms. L.V. Piti
Executive Councillor	Mr. L.B.J. Mdudumani
Executive Councillor	Ms. L.M. Paulse

Accounting Officer	Mr. M.J. Penxa
Chief Financial Officer (CFO)	Ms. K. Makalima
Registered head office	63 Donkin Street Beaufort West 6970
Physical address	63 Donkin Street Beaufort West 6970
Auditors	Auditor-General of South Africa
Bankers	Nedbank, Beaufort West ABSA, Beaufort West First National Bank, Beaufort West 9
Legal representative	Crawfords Attorneys Coetzee &van den Bergh Attorneys Van der Wall Tshangana Associates Attorneys TNK Attorneys DKVG Attorneys

General Information

Legislation governing the municipality's operations

Basic Conditions of Employment Act (Act no 75 of 1997)
Collective Agreements
Constitution of the Republic of south Africa (Act 108 of 1998)
Division of Revenue Act (Act 1 of 2007)
Electricity Act (Act no 41 of 1987)
Employment Equity Act (Act no 55 of 1998)
Housing Act (Act no 107 of 1997)
Infrastructure Grants
Municipal Budget and Reporting Regulations
Municipal Finance Management Act (Act 56 of 2003)
Municipal Planning and Performance Management Regulations
Municipal Property Rates Act (Act no 6 of 2004)
Municipal Regulations on Standard Chart of Accounts
Municipal Structures Act (Act no 117 of 1998)
Municipal Systems Act (Act no 32 of 2000)
Municipal Systems Amendment Act (Act no 7 of 2011)
Preferential Procurement Policy Framework Act, 2000 (Act No. 5 of 2000) and regulations issued in terms of the Act)
SALBC Leave Regulations
Skills Development Levies Act (Act no 9 of 1999)
Supply Chain Management Regulations, 2005
Income Tax Act (Act 58 of 1962)
Unemployment Insurance Act (Act no 30 of 1966)
Value Added Tax (Act 89 of 1991)

Council Members of the Central Karoo District Municipality

Ward	Surname	Initials
Proportional	Jooste	S
Proportional	van der Linde	JJ
Proportional	Koonthea	SD
Directly-elected	Swanepoel	AP
Proportional	Pietersen	G
Directly-elected	Snyders	DU
Proportional	Mdudumani	LBJ
Proportional	Piti	LV
Proportional	Mackay	A
Proportional	Meyers	SM
Directly elected	Louw	Q

Preparer

The annual financial statements were internally compiled by:
Ms. K. Makalima
Chief Financial Officer

Accounting Officer's Responsibilities and Approval

The Accounting Officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the Accounting Officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements were prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) as well as relevant 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.

I, as the Accounting Officer (accounting authority) acknowledges that I am 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 me to meet these responsibilities, I have set 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.

I am 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.

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

Although, I am primarily responsible for the financial affairs of the municipality, this is supported by the municipality's external auditors.

I would like to bring the following material matters to your attention:

I certify that the salaries, allowances and benefits of councillors as disclosed in note 24 to these annual financial statements are within the upper limits of the framework envisaged in section 219 of the Constitution of the Republic of South Africa, read with the Remuneration of Public Office Bearers Act, Act 20 of 1998 and the Minister of Provincial and Local Government's determination in accordance with the Act.

The annual financial statements set out on pages 6 to 107, in terms of Section 126(1) of the Municipal Finance Management Act (Act 56 of 2003), which have been prepared on the going concern basis and which I have signed on behalf of the municipality on August 31, 2025:

T.B. Mea
Acting Municipal Manager

Abbreviations

ASB	Accounting Standards Board
CIGFARO	Chartered Institute of Government, Finance, Audit and Risk Officers
COID	Compensation for Occupational Injuries and Diseases
COGTA	Cooperative Governance and Traditional Affairs
DBSA	Development Bank of South Africa
DORA	Division of Revenue Act
DSACR	Department of Sport, Arts, Culture and Recreation
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IPSAS	International Public Sector Accounting Standards
LGSETA	Local Government Services Sector Education and Training Authority
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant
MMC	Member of Mayoral Committee
MPAC	Municipal Public Accounts Committee
MPRA	Municipal Property Rates Act
MSIG	Municipal System Improvement Grant
mSCOA	Municipal Standard Chart of Accounts
SALGA	South African Local Government Association
SAPS	South African Police Services
SCM	Supply Chain Management
MSA	Municipal Structures Act
MSA	Municipal System Act
NDPG	Neighbourhood Development And Partnership Grant
SRAC	Sports, Recreation, Arts and Culture

Statement of Financial Position as at 30 June 2025

Figures in Rand thousand	Note(s)	2025	2024
Assets			
Non-Current Assets			
Property, Plant and Equipment	3	12 457 415	9 807 917
Intangible assets	4	36 676	48 029
Non-current Receivables from Non-Exchange Transactions	5	6 746 000	6 980 299
Total Non-Current Assets		**19 240 091**	**16 836 245**
Current Assets			
Inventory	6	1 377 565	1 570 951
Trade and other receivables from exchange transactions	7	17 712 535	13 440 730
Receivables from non-exchange transactions	8	780 492	495 340
Current portion of non-current receivables	5&15	655 000	570 701
Cash and cash equivalents	9	5 180 977	12 686 824
Total Current Assets		**25 706 569**	**28 764 546**
Total Assets		**44 946 660**	**45 600 791**
Liabilities			
Non-Current Liabilities			
Non-current Employee Benefits	10	13 643 001	13 281 001
Current Liabilities			
Provisions	14	323 930	1 007 462
Current Employee Benefits	11	6 490 132	5 966 163
Trade and other payables from exchange transactions	12	15 031 307	14 067 016
Unspent Transfers and Subsidies	13	3 628 720	5 367 842
Total Current Liabilities		**25 474 089**	**26 408 483**
Total Liabilities		**39 117 090**	**39 689 484**
Net Assets		**5 829 570**	**5 911 307**
Net Assets			
Accumulated surplus	16	5 829 570	5 911 307
Total Community Wealth / Equity		**5 829 570**	**5 911 307**

Statement of Financial Performance

Figures in Rand thousand	Note(s)	2025	2024
Revenue			
Revenue from exchange transactions			
Licence and Permits	18	64 180	55 263
Rental from Fixed Assets	19	-	65 859
Interests Earned - External Investments	20	1 475 109	1 704 944
Operational revenue	21	281 949	1 204 023
Department of Transport - Roads Service Charges	22	58 356 106	58 880 317
Straight Service Charge	23	6 163 043	6 001 042
Inventories: (Write-down)/Reversal of write-down to Net Realisable Value)	6	5 379	35 275
Total Revenue from exchange transactions		**66 345 766**	**67 946 723**
Non-Exchange Revenue			
Government Grants and Subsidies	17	48 162 797	45 585 565
Actuarial Gains	32	486 087	985 922
Total Non-Exchange Revenue		**48 648 884**	**46 571 487**
Total Revenue		**114 994 650**	**114 518 210**
Expenditure			
Employee related costs	24	68 741 470	67 927 584
Remuneration of Councillors	25	5 640 190	4 974 967
Contracted Services	26	7 096 773	10 887 401
Depreciation and Amortisation	27	1 025 053	789 092
Finance Costs	28	788 870	842 743
Inventory Consumed	6	14 452 932	14 105 845
Loss on disposal of assets and liabilities	31	-	945
Transfers and subsidies	29	233 546	1 199 265
Operational Costs	30	17 097 558	15 653 977
Total Expenditure		**115 076 392**	**116 381 819**
Deficit for the year		**(81 742)**	**(1 863 609)**

Cash Flow Statement

Figures in Rand thousand	Note(s)	2025	2024
Cash flows from operating activities			
Receipts			
Operational revenue		60 458 321	73 097 470
Government Grants – Capital and Operating		46 423 676	48 545 220
Interest		1 475 109	1 704 944
Payments			
Suppliers and employees		(111 938 343)	(119 494 424)
Finance charges		(27 869)	(14 743)
Transfers and subsidies		(233 546)	(1 199 270)
Net cash from(used) operating activities	33	**(3 842 652)**	**2 639 197**
Cash flows from investing activities			
Receipts			
Proceeds on disposal of fixed and intangible assets		-	(1 161 830)
Payments			
Capital assets		(3 375)	-
Purchase of Property, Plant and Equipment		(3 659 820)	-
Net cash flows from investing activities		**(3 663 195)**	**(1 161 830)**
Cash flows from financing activities			
Payments			
Decrease in other liabilities		-	(99 629)
Net cash flows from financing activities		**-**	**(99 629)**
Net increase/(decrease) in cash		**(7 505 847)**	**1 377 738**
Cash and cash equivalents at year begin		12 686 824	11 309 086
		5 180 977	**12 686 824**

Statement of Changes in Net Assets

Figures in Rand thousand	Accumulated surplus	Total net assets
Opening balance as previously reported	11 118 268	11 118 268
Adjustments		
Correction of errors	778 076	778 076
Balance at 01 July 2023 as restated*	**11 896 344**	**11 896 344**
Surplus for the year	(1 863 609)	(1 863 609)
Corrections of errors - statement of financial position	(4 121 421)	(4 121 421)
Total changes	(5 985 030)	(5 985 030)
Net surplus/(deficit) as previously reported	(1 749 910)	(1 749 910)
Adjustments		
Correction of errors	(113 699)	(113 699)
Balance at 01 July 2024 as restated*	**5 911 314**	**5 911 314**
Surplus for the year	(81 742)	(81 742)
Total changes	(81 742)	(81 742)
Balance at 30 June 2025	**5 829 572**	**5 829 572**

Refer to note

Comparison of Budget and Actual Amounts for the year ended 30 June 2025

Figures in Rand thousand	Original budget	*Budget adjustments	Final adjustments budget	Final budget	Actual outcome	Variance	Actual outcome as % of final budget	Actual outcome as % of origional budget	Reason for the material variance
2025									
Financial performance									
Revenue									
Exchange revenue									
Operational Revenue	246 630	(107 080)	139 550	139 550	281 949	142 399	202,04 %	114,32 %	Note: 35.1.1
Straight Service Charge	7 840 200	-	7 840 200	7 840 200	6 163 043	(1 677 157)	78,61 %	78,61 %	Note 35.1.2
Interest earned - External Investments	1 950 000	-	1 950 000	1 950 000	1 475 109	(474 891)	75,65 %	75,65 %	Note 35.1.3
Rental from fixed assets	64 700	(64 700)	-	-	-	-	- %	- %	Note 35.1.4.1
Licence and permits	49 100	-	49 100	49 100	64 180	15 080	130,71 %	130,71 %	Note 35.1.4.2
Inventories: (Write-down)/Reversal of write-down to Net Realisable Value)	-	-	-	-	5 379	5 379	- %	- %	Note 35.1.4.3
Department of Transport - Service Charge	65 379 690	26 490	65 406 180	65 406 180	58 356 106	(7 050 074)	89,22 %	89,26 %	Note 35.1.5
	75 530 320	**(145 290)**	**75 385 030**	**75 385 030**	**66 345 766**	**(9 039 264)**	**88,01 %**	**87,84 %**	
Non-exchange revenue									
Transfer and subsidies - Operational and Capital	49 781 000	1 425 397	51 206 397	51 206 397	48 162 797	(3 043 600)	94,06 %	96,75 %	Note 35.1.6
Actuarial gains	-	-	-	-	486 087	486 087	- %	- %	Note 35.1.7
	49 781 000	**1 425 397**	**51 206 397**	**51 206 397**	**48 648 884**	**(2 557 513)**	**95,01 %**	**97,73 %**	
Total Revenue (excl. capital transfers and contributions)	**125 311 320**	**1 280 107**	**126 591 427**	**126 591 427**	**114 994 650**	**(11 596 777)**	**90,84 %**	**91,77 %**	

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Comparison of Budget and Actual Amounts for the year ended 30 June 2025

Figures in Rand thousand	Original budget	*Budget adjustments	Final adjustments budget	Final budget	Actual outcome	Variance	Actual outcome as % of final budget	Actual outcome as % of origional budget	Reason for the material variance
Expenditure									
Employee costs	(67 472 720)	(947 971)	(68 420 691)	(68 420 691)	(68 741 470)	(320 779)	100,47 %	101,88 %	Note 35.1.8
Remuneration of councillors	(5 199 700)	(448 303)	(5 648 003)	(5 648 003)	(5 640 190)	7 813	99,86 %	108,47 %	Note 35.1.9
Inventory consumed	(18 089 450)	2 915 369	(15 174 081)	(15 174 081)	(14 452 933)	721 148	95,25 %	79,90 %	Note 35.1.10
Depreciation and amortisation	(1 034 800)	122 726	(912 074)	(912 074)	(1 025 053)	(112 979)	112,39 %	99,06 %	Note 35.1.11
Finance charges	(50 010)	-	(50 010)	(50 010)	(788 870)	(738 860)	1 577,42 %	1 577,42 %	Note 35.1.12
Contracted services	(9 499 290)	1 362 809	(8 136 481)	(8 136 481)	(7 096 773)	1 039 708	87,22 %	74,71 %	Note 35.1.13
Transfers and subsidies	(260 000)	57 335	(202 665)	(202 665)	(233 546)	(30 881)	115,24 %	89,83 %	Note 35.1.14
Operational costs	(21 512 350)	(3 255 740)	(24 768 090)	(24 768 090)	(17 097 558)	7 670 532	69,03 %	79,48 %	Note 35.1.15
Total Expenditure	**(123 118 320)**	**(193 775)**	**(123 312 095)**	**(123 312 095)**	**(115 076 393)**	**8 235 702**	**93,32 %**	**93,47 %**	
Deficit for the year	**2 193 000**	**1 086 332**	**3 279 332**	**3 279 332**	**(81 743)**	**(3 361 075)**	**(2,49)%**	**(3,73)%**	

Comparison of Budget and Actual Amounts for the year ended 30 June 2025

Figures in Rand thousand	Original budget	*Budget adjustments	Final adjustments budget	Final budget	Actual outcome	Variance	Actual outcome as % of final budget	Actual outcome as % of origional budget	Reason for the material variance
Financial position									
Assets									
Current assets									
Cash and cash equivalents	12 506 070	4 541 701	17 047 771	17 047 771	5 180 975	(11 866 796)	30,39 %	41,43 %	Note 35.2.1
Trade and other receivables from exchange transactions	678 070	(46 951)	631 119	631 119	780 492	149 373	123,67 %	115,10 %	Note 35.2.2
Current portion of non-current receivables	531 100	39 601	570 701	570 701	655 000	84 299	114,77 %	123,33 %	Note 35.2.3
Inventory	1 249 470	256 153	1 505 623	1 505 623	1 377 565	(128 058)	91,49 %	110,25 %	Note 35.2.4
VAT	383 090	(226 427)	156 663	156 663	-	(156 663)	- %	- %	Note 35.2.5
Other current assets	4 727 360	4 181 304	8 908 664	8 908 664	17 712 535	8 803 871	198,82 %	374,68 %	Note 35.2.6
Total current assets	**20 075 160**	**8 745 381**	**28 820 541**	**28 820 541**	**25 706 567**	**(3 113 974)**	**89,20 %**	**128,05 %**	
Non-current assets									
Property, plant and equipment	12 822 810	2 428 165	15 250 975	15 250 975	12 457 415	(2 793 560)	81,68 %	97,15 %	Note 35.2.7
Intangible assets	62 220	(14 192)	48 028	48 028	36 676	(11 352)	76,36 %	58,95 %	Note 35.2.8
Non-current receivables from non-exchange transactions	6 543 900	346 399	6 890 299	6 890 299	6 746 000	(144 299)	97,91 %	103,09 %	Note 35.2.9
Total non-current assets	**19 428 930**	**2 760 372**	**22 189 302**	**22 189 302**	**19 240 091**	**(2 949 211)**	**86,71 %**	**99,03 %**	
Total assets	**39 504 090**	**11 505 753**	**51 009 843**	**51 009 843**	**44 946 658**	**(6 063 185)**	**88,11 %**	**113,78 %**	

Comparison of Budget and Actual Amounts for the year ended 30 June 2025

Figures in Rand thousand	Original budget	*Budget adjustments	Final adjustments budget	Final budget	Actual outcome	Variance	Actual outcome as % of final budget	Actual outcome as % of origional budget	Reason for the material variance
Liabilities									
Current liabilities									
Financial liabilities	99 630	-	99 630	99 630	-	(99 630)	- %	- %	Note 35.2.10
Consumer deposits	1 500	-	1 500	1 500	-	(1 500)	- %	- %	Note 35.2.11
Trade and other payables from exchange transactions	2 676 490	116 877 696	119 554 186	119 554 186	15 031 307	(104 522 879)	12,57 %	561,61 %	Note 35.2.12
Unspent Transfers and Subsidies	2 728 560	3 239 865	5 968 425	5 968 425	3 628 720	(2 339 705)	60,80 %	132,99 %	Note 35.2.13
Provision	4 857 320	1 335 390	6 192 710	6 192 710	6 490 132	297 422	104,80 %	133,62 %	Note 35.2.14
VAT	-	11 812 108	11 812 108	11 812 108	-	(11 812 108)	- %	- %	Note 35.2.15
Other current liabilities	809 000	-	809 000	809 000	323 930	(485 070)	40,04 %	40,04 %	Note 35.2.16
Total current liabilities	**11 172 500**	**133 265 059**	**144 437 559**	**144 437 559**	**25 474 089**	**(118 963 470)**	**17,64 %**	**228,01 %**	
Non-current liabilities									
Provision	2 370 160	116 000	2 486 160	2 486 160	-	(2 486 160)	- %	- %	Note 35.2.17
Non-current employee benefits	11 698 960	(447 958)	11 251 002	11 251 002	13 643 001	2 391 999	121,26 %	116,62 %	Note 35.2.18
Total non-current liabilities	**14 069 120**	**(331 958)**	**13 737 162**	**13 737 162**	**13 643 001**	**(94 161)**	**99,31 %**	**96,97 %**	
Total liabilities	**25 241 620**	**132 933 101**	**158 174 721**	**158 174 721**	**39 117 090**	**(119 057 631)**	**24,73 %**	**154,97 %**	
Net assets	**14 262 470**	**(121 427 348)**	**(107 164 878)**	**(107 164 878)**	**5 829 568**	**112 994 446**	**(5,44)%**	**40,87 %**	
Community wealth/ Equity									
Accumulated Surplus/(Deficit)	17 323 720	(6 711 205)	10 612 515	10 612 515	5 829 570	(4 782 945)	54,93 %	33,65 %	Note 35.2.19

Comparison of Budget and Actual Amounts for the year ended 30 June 2025

Figures in Rand thousand	Original budget	*Budget adjustments	Final adjustments budget	Final budget	Actual outcome	Variance	Actual outcome as % of final budget	Actual outcome as % of origional budget	Reason for the material variance
Cash flow									
Cash flow from operating activities									
Receipts									
Other revenue	77 167 200	7 143 958	84 311 158	84 311 158	60 458 321	(23 852 837)	71,71 %	78,35 %	Note 35.3.1
Transfers and Subsidies - Operational	46 892 000	1 354 667	48 246 667	48 246 667	45 993 676	(2 252 991)	95,33 %	98,08 %	Note 35.3.2
Transfers and Subsidies - Capital	2 889 000	(472 000)	2 417 000	2 417 000	430 000	(1 987 000)	17,79 %	14,88 %	Note 35.3.3
Interest	1 950 000	-	1 950 000	1 950 000	1 475 109	(474 891)	75,65 %	75,65 %	Note 35.3.4
	128 898 200	**8 026 625**	**136 924 825**	**136 924 825**	**108 357 106**	**(28 567 719)**	**79,14 %**	**84,06 %**	
Payments									
Suppliers and employees	(124 232 500)	(1 957 520)	(126 190 020)	(126 190 020)	(111 938 343)	14 251 677	88,71 %	90,10 %	Note 35.3.5
Finance charges	(50 010)	-	(50 010)	(50 010)	(27 869)	22 141	55,73 %	55,73 %	Note 35.3.6
Transfers and subsidies	(260 000)	-	(260 000)	(260 000)	(233 546)	26 454	89,83 %	89,83 %	Note 35.3.7
	(124 542 510)	**(1 957 520)**	**(126 500 030)**	**(126 500 030)**	**(112 199 758)**	**14 300 272**	**88,70 %**	**90,09 %**	
Net cash from/(used) operating activities	**4 355 690**	**6 069 105**	**10 424 795**	**10 424 795**	**(3 842 652)**	**(14 267 447)**	**(36,86)%**	**(88,22)%**	

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Comparison of Budget and Actual Amounts for the year ended 30 June 2025

Figures in Rand thousand	Original budget	*Budget adjustments	Final adjustments budget	Final budget	Actual outcome	Variance	Actual outcome as % of final budget	Actual outcome as % of origional budget	Reason for the material variance
Cash flow from investing activities									
Payments									
Capital assets	(3 179 500)	(2 884 364)	(6 063 864)	(6 063 864)	(3 663 195)	2 400 669	60,41 %	115,21 %	Note 35.3.8
Net Increase/ (Decrease) in cash held	**1 176 190**	**3 184 741**	**4 360 931**	**4 360 931**	**(7 505 847)**	**(11 866 778)**	**(172,12)%**	**(638,15)%**	
Cash/cash equivalents at the year begin:	11 329 880	1 355 946	12 685 826	12 685 826	12 686 824	998	100,01 %	111,98 %	
Cash/cash equivalents at the year end:	12 506 070	4 540 687	17 046 757	17 046 757	5 180 977	(11 865 780)	30,39 %	41,43 %	

Commentary

*Budget adjustments done in terms of section 28 and section 31 of the MFMA.

Refer to note 35 for explanations for material variances between budgeted and actual amounts.

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30 November 2025

Accounting Policies

The annual financial statements of Central Karoo District Municipality for the year ended 30 June 2025 were authorised for issue by the Accounting Officer on 30 November 2025.

These 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 No 56 of 2003).

The Annual Financial Statements were prepared on the accrual basis of accounting and are in accordance with the historical cost conventions as the basis of measurement, except where specified otherwise.

Accounting policies for material transactions, events or conditions not covered by the GRAP reporting framework, have been developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 (Revised – March 2015) and the hierarchy approved in Directive 5 issued by the Accounting Standards Board.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, except where an exemption or transaitional provision has been granted, is disclosed below.

Assets, liabilities, revenue and expenditure have not been offset except when offsetting is permitted or required by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant notes to the annual financial statements.

In terms of Directive 7: "The Application of Deemed Cost on the Adoption of Standards of GRAP" issued by the Accounting Standards Board, the Municipality applied deemed cost to Property, Plant and Equipment, Investment Property and Intangible Assets where the acquisition cost of an asset could not be determined.

These accounting policies are consistent with the previous period.

1. Summary of significant accounting policies

1.1 Presentation currency

Amounts reflected in the financial statements are in South African Rand and at actual values. Financial values are rounded to the nearest one Rand. No foreign exchange transactions are included in the statements.

1.2 Going concern assumption

These annual financial statements were 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 Comparative information

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are also reclassified and restated, unless such comparative reclassification and / or restatement is not required by a Standard of GRAP. The nature and reason for such reclassifications and restatements are also disclosed.

Where material accounting errors, which relate to prior periods, have been identified in the current year, the correction is made retrospectively as far as is practicable and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable and the prior year comparatives are restated accordingly.

The Municipal Regulations on Standard Chart of Accounts (mSCOA) came into effect on 1 July 2017.

The municipality is continually busy during the year with a process to align items in the annual financial statements with the Item Segment of mSCOA. The result of this process are reclassifications and naming of items in the annual financial statements.

The presentation and classification of items in the current year is consistent with prior periods.

Accounting Policies

1.4 Amended Disclosure Policy

Amendments to accounting policies are reported as and when deemed necessary based on the relevance of any such amendment to the format and presentation of the financial statements. The principal amendments to matters disclosed in the current financial statements include prior period error disclosure.

1.5 Materiality

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decision or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatements judged in the surrounding circumstances.

The nature or size of the information item, or a combination of both, could be the determining factor. Materiality is determined as 1% of total operating expenditure. This materiality is from management's perspective and does not correlate with the auditor's materiality.

1.6 Presentation of budget information

The presentation of budget information is prepared in accordance with GRAP 24 and guidelines issued by National Treasury. The comparison of budget and actual amounts is disclosed as separate additional financial statements, namely Statements of comparison of budget and actual amounts.

The information is presented for budgets that are made publicly available.

Budget information is presented on the accrual basis and is based on the same period as the actual amounts. The budget information is therefore on a comparable basis to the actual amounts.

Where Budget information classification and disclosure does not conform with the classification within the GRAP financial statements, a reconciliation is provided to that effect to ensure comparability is maintained.

The comparable information includes the following:
- the approved and final budget amounts
- actual amounts and final budget amounts

Explanations for differences between the approved and final budget are included in the Notes to the Annual Financial Statements.

Explanations for material differences between the final budget amounts and actual amounts are included in the notes to the annual financial statements.

The disclosure of comparative information in respect of the previous period is not required in terms of GRAP 24.

1.7 Leases

Municipality as lessee

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the Municipality. Property, plant and equipment or intangible assets (excluding licensing agreements for such items as motion picture films, video recordings, plays, manuscripts, patents and copyrights) subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the Municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant and equipment or intangibles assets. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest method. Lease finance costs are expensed when incurred. The accounting policies relating to disclosure of finance liabilities and de-recognition of financial instruments are applied to lease payables. Contingent rents shall be charged as expenses in the periods in which they are incurred.

Accounting Policies

1.7 Leases (continued)

Municipality as lessor

Operating lease rental income is recognised on a straight-line basis over the term of the relevant lease.

1.8 Unspent conditional government grants and receipts

Conditional government grants are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

Unspent conditional grants are financial liabilities that are separately reflected on the Statement of Financial Position. They represent unspent government grants, subsidies and contributions from the public.

Unspent conditional grants are not considered to be financial instruments as there are no contractual arrangements as required per GRAP 104. The revenue received is driven from legislation.

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

This liability always must be cash-backed. The following provisions are set for the creation and utilisation of this creditor:
• Unspent conditional grants are recognised as a liability when the grant is received.
• When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
• Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder, it is recorded as part of the liability. If it is the Municipality's interest, it is recognised as interest earned in the Statement of Financial Performance. .

1.9 Unpaid conditional government grants and receipts

Unpaid conditional grants are assets in terms of the Framework that are separately disclosed in the Statement of Financial Position. The asset is recognised when the Municipality has an enforceable right to receive the grant or if it is virtually certain that it will be received based on grant conditions being met. They represent unpaid government grants, subsidies and contributions from public.

The following provisions are set for the creation and utilisation of grant receivables:
• Unpaid conditional grants are recognised as an asset when the grant is receivable.

1.10 Unspent public contributions

Public contributions are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

Unspent public contributions are financial liabilities that are separately reflected on the Statement of Financial Position. They represent unspent contributions from the public.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:
• Unspent public contributions are recognised as a liability when the grant is received.
• When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
• Interest earned on the investment is treated in accordance with the public contribution conditions. If it is payable to the funder, it is recorded as part of the creditor. If it is the municipality's interest, it is recognised as interest earned in the Statement of Financial Performance.

1.11 Borrowing costs

The Municipality recognises all borrowing costs as an expense in the period in which they are incurred.

Accounting Policies

1.12 Provisions

Provisions are recognised when the municipality has a present (legal or constructive) obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate of future outflows of resources. Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability.

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

The amount recognised as a provision shall be the best estimate of the expenditure required to settle the present obligation at the reporting date.

If it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, the provision is derecognised.

Accounting Policies

1.13 Employee benefits

Short-term employee benefits

Remuneration to employees is recognised in the Statement of financial performance as the services are rendered, except for non-accumulating benefits which are only recognised when the specific event occurs.

The costs of all short-term employee benefits such as leave pay, are recognised during the period in which the employee renders the related service.

Pension and Retirement Fund Obligations

The Municipality provides retirement benefits for its employees and councillors. Defined contribution plans are post-employment benefit plans under which the Municipality 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. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year they become payable.

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

The defined benefit funds, which are administered on a provincial basis, are actuarially valued tri annually using the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities. The contributions and lump sum payments are charged against income in the year they become payable. Sufficient information is not available to use defined benefit accounting for a multi-employer plan. As a result, defined benefit plans have been accounted for as if they were defined contribution plans.

The Municipality contributes to various pension schemes. The schemes are generally funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations. The Municipality has both defined benefit and defined contribution plans. A defined contribution plan is a pension plan under which the Municipality pays fixed contributions into a separate entity. The Municipality has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan. Typically, defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms of maturity approximating to the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to income.

Past-service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past service costs are amortised on a straight-line basis over the vesting period.

For defined contribution plans, the Municipality pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Accounting Policies

1.13 Employee benefits (continued)

Post-Retirement Medical Obligations

The Municipality provided post-retirement medical benefits by subsidizing the medical aid contributions of certain retired staff according to the rules of the medical aid funds.

Council pays 60% as contribution and the remaining 40% are paid by the members. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The present value of the net defined benefit liability is actuarially determined in accordance with GRAP 25 - Employee benefits (using a discount rate applicable to high quality government bonds). The plan is unfunded.

These contributions are charged to the Statement of Financial Performance when employees have rendered the service entitling them to the contribution. The net interest of the defined benefit obligation is recognised as finance cost in the Statement of Financial Performance, as it meets the definition of Interest Cost in GRAP 25. The liability is calculated by means of the projected unit credit actuarial valuation method. The liability in respect of current pensioners is regarded as fully accrued and is therefore not split between a past (or accrued) and future in service element. The liability is recognised at the fair value of the obligation. Payments made by the Municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically, unless circumstances change significantly in which case it is done annually, by independent qualified actuaries.

Long Service Awards

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the Municipality. The Municipality's obligation under these plans is valued by independent qualified actuaries periodically and the corresponding liability is raised. Payments are set-off against the net defined benefit liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as finance cost upon valuation, as it meets the definition of net interest in GRAP 25. Defined benefit plans are post-employment plans other than defined contribution plans.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically, unless circumstances change significantly in which case it is done annually, by independent qualified actuaries.

Ex-gratia Pension Benefits

Ex gratia gratuities are provided to employees that were not previously members of a pension fund. The Municipality's obligation under these plans is valued by independent qualified actuaries, and the corresponding liability is raised.

Payments made by the Municipality are set-off against the net defined benefit liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as financial cost upon valuation as it meets the definition of net interest in GRAP 25. Defined benefit plans are post-employment plans other than defined contribution plans.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically, unless circumstances change significantly in which case it is done annually, by independent qualified actuaries.

Accounting Policies

1.13 Employee benefits (continued)

Staff Leave

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year-end and also on the total remuneration package of the employee.

Accumulated leave is carried forward and can be used in future periods if the current period's entitlement is not used in full. All unused leave will be paid out to the specific employee at the end of that employee's employment term.

In terms of the Collective Agreement for Local Government annual leave shall only be accumulated to a maximum of forty-eight (48) working days. The provision for annual leave is limited to a maximum of 48 days per employee.

Accumulated leave is vesting.

Bonus provisions

Staff Bonuses

Liabilities for staff bonuses are recognised as they accrue to employees. The liability at year-end is based on the bonus accrued at year-end for each employee.

Performance Bonuses

A provision, in respect of the liability relating to the anticipated costs of performance bonuses payable to Section 57 employees, is recognised as it accrues to Section 57 employees.

The performance bonus provisions are based on the employment contract stipulations as well as previous performance bonus payment trends.

1.14 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 year.

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

Accounting Policies

1.14 Property, plant and equipment (continued)

Initial recognition and measurement

Property, plant and equipment are initially recognised at cost on its acquisition date. 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 the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

The cost of an item of property, plant and equipment acquired in exchange for a non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset 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.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

Where an asset is acquired through a non-exchange transaction, any transaction cost incurred is recognised as part of the cost of the asset. .

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Where the Municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

Accounting Policies

1.14 Property, plant and equipment (continued)

Depreciation and Impairment

Land is not depreciated as it is deemed to have an indefinite useful life.

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management..

Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. .

The annual depreciation rates are based on the following estimated useful lives:

Classification	Useful lives (Years)
Land and Buildings	
• Land	Indefinite
• Buildings (Civic and other)	100
Other assets	
• Machinery and equipment	9 - 41
• Disaster Management Equipment	10 - 28
• Furniture and Office Equipment	5 - 50
• Computer Equipment	5 - 25
• Transport Assets (General Vehicles)	11 - 25
• Transport Assets (Fire Engines)	18 - 25
Leased Assets	
• Furniture and office equipment	3 - 5

The depreciation charge is recognised in the Statement of Financial Performance.

Changes to the useful life of assets and residual value are reviewed if there is an indication that a change may have occurred in the estimated useful life. If the expectation differs from the previous estimates, the change is accounted for in accordance with GRAP 3 either prospectively as a change in the accounting estimate or retrospectively as a prior period error depending on the specific circumstances. .

Property, plant and equipment is reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated..

The impairment charged to the Statement of Financial Performance is the excess of the carrying value over the recoverable amounte.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of impairment is recognised in the Statement of Financial Performance.

Incomplete construction work is stated at historical cost. Depreciation only commences when the asset is ready for use. The municipality assesses at each reporting date if there is an indication of impairment.

Derecognition

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

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

Accounting Policies

1.14 Property, plant and equipment (continued)

Land and Buildings and Other Assets - Application of Deemed Cost (Directive 7)

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined for Land and Buildings the fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2007. The Other Asset the depreciation cost method was used to establish the deemed cost as at 1 July 2007.

1.15 Intangible assets

Intangible assets are identifiable non-monetary assets without physical substance held for use in the production or supply of goods or services, for rental to others, or for administrative purposes are classified and recognised as intangible assets.

Initial recognition and measurement

An intangible asset is an identifiable asset without physical substance.

An asset meets the identifiability criterion in the definition of an intangible asset when it:
• is separable, i.e. is capable of being separated or divided from the entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, asset or liability; or
• arises from contractual rights (including rights arising from binding agreements) or other legal rights (excluding rights granted by statute), regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

The Municipality recognises an intangible asset in its Statement of Financial Position only 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 cost of the intangible asset includes the purchase price and any cost incurred to prepare the asset for its intended use.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:
• the municipality intends to complete the intangible asset for use or sale;
• it is technically feasible to complete the intangible asset;
• the municipality has the resources to complete the project;
• the municipality has the ability to use or sell the intangible asset;
• it is probable that the municipality will receive future economic benefits or service potential; and
• the Municipality can measure reliably the expenditure attributable to the intangible asset during its development.

Intangible assets are initially recognised at cost.

Where an intangible asset 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. Where an intangible asset is acquired through a non-exchange transaction it is measured fair value.

Subsequent measurement - Cost Model

Intangible assets are subsequently carried at cost less accumulated amortisation and accumulated impairment losses. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test. .

Amortisation and Impairment

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight-line method. Amortisation of an asset begins when it is available for use, i.e. when it is in the condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are amortised separately.

The annual amortisation rates are based on the following estimated useful lives:

Accounting Policies

1.15 Intangible assets (continued)

Classification- Intangible Assets	Years
Computer Software	1 - 5

The amortisation charge is recognised in the Statement of Financial Performance.

Changes to the useful life and residual values of assets are reviewed if there is an indication that a change may have occurred in the estimated useful life. If the expectation differs from the previous estimates, the change is accounted for in accordance with GRAP 3 either prospectively as a change in the accounting estimate or retrospectively as a prior period error depending on the specific circumstances. t

Derecognition

Intangible assets 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 on the disposal or retirement of an intangible assets is determined as the difference between the net disposals proceeds and the carrying value and is recognised in the Statement of Financial Performance.

Application of Deemed Cost (Directive 7)

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. For Intangible Assets the depreciation cost method was used to establish the deemed cost as at 1 July 2007.

1.16 Impairment of non-financial assets

Impairment of cash-generating assets

Cash-generating assets are assets held with the primary objective of generating a commercial return.

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

In assessing whether there is any indication that an asset may be impaired, the Municipality considers the following indications:
a) External sources of information
• During the period, an asset's market value has declined significantly more than would be expected as a result of the passage of time or normal use;
• Significant changes with an adverse effect on the Municipality have taken place during the period, or will take place in the near future, in the technological, market, economic or legal environment in which the Municipality operates or in the market to which an asset is dedicated;
• Market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating an asset's value in use and decrease the asset's recoverable amount materially.

b) Internal sources of information
• Evidence is available of obsolescence or physical damage of an asset;
• Significant changes with an adverse effect on the Municipality have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, plans to dispose of an asset before the previously expected date, and reassessing the useful life of an asset as finite rather than indefinite;
• Evidence is available from internal reporting that indicates that the economic performance of an asset is, or will be, worse than expected.

The re-designation 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 shall only occur when there is clear evidence that such a re-designation is appropriate. A re-designation, by itself, does not necessarily trigger an impairment test or a reversal of an impairment loss. Instead, the indication for an impairment test or a reversal of an impairment loss arises from, as a minimum, the indications listed above.

Accounting Policies

1.16 Impairment of non-financial assets (continued)

An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. Impairment losses are recognised in the Statement of Financial Performance in those expense categories consistent with the function of the impaired asset.

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

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Municipality estimates the asset's or cash generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Statement of Financial Performance.

Impairment of non-cash-generating assets

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

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

In assessing whether there is any indication that an asset may be impaired, the Municipality
considers the following indications:
a) External sources of information
• Cessation, or near cessation, of the demand or need for services provided by the asset;
• Significant long-term changes with an adverse effect on the Municipality have taken place during the period or will take place in the near future, in the technological, legal or government policy environment in which the Municipality operates.
b) Internal sources of information
• Evidence is available of physical damage of an asset;
• Significant long-term changes with an adverse effect on the Municipality have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, or plans to dispose of an asset before the previously expected date;
• A decision to halt the construction of the asset before it is complete or in a usable condition;
• Evidence is available from internal reporting that indicates that the service performance of an asset is, or will be, significantly worse than expected.

An asset's recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use. If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss recorded in the Statement of Financial Performance.

Accounting Policies

1.16 Impairment of non-financial assets (continued)

The value in use of a non-cash-generating asset is the present value of the asset's remaining service potential. The present value of the remaining service potential of the asset is determined using any one of the following approaches:
• depreciation replacement cost approach - the present value of the remaining service potential of an asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.
• restoration cost approach - the cost of restoring the service potential of an asset to its pre-impaired level. Under this approach, the present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is usually determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.
• service unit approach - the present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform to the reduced number of service units expected from the asset in its impaired state. As in the restoration cost approach, the current cost of replacing the remaining service potential of the asset before impairment is usually determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

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.

An impairment loss is recognised immediately in surplus or deficit, unless the asset is carried at a revalued amount in accordance with another Standard of GRAP.

The Municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for an 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 an 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. If this is the case, the carrying amount of the asset is increased to its recoverable service amount. 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. Such a reversal of an impairment loss is recognised in the Statement of Financial Performance.

1.17 Inventory

Initial Recognition

Inventories comprise of current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the Municipality, and the cost of the inventories can be measured reliably. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus non-recoverable taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the Municipality for no or nominal consideration (i.e. a non exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

Subsequent Measurement

Inventories, consisting of consumable stores, finished goods, materials and supplies and work-in progress, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

Accounting Policies

1.17 Inventory (continued)

In general, the basis of allocating cost to inventory items is the weighted average method.

1.18 Financial instruments

Financial instruments recognised per the Statement of Financial Position include receivables, cash and cash equivalents, annuity loans and payables (both from exchange and non-exchange transactions). The future utilisation of Unspent Conditional Grants is evaluated in order to determine whether it is treated as financial instruments.

1.18.1 Initial and subsequent measurement

Initial Recognition

Financial instruments are initially recognised, when the Municipality becomes a party to the contractual provisions of the instrument, and are initially measured at fair value plus, in the case of a financial asset or financial liability not at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

If finance charges in respect of financial assets and financial liabilities are significantly different from similar charges usually obtained in an open market transaction, adjusted for the specific risks of the Municipality, such differences are immediately recognised in the period it occurs, and the unamortised portion adjusted over the period of the loan transactions.

Subsequent Measurement

Financial Assets are categorised according to their nature as either financial assets at fair value, financial assets at amortised cost or financial assets at cost. Financial Liabilities are categorised as either at fair value, financial liabilities at cost or financial liabilities carried at amortised cost. The subsequent measurement of financial assets and liabilities depends on this categorisation.

Receivables

Receivables are classified as financial assets at amortised cost and are subsequently measured amortised cost using the effective interest rate method.

For amounts due from debtors carried at amortised cost, the Municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. Objective evidence of impairment includes significant financial difficulties of the debtor, probability that thedebtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 90 days overdue). If the Municipality determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Statement of Financial Performance. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowances are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the municipality. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognised in the Statement of Financial Performance.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate, if material. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

Payables and Annuity Loans

Financial liabilities consist of trade and other payables and finance lease liabilities. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost using an effective interest rate, which is the initial carrying amount, less repayments, plus interest.

Accounting Policies

1.18 Financial instruments (continued)

Cash and Cash Equivalents

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

The Municipality categorises cash and cash equivalents as financial assets carried at amortised cost.

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

Non-Current Investments

Investments which include investments in Municipal Entities and fixed deposits invested in registered commercial banks, are stated at amortised cost.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the Statement of Financial Performance in the period that the impairment is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is recognised in the Statement of Financial Performance.

The carrying amounts of such investments are reduced to recognise any decline, other than a temporary decline, in the value of individual investments.

Accounting Policies

1.18 Financial instruments (continued)

1.18.2 Derecognition

Financial assets

A Financial Asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognisedwhen:
• the rights to receive cash flows from the asset have expired; or
• the Municipality has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Municipality has transferred substantially all the risks and rewards of the asset, or (b) the Municipality has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

When the Municipality has transferred its rights to receive cash flows from an asset or has entered into a pass-througharrangement and has neither transferred nor retained substantially all the risks and rewards of the asset, nor transferred control of the asset, the old asset is derecognised, and a new asset is recognised to the extent of the Municipality'scontinuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Municipality could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the Municipality's continuing involvement is the amount of the transferred asset that the Municipality may repurchase, except that in the case of a written option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the Municipality's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities

The Municipality derecognises financial liabilities when, and only when, the municipality's obligations are discharged, cancelled or they expire.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the Statement of Financial Performance.

1.18.3 Offsetting of Financial Instruments

Financial Assets and financial Liabilities are offset, and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

1.19 Statutory receivables

1.19.1 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.

The Municipality has the following major categories under the ambit of statutory receivables:
- VAT Receivables

1.19.2 Initial Recognition and Measurement

Statutory receivables are recognised when the related revenue is recognised or when the receivable meets the definition and recognition criteria of asset is met.

The Municipality initially measures statutory receivables at their transaction amount.

Accounting Policies

1.19 Statutory receivables (continued)

1.19.3 Subsequent Measurement

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

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

The Municipality assesses at each reporting date whether there is any indication that a statutory receivable may be impaired. If there is an indication that a statutory receivable 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 is reduced, through the use of an allowance account. The amount of the loss is recognised in the Statement of Financial Performance. In estimating the future cash flows, the 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 and any risks specific to the statutory receivable for which the future cash flow estimates have not been adjusted.

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

An impairment loss recognised in prior periods for a statutory receivable is reversed 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

1.19.4 Derecognition

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

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

Any difference between the consideration received and the amounts derecognised and, those amounts recognised, are recognised in surplus or deficit in the period of the transfer.

1.20 Revenue

Revenue, excluding value-added taxation where applicable, is derived from a variety of sources which include rates levied, grants from other tiers of government and revenue from trading activities and other services provided.

Accounting Policies

1.20 Revenue (continued)

1.20.1 Revenue from non-exchange transactions

Revenue from non-exchange transactions refers to transactions where the Municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Revenue from non-exchange transactions is recognised when:
• It is probable that the future economic benefits or service potential associated with the asset will flow to the entity and;
• the fair value of the asset can be measured reliably.

Government grants and subsidies received, or receivable, are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the Municipality. Where public contributions have been received but the Municipality has not met the related conditions, it is recognised as an unspent public contribution (liability).

Revenue from third parties i.e. insurance payments for assets impaired, are recognised when it can be measured reliably and is not being offset against the related expenses of repairs or renewals of the impaired assets.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the Municipality.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No. 56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

Debt forgiven is recognised when the former debt no longer meets the definition of a liability or satisfies the criteria for recognition as a liability, provided that the debt forgiveness does not satisfy the definition of a contribution from owners. Revenue arising from debt forgiveness is measured at the carrying amount of the debt forgiven.

Revenue shall be measured at the fair value of the consideration received or receivable.

When, as a result of a non-exchange transaction, a 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 present 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 will be recognised as revenue.

Services in-kind that are significant to the Municipality's operations are recognised as assets and the related revenue when:
• it is probable that the future economic benefits or service potential will flow to the Municipality; and
• the fair value of the assets can be measured reliably.

If the services in-kind are not significant to the Municipality's operations or does not satisfy the above-mentioned criteria, the Municipality only disclose the nature and type of services in-kind received during the reporting period. When the criteria for recognition is satisfied, services in-kind are measured on initial recognition at their fair value as at the date of acquisition. Services in kind include services provided by individuals to the Municipality and the right to use assets in a non-exchange transaction. These services meet the definition of an asset, because the Municipality controls the resource from which future economic benefits or service potential is expected to flow to the Municipality. The assets are immediately consumed and a transaction of equal value is also recognised to reflect the consumption of these services in-kind, resulting in a decrease of the asset and an increase in an expense. The Municipality therefore recognises an expense and related revenue for the consumption of services in-kind.

Revenue arising from legislation is recognised in accordance with the approved tariff.

Accounting Policies

1.20 Revenue (continued)

1.20.2 Revenue from exchange transactions

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

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;
• The costs incurred, or to be incurred, in respect of the transaction can be measured reliably.

Revenue from the services rendered is recognised when:
• The amount of revenue can be measured reliably;
• It is probable that economic benefits or service potential associated with the transaction will flow to the municipality;
• The stage of completion at the reporting date can be measured reliably;
• The costs incurred or to be incurred in respect of the transaction can be measured reliably.

At the time of initial recognition the full amount of revenue is recognised where the Municipality has an enforceable legal obligation to collect, unless the individual collectability is considered to be improbable. If the Municipality does not successfully enforce its obligation to collect the revenue this would be considered a subsequent event.

Interest revenue is recognised using the effective interest rate method.

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

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

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

Revenue arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services. The Municipality performs a function on behalf of the Provincial Administration: Western Cape for the proclaimed roads within its area.

Revenue is measured at the fair value of the consideration received or receivable.

The amount of revenue arising on a transaction is usually determined by agreement between the entity and the purchaser or user of the asset or service. It is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the entity.

In most cases, the consideration is in the form of cash or cash equivalents and the amount of revenue is the amount of cash or cash equivalents received or receivable. However, when the inflow of cash or cash equivalents is deferred, the fair value of the consideration may be less than the nominal amount of cash received or receivable. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The imputed rate of interest is the more clearly determinable of either:
• The prevailing rate for a similar instrument of an issuer with a similar credit rating; or
• A rate of interest that discounts the nominal amount of the instrument to the current cash sales price of the goods or services.

The difference between the fair value and the nominal amount of the consideration is recognised as interest revenue.

When goods or services are exchanged or swapped for goods or services which are of a similar nature and value, the exchange is not regarded as a transaction that generates revenue. When goods are sold or services are rendered in exchange for dissimilar goods or services, the exchange is regarded as a transaction that generates revenue. The revenue is measured at the fair value of the goods or services received, adjusted by the amount of any cash or cash equivalents transferred. When the fair value of the goods or services received cannot be measured reliably, the revenue is measured at the fair value of the goods or services given up, adjusted by the amount of any cash or cash equivalents transferred.

Accounting Policies

1.21 Related parties and related party transactions

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.

The following are regarded as related parties of the Municipality:
a) A person or a close member of that person's family is related to the Municipality if that person:
• has control or joint control over the Municipality.
• has significant influence over the Municipality. Significant influence is the power to participate in the financial and operating policy decisions of the Municipality.
• is a member of the management of the Municipality or its controlling entity.

b) An entity is related to the Municipality if any of the following conditions apply:
• the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others).
• one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member).
• both entities are joint ventures of the same third party.
• one entity is a joint venture of a third entity and the other entity is an associate of the third entity.
• the entity is a post-employment benefit plan for the benefit of employees of either the Municipality or an entity related to the Municipality. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity.
• the entity is controlled or jointly controlled by a person identified in (a).
• a person identified in (a) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).
• The entity, or any member of a group of which it is part, provides management services to the reporting entity or to the controlling entity of the reporting entity.

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. A person is considered to be a close member of the family of another person if they:
a) are married or live together in a relationship similar to a marriage; or
b) are separated by no more than two degrees of natural or legal consanguinity or affinity.

Management includes all persons having the authority and responsibility for planning, directing and controlling the activities of the Municipality, including:
a) all members of the governing body of the Municipality;
b) a member of the governing body of an economic entity who has the authority and responsibility for planning, directing and controlling the activities of the Municipality;
c) any key advisors of a member, or sub-committees, of the governing body who has the authority and responsibility for planning, directing and controlling the activities of the Municipality; and
d) the senior management team of the Municipality, including the Chief Executive Officer or permanent head of the Municipality, unless already included in (a).

Management personnel include:
a) All directors or members of the governing body of the Municipality, being the Executive Mayor, Deputy Mayor, Speaker and members of the Mayoral Committee;
b) Other persons having the authority and responsibility for planning, directing and controlling the activities of the reporting Municipality being the Municipal Manager, Chief Financial Officer an all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

Remuneration of management includes remuneration derived for services provided to the Municipality in their capacity as members of the management team or employees. Benefits derived directly or indirectly from the Municipality for services in any capacity other than as an employee or a member of management do not meet the definition of remuneration.

Remuneration of management excludes any consideration provided solely as a reimbursement for expenditure incurred by those persons for the benefit of the Municipality.

The Municipality operates in an economic environment currently dominated by entities directly or indirectly owned by the South African government. As a result of the Constitutional independence of all three spheres of government in South Africa, only parties within the same sphere of government will be considered to be related parties.

Accounting Policies

1.21 Related parties and related party transactions (continued)

Only transactions with such parties which are not at arm's length and not on normal commercial terms are disclosed.

1.22 Unauthorised expenditure

Unauthorised Expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, Municipality or Organ of State and expenditure in a form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003). Unauthorised expenditure is accounted for as an expense (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.23 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act 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 Municipality's Supply Chain Management Policy.

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

1.24 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the Statement of Financial Performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the Statement of financial performance.

1.25 Contingent Liabilities and Contingent Assets

Contingent liabilities represent a possible obligation that arises from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Municipality.

A contingent liability can also arise as a result of a present obligation that arises from past events but which is not recognised as a liability either because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets represent possible assets that arise from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Municipality.

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

Management judgement is required when recognising and measuring contingent liabilities and assets.

1.26 Significant accounting judgements and estimates

In preparing the annual financial statements, management is required to make judgements, estimates and assumptions that affect the carrying 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.

The estimates and associated assumptions are based on historical experience and other factors that are considered to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results in the future could differ from these estimates, which may be material to the annual financial statements.

In the process of applying the Municipality's accounting policy, management has made the following significant accounting judgements, estimates and assumptions, which have the most significant effect on the amounts recognised in the financial statements:

Accounting Policies

1.26 Significant accounting judgements and estimates (continued)

1.26.1 Estimates and assumptions

Post-retirement Medical Obligations, Long Service and Ex-Gratia Gratuities

The cost of defined benefit pension plans and other employment medical benefits is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Major assumptions used are disclosed in note 10 of the Annual Financial Statements. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

Impairment of Receivables

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness.

This was performed per service-identifiable categories across all classes of debtors.

Property, Plant and Equipment and Intangible Assets

Property, Plant and Equipment

The useful lives of property, plant and equipment are based on management's estimation. For other assets and buildings management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

Management referred to the following when making assumptions regarding useful lives and residual values of Property, Plant and Equipment:
• The useful life of movable assets was determined using the age of similar assets available for sale in the active market.

Discussions with people within the specific industry were also held to determine useful lives.
• The Municipality referred to buildings in other municipal areas to determine the useful life of buildings.

For deemed cost applied to other assets as per adoption of Directive 7, management used the depreciated replacement cost method which was based on assumptions about the remaining duration of the assets.

The cost for depreciated replacement cost was determined by using either one of the following:
• Cost of items with a similar nature currently in the Municipality's asset register;
• Cost of items with a similar nature in other Municipalities' asset registers, given that the other Municipality has the same geographical setting as the Municipality and that the other Municipality's asset register is considered to be accurate;
• Cost as supplied by suppliers.

For deemed cost applied to land and buildings as per adoption of Directive 7, management made use of on independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

Intangible Assets

The useful lives of intangible assets are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate.

Reference was made to intangibles used within the Municipality and other Municipalities to determine the useful life of the assets.

For deemed cost applied to intangible assets as per adoption of Directive 7, management used the depreciation cost method which was based on assumptions about the remaining duration of the assets.

Accounting Policies

1.26 Significant accounting judgements and estimates (continued)

Provisions and Contingent Liabilities

Compensation of key management personnel judgement is required when recognising and measuring provisions, and when measuring contingent liabilities. Provisions are measured at the compensation of key management personnel's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

Revenue recognition

The Accounting Policies on Revenue from Exchange Transactions and Revenue from Non-exchange Transactions describes the conditions under which revenue will be recorded by the compensation of key management personnel of the Municipality.

In making their judgement, the compensation of key management personnel considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue from Non-exchange Transactions.

In particular, in regard to revenue form exchange revenue - when goods are sold, whether the compensation of key management personnel had transferred to the buyer the significant risks and rewards of ownership of the goods; and, when services is rendered, whether the service has been rendered.

The management of the Municipality is satisfied that recognition of the revenue in the current year is appropriate.

Provision for Staff Leave

Staff leave is accrued to employees according to collective agreements. Provision is made for the full cost of accrued leave at reporting date.

In terms of the Collective Agreement for Local Government annual leave shall only be accumulated to a maximum of forty-eight (48) working days. The provision for annual leave is limited to a maximum of 48 days per employee.

This provision will be realised as employees take leave or when employment is terminated.

Provision for Performance Bonuses

The provision for performance bonuses represents the best estimate of the obligation at year end and is based on historic patterns of payment of performance bonuses. Performance bonuses are subject to an evaluation by Council.

1.27 Value Added Tax

The municipality is registered with the South Afrcan Revenue Service (SARS) for Value Added Tax on the payments basis, in accordance with Section 15(2)(a) of the Value-Added Tax Act No 89 of 1991.

Revenue, expenses and assets are recognised net of the amounts of Value Added Tax. The net amount of Value Added Tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

1.28 Capital commitments

Capital commitments disclosed in the financial statements represents the balance committed to capital projects on reporting date that will be incurred subsequent to the specific reporting date.

Commitments are disclosed in the notes inclusive of VAT.

1.29 Events after reporting date

Events after the reporting date that are classified as adjusting events have been accounted for in the annual financial statements. The events after the reporting date that are classified as non-adjusting events after the reporting date have been disclosed in the notes to the annual financial statements.

Accounting Policies

1.30 Segment reporting

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.

Management identifies reportable segments in accordance with the monthly section 71 report, which are regularly reviewed by management. Management reviews the performance on an aggregated basis of total revenue and total expenditure.

The municipality manages its assets and liability as a whole and are not reviewed on a segregated basis for each town. Segment reporting per geographical area is not deemed relevant.

The measurement basis per the monthly reports is the same as the annual financial statements.

The restatement of segment information is only done if there was a change in the reportable structure of the municipality and information is readily available.

1.31 Consumer Deposits

Consumer deposits are disclosed as a current liability. Consumer deposits are applicable to rental contracts. When the rental contract is terminated, the outstanding deposit is utilised against any arrear accounts the consumer might be liable for on that date. Any excess deposit after all debt is settled is refunded to the specific consumer.

1.32 Change in accounting policies, estimates and errors

Changes in accounting policies that are affected by compensation of key management personnel have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the change in policy. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

Changes in accounting estimates are applied prospectively in accordance with GRAP 3 requirements.

Correction of errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the error. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

Details of changes in accounting policies, changes in estimates and correction of errors are disclosed in the notes to the annual financial statements where applicable.

Notes to the Annual Financial Statements

Figures in Rand thousand	2025	2024

2. New standards and interpretations

2.1 Standards, amendments to standards and interpretations issued, but not yet effective

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

GRAP 107 (as revised): Mergers

Overview and project objective

At the time GRAP 105, GRAP 106 and GRAP 107 (hereafter "the local Standards") were developed, an equivalent International Public Sector Accounting Standard (IPSAS) did not exist. IPSAS 40 on Public Sector Combinations was since issued in 2017.

IPSAS 40 was compared with local Standards to identify any similarities and differences. Even though IPSAS 40 applies to combinations that are classified as either an amalgamation or an acquisition, the substance of combinations accounted for using IPSAS 40 is similar to that in the local Standards. Based on the outcome of the comparison, the Board agreed that the local Standards should be amended to include additional, authoritative guidance from IPSAS 40, where applicable and retain guidance in the local Standards not included in IPSAS, where appropriate. The Board also agreed to include amendments to the IFRS Accounting Standard on Business Combinations (IFRS 3) after the publication of IPSAS 40, as IFRS 3 was used to develop parts of the local Standards.

The Board agreed that the three Standards of GRAP should be retained, rather than to issue an equivalent IPSAS. Local stakeholders understand when to apply a relevant Standard and to date, no significant application issues were raised.

Significant differences between IPSAS 40 and the GRAP Standards, prior to the revisions proposed
Scope

a) IPSAS 40 includes a scope exclusion explaining that the Standard does not apply to the acquisition by an investment entity of an investment in a controlled entity that is required to be measured at fair value through surplus or deficit;

(b) the GRAP Standards include additional scope exclusions for transfers or mergers that are not within the Standard's scope. As IPSAS 40 addresses all combinations, a similar scope exclusion is not relevant;

(c) the GRAP Standards include explanatory guidance on the scope exclusions in the Standards. Similar explanatory guidance for the scope exclusions is not included in IPSAS 40; and

(d) GRAP 107 does not include a scope exclusion for the transfer of individual assets and liabilities.

Definitions

IPSAS 40 separates the definitions in the Standard between "general definitions relating to all public sector combinations", "definitions relating to amalgamations" and "definitions relating to acquisitions". The GRAP Standards include definitions relevant to the type of transfer or merger within the scope of the particular Standard. Other differences include:

(a) terminology differences – this is because IPSAS 40 provides guidance on amalgamations and acquisitions, and GRAP classifies the transactions or events as either a transfer of function or a merger. For example, IPSAS 40 refers public sector combinations, amalgamation, and acquisition date, and resulting entity, whereas the GRAPs refer to a transfer of functions, transfer, acquisition, or merger date, and acquiree and combining entity; and

(b) definitions not included in the GRAP Standards and vice versa – for example, IPSAS 40 includes definitions for mutual entity and goodwill, while the GRAP Standards define residual value, non-controlling interests, and binding arrangement.

Identifying an operation or function

IPSAS 40 defines an operation as "an integrated set of activities and related assets and/or liabilities that is capable of being conducted and managed for purposes of achieving an entity's objectives, either by providing economic benefits or service potential." The definition of a function in the GRAP Standards is similar, except that it excludes "and related assets and/or liabilities".

2. New standards and interpretations (continued)

The guidance explaining what an integrated set of activities comprises, is similar between IPSAS 40 and the GRAP Standards. Other than using different terms (i.e., GRAP 105 and GRAP 106 refer to "a function" whereas IPSAS 40 refers to "an operation"), IPSAS 40 includes additional guidance to explain that, determining if a particular set of activities and the related assets and liabilities are an operation, should be based on whether the integrated set is capable of being conducted and managed as an operation by another entity.

Accounting for an amalgamation versus a transfer of functions under common control and mergers

Both IPSAS 40 and GRAP 107 applies the modified pooling of interest method to account for an amalgamation or merger. GRAP 105 does not "label" the accounting method used to account for the transfer for functions.

Assessing control - GRAP 105 is not explicit that the principles in GRAP 35 should be applied to assess control.

Outline of the Standards - In IPSAS 40, application guidance is included as an annexure to the Standard. GRAP 105 and GRAP 107 do not have any application guidance, as all the principles are included in the Standard itself. acquiree.

Identifying amalgamation (transfer/merger) date, assets, and liabilities - GRAP 105 and GRAP 107 explains that the terms and conditions of the binding arrangement should be considered to identify the acquirer/combined entity, the assets and liabilities, and the transfer/merger date. GRAP 105 and GRAP 107 also include guidance to identify the acquirer/combined entity when it is not clear from the binding arrangement.

IPSAS 40 does not provide guidance on what should be considered to identify the resulting entity, the assets, and liabilities to be transferred or assumed, or the transfer date.

Pre-existing relationship - GRAP 105 includes guidance on identifying, and accounting for, a pre-existing relationship between the acquirer and transferor that is not part of the transfer of functions. Similar guidance is not included in IPSAS 40 (or in GRAP 107).

Calculation of the excess in the combination (transfer/merger) - The excess in the combination (transfer or merger) is calculated as the difference between the carrying amounts of the assets acquired and liabilities assumed, and any adjustments made to conform the accounting policies of the combining operations (transferor/combining entities) to those of the resulting entity (acquirer/combined entity).

The following elements are different:

- GRAP 105 also includes the consideration paid in the calculation, whereas IPSAS 40 is silent on whether the consideration should be included in the calculation; and

- in addition to recognising the identifiable assets and liabilities, IPSAS 40 includes the carrying amount of the combining operation's non-controlling interest and the effect of any adjustments made to eliminate transactions between the combining entities in the calculation of the excess. Neither GRAP 105 nor GRAP 107 require these components to be included when calculating the excess of the combination.

Assets and liabilities transferred - IPSAS 40 requires that the resulting entity should classify or designate the assets and liabilities received in an amalgamation using the classifications or designations previously applied by the combining operations. The resulting entity is not allowed to adopt different classifications or designations on initial recognition, even if this is permitted by other IPSASs.

This is different to the requirements in GRAP 105 and GRAP 107 that require the acquirer/combined entity to classify or designate the assets acquired and liabilities assumed to apply the Standards of GRAP. The classifications or designations are made on the basis of the terms of the binding arrangement, economic conditions, the acquirer's operating or accounting policies and other relevant conditions that exist at the transfer date.

There is, however, and exception included in GRAP 105 and GRAP 107 relating to the classification of leases, and the classification of a contract as an insurance contract. Similar exceptions are not included in IPSAS 40,

Measurement period - IPSAS 40, GRAP 105 and GRAP 107 allow for a measurement period if the initial accounting for the amalgamation (transfer/merger) is incomplete by the end of the reporting period in which the amalgamation (transfer/merger) occurs. In IPSAS 40 the measurement period should not exceed one year from the amalgamation date. GRAP 105 and GRAP 107 allow two years.

2. New standards and interpretations (continued)

Presentation - As per GRAP 107, the combined entity need not present comparative information in the first reporting period. GRAP 105 does not include a similar requirement as the transfer of functions is only effective from the transfer date and the entity combines the assets and liabilities of the transferor with its own at that date. As the transfer of functions does not impact the acquirer's prior year information, the acquirer's comparative information need not be adjusted.

In IPSAS 40, the resulting entity has an option to not present financial statements for periods prior to the amalgamation date. Where the resulting entity elects to present financial statements, specific disclosures are required for each combining operation.

There are certain guidance included in IPSAS40 but not in GRAP105 and 107, and vice versa.

Supersede

This Standard supersedes the Standard of GRAP on Mergers issued in 2010.

The amendments to the Standards are approved by the Board. The amendments may not be applied by entities in developing an accounting policy. Entities are only permitted to adopt the amendments once an effectivedate has been determined by the Minister of Finance.

It is unlikely that the revisions will have a material impact on the Municipality's Annual Financial Statements.

GRAP 105(as revised): Transfer of Functions Between Entities Under Common Control

Overview and project objective

At the time GRAP 105, GRAP 106 and GRAP 107 (hereafter "the local Standards") were developed, an equivalent International Public Sector Accounting Standard (IPSAS) did not exist. IPSAS 40 on Public Sector Combinations was since issued in 2017. IPSAS 40 was compared with local Standards to identify any similarities and differences. Even though IPSAS 40 applies to combinations that are classified as either an amalgamation or an acquisition, the substance of combinations accounted for using IPSAS 40 is similar to that in the local Standards. Based on the outcome of the comparison, the Board agreed that the local Standards should be amended to include additional, authoritative guidance from IPSAS 40, where applicable and retain guidance in the local Standards not included in IPSAS, where appropriate. The Board also agreed to include amendments to the IFRS Accounting Standard on Business Combinations (IFRS 3) after the publication of IPSAS 40, as IFRS 3 was used to develop parts of the local Standards.

The Board agreed that the three Standards of GRAP should be retained, rather than to issue an equivalent IPSAS. Local stakeholders understand when to apply a relevant Standard and to date, no significant application issues were raised.

Significant differences between IPSAS 40 and the GRAP Standards, prior to the revisions proposed

Scope

a) IPSAS 40 includes a scope exclusion explaining that the Standard does not apply to the acquisition by an investment entity of an investment in a controlled entity that is required to be measured at fair value through surplus or deficit;

(b) the GRAP Standards include additional scope exclusions for transfers or mergers that are not within the Standard's scope. As IPSAS 40 addresses all combinations, a similar scope exclusion is not relevant;

(c) the GRAP Standards include explanatory guidance on the scope exclusions in the Standards. Similar explanatory guidance for the scope exclusions is not included in IPSAS 40; and

(d) GRAP 107 does not include a scope exclusion for the transfer of individual assets and liabilities.

Definitions

IPSAS 40 separates the definitions in the Standard between "general definitions relating to all public sector combinations", "definitions relating to amalgamations" and "definitions relating to acquisitions". The GRAP Standards include definitions relevant to the type of transfer or merger within the scope of the particular Standard. Other differences include:

2. New standards and interpretations (continued)

(a) terminology differences – this is because IPSAS 40 provides guidance on amalgamations and acquisitions, and GRAP classifies the transactions or events as either a transfer of function or a merger. For example, IPSAS 40 refers public sector combinations, amalgamation, and acquisition date, and resulting entity, whereas the GRAPs refer to a transfer of functions, transfer, acquisition, or merger date, and acquiree and combining entity; and

(b) definitions not included in the GRAP Standards and vice versa – for example, IPSAS 40 includes definitions for mutual entity and goodwill, while the GRAP Standards define residual value, non-controlling interests, and binding arrangement.

Identifying an operation or function

IPSAS 40 defines an operation as "an integrated set of activities and related assets and/or liabilities that is capable of being conducted and managed for purposes of achieving an entity's objectives, either by providing economic benefits or service potential." The definition of a function in the GRAP Standards is similar, except that it excludes "and related assets and/or liabilities".

The guidance explaining what an integrated set of activities comprises, is similar between IPSAS 40 and the GRAP Standards. Other than using different terms (i.e., GRAP 105 and GRAP 106 refer to "a function" whereas IPSAS 40 refers to "an operation"), IPSAS 40 includes additional guidance to explain that, determining if a particular set of activities and the related assets and liabilities are an operation, should be based on whether the integrated set is capable of being conducted and managed as an operation by another entity.

Accounting for an amalgamation versus a transfer of functions under common control and mergers

Both IPSAS 40 and GRAP 107 applies the modified pooling of interest method to account for an amalgamation or merger. GRAP 105 does not "label" the accounting method used to account for the transfer for functions.

Assessing control - GRAP 105 is not explicit that the principles in GRAP 35 should be applied to assess control.

Outline of the Standards - In IPSAS 40, application guidance is included as an annexure to the Standard. GRAP 105 and GRAP 107 do not have any application guidance, as all the principles are included in the Standard itself.

Identifying amalgamation (transfer/merger) date, assets, and liabilities - GRAP 105 and GRAP 107 explains that the terms and conditions of the binding arrangement should be considered to identify the acquirer/combined entity, the assets and liabilities, and the transfer/merger date. GRAP 105 and GRAP 107 also include guidance to identify the acquirer/combined entity when it is not clear from the binding arrangement.

IPSAS 40 does not provide guidance on what should be considered to identify the resulting entity, the assets, and liabilities to be transferred or assumed, or the transfer date.

Pre-existing relationship - GRAP 105 includes guidance on identifying, and accounting for, a pre-existing relationship between the acquirer and transferor that is not part of the transfer of functions. Similar guidance is not included in IPSAS 40 (or in GRAP 107).

Calculation of the excess in the combination (transfer/merger) - The excess in the combination (transfer or merger) is calculated as the difference between the carrying amounts of the assets acquired and liabilities assumed, and any adjustments made to conform the accounting policies of the combining operations (transferor/combining entities) to those of the resulting entity (acquirer/combined entity).

The following elements are different:

- GRAP 105 also includes the consideration paid in the calculation, whereas IPSAS 40 is silent on whether the consideration should be included in the calculation; and
- in addition to recognising the identifiable assets and liabilities, IPSAS 40 includes the carrying amount of the combining operation's non-controlling interest and the effect of any adjustments made to eliminate transactions between the combining entities in the calculation of the excess. Neither GRAP 105 nor GRAP 107 require these components to be included when calculating the excess of the combination.

Notes to the Annual Financial Statements

Figures in Rand thousand	2025	2024

2. New standards and interpretations (continued)

Assets and liabilities transferred - IPSAS 40 requires that the resulting entity should classify or designate the assets and liabilities received in an amalgamation using the classifications or designations previously applied by the combining operations. The resulting entity is not allowed to adopt different classifications or designations on initial recognition, even if this is permitted by other IPSASs.

This is different to the requirements in GRAP 105 and GRAP 107 that require the acquirer/combined entity to classify or designate the assets acquired and liabilities assumed to apply the Standards of GRAP. The classifications or designations are made on the basis of the terms of the binding arrangement, economic conditions, the acquirer's operating or accounting policies and other relevant conditions that exist at the transfer date.

There is, however, and exception included in GRAP 105 and GRAP 107 relating to the classification of leases, and the classification of a contract as an insurance contract. Similar exceptions are not included in IPSAS 40,

Measurement period - IPSAS 40, GRAP 105 and GRAP 107 allow for a measurement period if the initial accounting for the amalgamation (transfer/merger) is incomplete by the end of the reporting period in which the amalgamation (transfer/merger) occurs. In IPSAS 40 the measurement period should not exceed one year from the amalgamation date. GRAP 105 and GRAP 107 allow two years.

Presentation - As per GRAP 107, the combined entity need not present comparative information in the first reporting period. GRAP 105 does not include a similar requirement as the transfer of functions is only effective from the transfer date and the entity combines the assets and liabilities of the transferor with its own at that date. As the transfer of functions does not impact the acquirer's prior year information, the acquirer's comparative information need not be adjusted.

In IPSAS 40, the resulting entity has an option to not present financial statements for periods prior to the amalgamation date. Where the resulting entity elects to present financial statements, specific disclosures are required for each combining operation.

There are certain guidance included in IPSAS40 but not in GRAP105 and 107, and vice versa.

Supersede

This Standard supersedes the Standard of GRAP on Transfer of Functions Between Entities Under Common Control issued in 2010.

The amendments to the Standards are approved by the Board. The amendments may not be applied by entities in developing an accounting policy. Entities are only permitted to adopt the amendments once an effective date has been determined by the Minister of Finance.

It is unlikely that the revision will have a material impact on the Municipality's Annual Financial Statements.

2. New standards and interpretations (continued)

GRAP 106 (as revised): Transfer of Functions Between Entities Not Under Common Control

Overview and project objective

At the time GRAP 105, GRAP 106 and GRAP 107 (hereafter "the local Standards") were developed, an equivalent International Public Sector Accounting Standard (IPSAS) did not exist. IPSAS 40 on Public Sector Combinations was since issued in 2017. IPSAS 40 was compared with local Standards to identify any similarities and differences. Even though IPSAS 40 applies to combinations that are classified as either an amalgamation or an acquisition, the substance of combinations accounted for using IPSAS 40 is similar to that in the local Standards. Based on the outcome of the comparison, the Board agreed that the local Standards should be amended to include additional, authoritative guidance from IPSAS 40, where applicable and retain guidance in the local Standards not included in IPSAS, where appropriate. The Board also agreed to include amendments to the IFRS Accounting Standard on Business Combinations (IFRS 3) after the publication of IPSAS 40, as IFRS 3 was used to develop parts of the local Standards.

The Board agreed that the three Standards of GRAP should be retained, rather than to issue an equivalent IPSAS. Local stakeholders understand when to apply a relevant Standard and to date, no significant application issues were raised.

Significant differences between IPSAS 40 and the GRAP Standards, prior to the revisions proposed
Scope

a) IPSAS 40 includes a scope exclusion explaining that the Standard does not apply to the acquisition by an investment entity of an investment in a controlled entity that is required to be measured at fair value through surplus or deficit;

(b) the GRAP Standards include additional scope exclusions for transfers or mergers that are not within the Standard's scope. As IPSAS 40 addresses all combinations, a similar scope exclusion is not relevant;

(c) the GRAP Standards include explanatory guidance on the scope exclusions in the Standards. Similar explanatory guidance for the scope exclusions is not included in IPSAS 40; and

(d) GRAP 107 does not include a scope exclusion for the transfer of individual assets and liabilities.

Definitions

IPSAS 40 separates the definitions in the Standard between "general definitions relating to all public sector combinations", "definitions relating to amalgamations" and "definitions relating to acquisitions". The GRAP Standards include definitions relevant to the type of transfer or merger within the scope of the particular Standard. Other differences include:

(a) terminology differences – this is because IPSAS 40 provides guidance on amalgamations and acquisitions, and GRAP classifies the transactions or events as either a transfer of function or a merger. For example, IPSAS 40 refers public sector combinations, amalgamation, and acquisition date, and resulting entity, whereas the GRAPs refer to a transfer of functions, transfer, acquisition, or merger date, and acquiree and combining entity; and

(b) definitions not included in the GRAP Standards and vice versa – for example, IPSAS 40 includes definitions for mutual entity and goodwill, while the GRAP Standards define residual value, non-controlling interests, and binding arrangement.

Identifying an operation or function

IPSAS 40 defines an operation as "an integrated set of activities and related assets and/or liabilities that is capable of being conducted and managed for purposes of achieving an entity's objectives, either by providing economic benefits or service potential." The definition of a function in the GRAP Standards is similar, except that it excludes "and related assets and/or liabilities".

The guidance explaining what an integrated set of activities comprises, is similar between IPSAS 40 and the GRAP Standards. Other than using different terms (i.e., GRAP 105 and GRAP 106 refer to "a function" whereas IPSAS 40 refers to "an operation"), IPSAS 40 includes additional guidance to explain that, determining if a particular set of activities and the related assets and liabilities are an operation, should be based on whether the integrated set is capable of being conducted and managed as an operation by another entity.

Outline of the Standards - In IPSAS 40, application guidance is included as an annexure to the Standard. GRAP 106 does not have an application guidance section as all the principles are included in the Standard itself.

2. New standards and interpretations (continued)

Assessing control - GRAP 106 is not explicit that the principles in GRAP 35 should be applied in assessing control.

Identifying acquisition date, assets, and liabilities - GRAP 106 explains that the terms and conditions of the binding arrangement should be considered to identify the acquirer and the acquisition date. GRAP 106 also includes guidance to identify the acquirer/combined entity when it is not clear from the binding arrangement. IPSAS 40 does not provide guidance on what should be considered to identify the resulting entity. GRAP 106 require that the terms and conditions in the binding arrangement should be considered to determine the acquisition date, and the assets and liabilities to be transferred. IPSAS 40 is not as specific that a binding arrangement needs to be in place to determine the acquisition date. To identify the assets and liabilities to be transferred or assumed, IPSAS 40 merely refers to "must be what the acquirer and acquiree has exchanged".

Non-controlling interests - Additional guidance is included in GRAP 106 on the measurement of a noncontrolling interest in an acquiree.

Subsequent measurement - For the subsequent measurement of a reacquired right, IPSAS 40 distinguishes between a right with a finite and indefinite period. A similar distinction is not made in GRAP 106.

Calculation of the excess in the acquisition - GRAP 106 requires that the excess in transfer of functions be recognised in surplus and deficit. IPSAS 40 requires that the excess be recognised as goodwill. As a result, IPSAS 40 includes additional guidance on the recognition and measurement of goodwill, which is not included in GRAP 106.

Acquisition achieved in stages - Both Standards include similar guidance on the accounting for an acquisition achieved in stages, except for the treatment of the resulting gain or loss. IPSAS 40 requires that the gain or loss be recognised in surplus or deficit or in net assets/equity, whereas GRAP 106 requires it to be recognised in surplus or deficit only.

Measurement period - Both IPSAS 40 and GRAP 106 allow for a measurement period if the initial accounting for the acquisition is incomplete by the end of the reporting period, in which the acquisition occurs. In IPSAS 40 the measurement period should not exceed one year from the acquisition date. GRAP 106 allows two years. The increase or decrease in the provisional amount is recognised in goodwill in IPSAS 40, while the provisional amount is adjusted against surplus or deficit in GRAP 106.

Pre-existing relationship - Both Standards include similar guidance on determining what is part of the acquisition transaction if there was a pre-existing relationship between the acquirer and the acquiree. However, IPSAS 40 includes an additional principle to explain that a transaction entered into before the acquisition, by or on behalf of the acquirer or primarily for the benefit of the acquirer, is likely to be a separate transaction. IPSAS 40 also includes additional guidance of factors to be considered to determine if a transaction is part of the exchange of the acquired operation.

There are certain guidance included in IPSAS40 but not in GRAP106, and vice versa.

Supersede

This Standard supersedes the Standard of GRAP on Transfer of Functions Between Entities Not Under Common Control issued in 2010.

The amendments to the Standards are approved by the Board. The amendments may not be applied by entities in developing an accounting policy. Entities are only permitted to adopt the amendments once an effective date has been determined by the Minister of Finance.

It is unlikely that the revisions will have a material impact on the Municipality's Annual Financial Statements.

2. New standards and interpretations (continued)

GRAP 2023: Improvements to the Standards of GRAP 2023

The Board undertakes periodic revisions of the Standards of GRAP in line with best practice internationally among standard setters. The Improvements to the Standards of GRAP include changes resulting from to the International Public Sector Accounting Standards and the International Financial Reporting Standards, as well as general improvements identified through consultation with stakeholders. The Improvements to the Standards of GRAP (2023) was approved by the Board and issued in November 2023.

GRAP 1 – Presentation of Financial Statements

Narrow scope amendments to the IAS Standard on Presentation of Financial Statements (IAS 1) Feb 2021

Disclosure of Accounting Policies: Changes from "significant accounting policies" to "material accounting policies" because the Standards of GRAP do not define the term "significant".

General Improvements

- Provide clarity to the terms "publicly available" and "publicly accountable".
- Remove encouraged disclosures with limited information value.

GRAP2 - Cash Flow Statements

General Improvements

Amend disclosures to read as "useful additional information that may be disclosed" as opposed to "encouraged disclosures".

GRAP 3 – Accounting policies, Changes in Accounting Estimates and Errors

Narrow scope amendments to IAS 8 Feb 2021

Change in the definition of an accounting estimate because the previous definition was not sufficiently clear.

General Improvements

Clarify that the requirements only apply to Standards of GRAP that are not yet effective for which the Minister of Finance has already determined an effective date.

GRAP 5 – Borrowing Costs,
Amendments to the IPSAS on Borrowing Costs (IPSAS 5) – Non-authoritative Guidance 2021

Add the Illustrative Examples in IPSAS 5 to GRAP 5.

GRAP13 - Leases

General Improvements

Remove encouraged disclosures with limited information value.

GRAP 17 – Property, Plant and Equipment

Improvements to IPSAS 2021

Amendments are made to prohibit proceeds from selling items produced before that asset is available, to be deducted from the cost of property, plant and equipment

2. New standards and interpretations (continued)

GRAP19 - Provisions, Contingent Liabilities and Contingent Assets

General Improvements

Remove encouraged disclosures with limited information value.

GRAP 20 – Related Party Disclosures

General Improvements

Update the definition of "significant influence" to align with the Standard of GRAP on Investments in Associates and Joint Ventures (GRAP 36).

GRAP23 - Revenue from Non-exchange Transactions (Taxes and Transfers)

General Improvements

Remove encouraged disclosures with limited information value.

GRAP24 - Presentation of Budget Information in Financial Statements

Narrow scope amendments to the IAS Standard on Presentation of Financial Statements (IAS 1) Feb 2021

Disclosure of Accounting Policies: Changes from "significant accounting policies" to "material accounting policies" because the Standards of GRAP do not define the term "significant".

General Improvements

- Provide clarity to the terms "publicly available" and "publicly accountable".
- Simplify the disclosures on the presentation of a reconciliation to improve the quality of reporting, by not prescribing the line items to reconcile to.
- Re-instate the Illustrative Examples that were deleted when GRAP 24 became effective.

GRAP27 - Agriculture

General Improvements

Remove encouraged disclosures and repackage it as "useful information" in another section of the Standard.

GRAP31 - Intangible Assets

General Improvements

- Clarify when the Standard of GRAP on Service Concession Arrangements: Grantor (GRAP 32) is applicable.
- Remove reference to fully depreciated assets.
- Remove encouraged disclosures with limited information value.

GRAP 104 – Financial Instruments

Improvements to IPSAS 2021

- Interest Rate Benchmark Reform - Amendments to provide a practical expedient not to treat changes in contractual cash flows as a modification.
- Amendments to clarify the fees that an entity includes when it applies the "10 percent" test to derecognise a financial liability.

Narrow scope amendments to the IAS Standard on Presentation of Financial Statements (IAS 1) Feb 2021

Disclosure of Accounting Policies: Changes from "significant accounting policies" to "material accounting policies" because the Standards of GRAP do not define the term "significant".

2. New standards and interpretations (continued)

General Improvements

Remove encouraged disclosures with limited information value.

iGRAP20 - Accounting for Adjustments to Revenue

Narrow scope amendments to IAS 8 Feb 2021

Change in the definition of an accounting estimate because the previous definition was not sufficiently clear.

Directive 12 - The Selection of an Appropriate Reporting Framework by Public Entities

Narrow scope amendments to the IAS Standard on Presentation of Financial Statements (IAS 1) Feb 2021

Disclosure of Accounting Policies: Changes from "significant accounting policies" to "material accounting policies" because the Standards of GRAP do not define the term "significant".

Guideline on The Application of Materiality to Financial Statements

Narrow scope amendments to the IAS Standard on Presentation of Financial Statements (IAS 1) Feb 2021

Disclosure of Accounting Policies: Changes from "significant accounting policies" to "material accounting policies" because the Standards of GRAP do not define the term "significant".

General Improvements

Amendments resulting from the review of the Standard of GRAP on Cash Flow Statements (GRAP 2) and the Standard of GRAP on Presentation of Budget Information in Financial Statements (GRAP 24).

It is unlikely that the standard will have a material impact on the Municipality's Annual Financial Statements.

GRAP 1 (amended): Presentation of Financial Statements (Going Concern)

The Board undertook a project in 2021 to consider the guidance and disclosure requirements on going concern in the relevant Standards of GRAP. As an outcome of this project, the Board agreed to include additional guidance and disclosures on going concern in this Standard. Consequential amendments are also made to the Standard of GRAP on Events After the Reporting Date.

Applicability of going concern in the public sector

An entity prepares its financial statements on a going concern basis unless there is an intention to liquidate the entity, to cease operating, or if there is no realistic alternative but to do so. A liquidation or cessation of an entity's operations will result in the termination of all its functions.

In South Africa, specific legislative requirements need to be followed before a decision is taken to liquidate a public sector entity, to cease or scale back its operations, to transfer some or all of its functions to another entity, or to merge one or more entities. The "intention" to liquidate an entity, to cease or scale back its operations, to transfer some or all of its functions to another entity, or to merge one or more entities needs to be established. This intention can be reflected in a number of ways and may encompass legislation passed in Parliament or a provincial legislature, cabinet decision, ministerial order, a decision made by a municipal council, board, council or equivalent, a regulation or a notice, or other official means.

The liquidation or cessation of a public sector entity's operations is rare, and only in the case of dissolution without any continuation of the entity's operations will the going concern basis cease to apply. When all, or some of the functions of an entity are transferred to another entity, or when a decision is taken to merge one or more entities, the application of the going concern basis remains appropriate. This is because the entity's functions will continue to be provided in a modified form, even though they are executed by another entity.

The Board agreed to include explanatory guidance in this Standard on the application of the going concern assumption by public sector entities.

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

Where some of an entity's functions are transferred in a transfer of functions, and the remaining functions are discontinued, there are two separate transactions. The Board concluded that management should assess these transactions separately based on the functions transferred, those to be discontinued (if any), and those that may be retained and continued (if any), to determine if preparing the entity's financial statements on a going concern basis remains appropriate.

Disclosure on going concern

The Board's project highlighted a need for specific disclosures on going concern, material uncertainties relating to going concern, and actions taken by management to mitigate these uncertainties. Consideration was also given to the practices, guidance and requirements in other countries and/or from other standard-setting bodies on these matters.

To address the diversity in the information disclosed on going concern, the Board agreed to expand the disclosure requirements in this Standard to ensure that consistent disclosures are provided.

It is unlikely that the standards will have a material impact on the Municipality's Annual Financial Statements.

GRAP 104 (as revised): Financial Instruments

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

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

The most significant changes to the Standard affect:

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

It is unlikely that the amendment will have a material impact on the Municipality's Annual Financial Statements.

Notes to the Annual Financial Statements

Figures in Rand thousand	2025	2024

3. Property, Plant and Equipment

3.1 Reconciliation summary

	2025			2024		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	1 211 650	-	**1 211 650**	1 211 650	-	**1 211 650**
Machinery and Equipment	978 109	(646 976)	**331 133**	946 741	(568 860)	**377 881**
Furniture and Office Equipment	2 319 170	(1 570 073)	**749 097**	1 850 954	(984 751)	**866 203**
Transport Assets	6 536 748	(2 651 749)	**3 884 999**	3 507 234	(2 258 918)	**1 248 316**
Computer Equipment	2 518 487	(994 882)	**1 523 605**	1 973 776	(745 225)	**1 228 551**
Other assets						
Buildings	6 889 488	(2 132 557)	**4 756 931**	6 889 488	(2 014 172)	**4 875 316**
Total	**20 453 652**	**(7 996 237)**	**12 457 415**	**16 379 843**	**(6 571 926)**	**9 807 917**

Notes to the Annual Financial Statements

Figures in Rand thousand

3. Property, Plant and Equipment (continued)

3.2 Reconciliation of carrying value

2025

	Opening balance	Additions	Depreciation	Total
Land	1 211 650	-	-	1 211 650
Buildings	4 875 317	-	(118 386)	4 756 931
Machinery and Equipment	377 881	31 368	(78 116)	331 133
Furniture and Office Equipment	866 205	55 551	(172 659)	749 097
Transport Assets	1 248 315	3 029 514	(392 830)	3 884 999
Computer Equipment	1 228 549	543 388	(248 332)	1 523 605
Total	**9 807 917**	**3 659 821**	**(1 010 323)**	**12 457 415**

2024

	Opening balance (including residual values)	Additions (including residual values)	Disposals (cost)	Disposals (accumulated depreciation)	Depreciation	Total
Land	1 211 650	-	-	-	-	1 211 650
Buildings	4 092 562	879 152	-	-	(96 398)	4 875 316
Machinery and Equipment	152 077	275 981	-	-	(50 177)	377 881
Furniture and Office Equipment	995 352	36 811	(2 269)	1 325	(165 016)	866 203
Transport Assets	841 536	633 579	-	-	(226 799)	1 248 316
Computer Equipment	1 190 690	215 459	-	-	(177 598)	1 228 551
Leased assets						
Furniture and Office Equipment	59 275	-	(413 988)	413 988	(59 275)	-
Total	**8 543 142**	**2 040 982**	**(416 257)**	**415 313**	**(775 263)**	**9 807 917**

Notes to the Annual Financial Statements

Figures in Rand thousand	2025	2024

3. Property, Plant and Equipment (continued)

Property, plant and equipment	12 457 415	9 807 917

3.3 Property, Plant and Equipment which is in the process of being constructed or developed:

The following assets were still in the process of being constructed at year end:

Accumulated expenditure included in carrying value of property, plant and equipment		
Office Equipment	-	-

Office Equipment		
Balance at the beginning of the year	-	25 421
Expenditure during the year	-	-
Assets unbundled during the year	-	(25 421)
Impairment recognised during the year	-	-
Total	-	-

No items of Property, Plant and Equipment are in the process of being constructed and developed in the 2024/2025 financial year.

No items of Property, Plant and Equipment are taking a significantly longer period of time to complete than expected.

No instances occurred where the construction or development of items Property, Plant and Equipment has been halted either in the current or prior financial years.

3.4 Expenditure incurred to repair and maintain Property, Plant and Equipment:

Expenditure item		
Inventory Consumed	-	12 125
Contracted Services	35 554	115 151
Operational Costs	-	7 019
	35 554	**134 295**

3.5 Property, Plant and Equipment pledged as security

No items of Property, Plant and Equipment were pledged as security.

3.6 Change in estimate

Useful life of property, plant and equipment

The useful lives of certain Equipment items were estimated in 2023/2024 (prior year) to be a certain number of years as per Fixed Asset Register.

In the current period, management has revised their estimates. The effect of this revision has caused the depreciation charges for the current an future periods to be affected as follows:

	2025	2026	2027
Effects on Property, Plant and Equipment:			
Computer Equipment	2 310	2 310	2 310
Furniture and office equipment	3 251	3 444	3 444
Machinery and Equipment	10 287	10 287	10 287
	15 848	**16 041**	**16 041**

Notes to the Annual Financial Statements

Figures in Rand thousand	2025	2024

3. Property, Plant and Equipment (continued)

3.7 Contractual Commitments for the acquisition of Property, Plant and Equipment

The items below for the 2023/2024 financial year were financed from Government Grants:

Approved and contracted for:		
Transport assets	-	2 378 876

3.8 General

No service concession arrangements are applicable to the Municipality.

There is no Land appointed in terms of legislation which the Municipality controls without legal ownership or custodianship.

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.

4. Intangible assets

4.1 Reconciliation of carrying value

2025

		Computer software	Total
Opening carrying value as at 01 July 2024			
Cost		172 519	172 519
Accumulated amortisation		(139 218)	(139 218)
		33 301	**33 301**
Additions from acquisitions		3 375	3 375
Closing carrying value as at 30 June 2025		**36 676**	**36 676**
Cost		175 894	175 894
Accumulated amortisation and impairment		(139 218)	(139 218)
		36 676	**36 676**

2024

		Computer software	Total
Opening carrying value as at 01 July 2023			
Cost		172 519	172 519
Accumulated amortisation		(110 302)	(110 302)
		62 217	**62 217**
Amortisation	27	(14 189)	(14 189)
Closing carrying value as at 30 June 2024		**48 028**	**48 028**
Cost		172 519	172 519
Accumulated amortisation and impairment		(124 490)	(124 490)
		48 029	**48 029**

Notes to the Annual Financial Statements

Figures in Rand thousand	2025	2024

4. Intangible assets (continued)

4.2 Intangible assets under development

There are no items of Intangible Assets in the process of development.

There are no items of Intangible Assets where the process of development is taking a significant longer period of time to be completed.

There are no items of Intangible Assets where the process of development has been halted.

4.3 Effects of changes in accounting estimates

The useful lives of certain Intangible Assets were estimated in 2023/2024 (prior year) to be a certain number of years as per Fixed Asset Register.

In the current period Management has revised their estimate. The effect of this revision has caused the amortisation charges for the current and future periods to be affected as follows:

	2025	2026	2027
Computer Software and applications	2 592	4 309	4 309

4.4 General

No items of Intangible Assets were assessed as having indefinite useful lives.

There are no internally generated Intangible Assets at reporting date.

There are no Intangible Assets pledged as security for liabilities.

There are no items of Intangible Assets whose titles have been restricted.

There are no contractual commitments for the acquisition of Intangible Assets.

No service concession arrangements are applicable to the Municipality.

5. Non-current receivables from non-exchange transactions

Department of Infrastructure: Roads - Employee Benefits at Amortised Cost			
Post Employment Health Care Benefits		5 113 000	5 752 000
Long Service Awards		2 288 000	1 799 000
Total		**7 401 000**	**7 551 000**
Transferred to Current portion of Non-Current Receivables	15	(655 000)	(570 701)
Total non-current other receivables		**6 746 000**	**6 980 299**

Transferred to Current portion of Non-Current Receivables		
Post Employment Health Care Benefits - current portion	(328 000)	(391 477)
Long Service Awards - current portion	(327 000)	(179 224)
	(655 000)	**(570 701)**

Notes to the Annual Financial Statements

Figures in Rand thousand		2025	2024

6. Inventory

Maintenance materials - at cost	1 286 408	1 446 813
Materials and supplies	91 157	124 138
Total Inventories	**1 377 565**	**1 570 951**

Inventory expenditure of R 14,522,321 (2024: R 14,105,844) was recognised in the Statement of Financial Performance for the year.

The amount of write-down to Net Realisable Value of inventories recognised in the Statement of Financial Performance was R 5,380 (2024: R 35,275) for the financial year.

No inventories were pledged as security for liabilities.

7. Trade and other receivables from exchange transactions

Department of Infrastructure, Rental Debtors and Statutory Receivables	7.1	17 712 535	13 440 730
Current assets		17 712 535	13 440 730

Notes to the Annual Financial Statements

Figures in Rand thousand	2025	2024

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

7.1 Department of Infrastructure, Rental Debtors and Statutory Receivables

	2025		2024	
	Gross	Total	Gross	Total
Property rental debtors	2 602	**2 602**	7 878	**7 878**
Department of Infrastructure	17 176 758	**17 176 758**	12 844 383	**12 844 383**
Input Accrual	376 723	**376 723**	494 618	**494 618**
VAT Control (Receivable)	156 452	**156 452**	93 851	**93 851**
Total	**17 712 535**	**17 712 535**	**13 440 730**	**13 440 730**

7.1.1 Ageing of department of infrastructure, rental debtors and statutory receivables

2025

		Not due	Past due	
	Total	Current	30 days	60 days
Ageing by debt type				
Property rental debtors	**2 602**	2 602	-	-
Department of Infrastructure	**17 176 758**	6 323 190	5 543 050	5 310 518
Input Accrual	**376 723**	376 723	-	-
VAT Control (Receivable)	**156 452**	156 452	-	-
Total ageing by debt type	**17 712 535**	**6 858 967**	**5 543 050**	**5 310 518**

Notes to the Annual Financial Statements

Figures in Rand thousand	2025	2024

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

2024

		Not due	Past due
	Total	**Current**	**30 days**
Ageing by debt type			
Property rental debtors	**7 878**	7 878	-
Department of Infrastructure	**12 844 383**	7 692 467	5 151 916
Input Accrual	**494 618**	494 618	-
VAT Control (Receivable)	**93 851**	93 851	-
Total ageing by debt type	**13 440 730**	**8 288 814**	**5 151 916**

7.1.2 Credit quality of Department of Infrastructure and Rental Debtors

Debtors are payable within 30 days.

The credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation.

The fair value of receivables from exchange transactions approximate their carrying value.

The VAT Receivable balance previously disclosed represented the net VAT Receivable from SARS and Net VAT accrual amounts. These amounts have been reclassified to correctly present Vat Input Accrual, VAT Output Accrual and the VAT Receivable from SARS in terms of the requirements of GRAP1.79 and the additional guidance provided in terms of SALGA circular 38 of 2025, for the current financial year and the comparative figures.

8. Receivables from non-exchange transactions

	2025	2024
Other receivables	780 492	495 340

	2025	2024
Ageing of amounts past due, but not impaired:		
Current (0 - 30 days)	378 696	129 393
1 month past due	52 469	10 144
2+ months past due	349 327	355 803
	780 492	**495 340**

Debtors are payable within 30 days.

The credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation.

The fair value of receivables from exchange transactions approximate their carrying value.

Notes to the Annual Financial Statements

Figures in Rand thousand	2025	2024

9. Cash and cash equivalents

9.1 Cash and cash equivalents

	2025	2024
Call deposits and investments		
Call deposits and Investments	993 834	11 200 686
Cash at bank		
Bank account	4 185 394	1 484 757
Cash on hand	1 749	1 381
Total cash and cash equivalents	**5 180 977**	**12 686 824**

Cash at banks earns interest at floating rates based on daily bank deposit rates.

The Municipality did not pledge any if its Cash and Cash Equivalents as collateral for its financial liabilities.

The carrying value approximates the fair value of the asset.

The Municipality did not make of any overdraft facilities during the year.

Call deposits and investments by financial institution

Institution	**Account number**	**Account type**	2025	2024
Nedbank	03/7881114568	Call deposit - CKDM Investment No.1	31 920	47 305
Nedbank	03/7881125551	Call deposit - Roads Department	358 323	2 647 543
Nedbank	03/7881121858	Call deposit - Provision for Employee Benefits	48 568	995 600
Nedbank	03/7881150777	Call deposit - Financial Management Capacity	101 799	1 802 882
Nedbank	03/7881151625	Call deposit - General Investment	185 511	5 672 493
First National Bank	62 835 272 361	Call deposit - General Investment	37 619	34 864
ABSA	93 93 988 728	Call deposit - Investment Tracker 1	120 447	-
ABSA	93 96 449 741	Call deposit - Investment Tracker 2	109 647	-
			993 834	**11 200 687**

9.2 Bank accounts

The municipality has the following bank accounts:

		2025	2024
Nedbank	Cheque Account - Account Number: 1178835510	2 647 962	1 080 852
ABSA Bank	Cheque Account - Account Number: 1540000014	1 512 634	133 889
First National Bank	Current Account - Account Number: 62062151429	24 798	270 016
Total		**4 185 394**	**1 484 757**

Figures in Rand thousand	2025	2024

9. **Cash and cash equivalents (continued)**

9.3 Difference between cash book and bank statement

2025

	Cash book	Bank statement	Difference
Nedbank - Cheque Account - Account Number: 1178835510	2 647 962	2 644 546	3 416
ABSA - Cheque Account - Account Number: 1540000014	1 512 634	1 512 634	-
First National Bank - Current Account - Account Number: 62062151429	24 798	24 798	-
	4 185 394	**4 181 978**	**3 416**

	2025	2024
Bank statement balance at beginning of year	1 481 342	1 804 114
Bank statement balance at end of year	4 185 394	1 481 342
Cash book balance at beginning of year	1 484 757	1 807 530
Bank statement balance at end of year	4 185 394	1 481 342

Figures in Rand thousand

10. Non-current Employee Benefits

10.1 Defined benefit obligations

Long service awards			
Present value of defined benefit obligation	10.1.1	3 199 000	2 660 000
Post Retirement Health Care Benefits			
Present value of defined benefit obligation	10.1.1	11 701 000	11 681 000
Total		**14 900 000**	**14 341 000**

10.1.1 Reconciliation of present value of the non-current employee benefits

	Long Service Awards	**Post Retirement Health Care Benefits**	**Total**
Defined benefit obligation at 01 July 2023			
Opening balance	2 655 000	11 703 000	**14 358 000**
Interest cost	284 000	1 355 000	**1 639 000**
Current service cost	247 000	271 000	**518 000**
Actuarial (Gains) / Losses	(160 813)	(825 109)	**(985 922)**
Benefits paid	(365 187)	(822 891)	**(1 188 078)**
Total obligation at June 30, 2024	**2 660 000**	**11 681 000**	**14 341 000**
Opening balance	2 660 000	11 681 000	**14 341 000**
Interest cost	281 000	1 330 000	**1 611 000**
Current service cost	264 000	283 000	**547 000**
Actuarial (Gains) / Losses	314 899	(800 986)	**(486 087)**
Benefits paid	(320 899)	(791 014)	**(1 111 913)**
Defined benefit obligation at 30 June 2025	**3 199 000**	**11 702 000**	**14 900 000**

2025 - Split between Non-current and Current	Long Service Awards	Post Retirement Health Care Benefits	Total
Total obligation as the end of the financial year	3 199 000	11 702 000	14 901 000
Less: Transfer of Current Portion to Current Provisions	(370 000)	(888 000)	(1 258 000)
Non-current Employee Benefit	**2 829 000**	**10 814 000**	**13 643 000**

2024 - Split between Non-current and Current	Long service awards	Post Retirement Health Care Benefits	Total
Total obligation as the end of the financial year	2 660 000	11 681 000	14 341 000
Less: Transfer of Current Portion to Current Provisions	(265 000)	(795 000)	(1 060 000)
Non-current Employee Benefit	**2 395 000**	**10 886 000**	**13 281 000**

Non-current	13 643 001	13 281 001

10.1.2 Provision for Post Retirement Health Care Benefits

The valuation of the post retirement health care benefit considers all current employees, retirees and their dependants whose participation in the health care arrangements entitles them to a post employment medical aid subsidy.

Figures in Rand thousand

10. Non-current Employee Benefits (continued)

This post-employment health care benefit does not have a plan asset in place to meet the defined benefit obligation. It is thus not a funded arrangement.

The Post Retirement Health Care Benefit Plan is a defined benefit plan, of which the members are made up as follows:

	2025	2024
In-service (employee) members	35	30
In-service (employee) non-members	130	124
Continuation (retiree and surviving dependents) members	16	17
	181	**171**

Eligible employees will receive a post-employment subsidy of 70% of the contributions payable should they be a member of a medical scheme and have at least ten years of service at retirement.

Continuation members and their eligible dependants will receive a 70% subsidy.

All post-employment subsidies are subject to a maximum subsidy. The maximum subsidy was assumed to be R 5,791,15 per principal member per month for the year ending 30 June 2025, and has been assumed to increase annually on 1 July at 75% of salary inflation.

Upon a member's death-in-service, surviving dependants are entitled to commence receipt of the same post-employment subsidy. Upon a member's death-in-retirement, surviving dependants are entitled to continue to receive the same subsidy.

The municipality makes monthly contributions for health care arrangements to the following medical aid schemes:

-Bonitas
-LA Health
-SAMWU Medical Aid

The defined benefit obligation was estimated to be as follows:

	2025	2024
In-service (employee) members	2 764 000	3 206 000
In-service (employee) non-members	1 474 000	1 076 000
Continuation (retiree and surviving dependents) members	7 463 000	7 399 000
	11 701 000	**11 681 000**

The liability in respect of periods commencing prior to the comparative year has been estimated as follows:

	2023	**2022**	**2021**
Total Liability	11,703,000	13,371,000	13,020,000

The Projected Unit Credit Method has been used to value the defined benefit obligation.

Notes to the Annual Financial Statements

Figures in Rand thousand

10. Non-current Employee Benefits (continued)

10.1.3 Reconciliation of present value of fund obligation (Post-retirement medical aid obligation and Long Service Award per subnote 10.2 below):

	Long service awards	Post-employment medical benefits	Total
Balance at 01 July 2023			
Present value at the beginning of the year	2 655 000	11 703 000	**14 358 000**
Current service cost	247 000	271 000	**518 000**
Interest Cost	284 000	1 355 000	**1 639 000**
Benefits Paid	(365 187)	(822 891)	**(1 188 078)**
Actuarial (gains)/losses	(160 813)	(825 109)	**(985 922)**
Less: Transfer to current portion	(265 000)	(795 000)	**(1 060 000)**
Present value at 30 June 2024	**2 395 000**	**10 886 000**	**13 281 000**
Present value at the beginning of the year	2 660 000	11 681 000	**14 341 000**
Current service cost	264 000	283 000	**547 000**
Interest Cost	281 000	1 330 000	**1 611 000**
Benefits Paid	(255 000)	(778 203)	**(1 033 203)**
Actuarial (gains)/losses	249 000	(814 797)	**(565 797)**
Less: Transfer to current portion	(370 000)	(888 000)	**(1 258 000)**
Present value at 30 June 2025	**2 829 000**	**10 813 000**	**13 642 000**

Notes to the Annual Financial Statements

Figures in Rand thousand	2025	2024

10. Non-current Employee Benefits (continued)

10.1.4 Key actuarial assumptions - Post-Retirement Medical Aid Obligation

10.1.4.1 Key finance assumptions:

Discount rate	11,78 %	11,78 %
Consumer price inflation	5,83 %	5,83 %
Medical aid contribution inflation rate	7,33 %	7,33 %
Net effect on discount rate	4,15 %	4,15 %

Grap 25 defines the determination of the Discount rate assumption to be used as follow:

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 sufficiently long maturity to match the estimated term of the benefit payments, current market rates of 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 11.78% per annum has been used. The corresponding index linked yield at this term is 5.15%. 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 prior to financial year end.

10.1.4.2 Demographic Assumptions:.

Mortality during employment:
Mortality before retirement has been based on the SA 85-90 mortality tables, adjusted for female lives.

Post-Employment Mortality:
PA(90) ultimate table, adjusted down by one year of age, and a 1% annual compound mortality improvement from 2010.

Termination of Service:
If an eligible employee leaves due to resignation or retrenchment, the employer's Defined Benefit Obligation in respect of that employee ceases.

Average retirement age:
The normal retirement age of employees is 65. It has been assumed that employees will retire at age 62 on average, which then implicitly allows for expected rates of ill-health and early retirement.

Employees who have passed the assumed average retirement age, have been assumed to retire at their next birthday.

Continuation of Membership:
It has been assumed that 75% of in-service members will remain on the Municipality's health care arrangement should they stay until retirement.

Proportion of Eligible In-Service Non-Members Joining a Scheme by Retirement:
It has been assumed that 15% of eligible in-service non-members will be on a medical scheme by retirement (should they not exit employment before then) and continue with thesubsidy at and after retirement.

Family Profile:
It has been assumed that female spouses will be four years younger than their male counterparts. Furthermore, we've assumed that 60% of eligible employees on a health care arrangement at retirement will have a subsidised spouse dependant. For current retiree members, actual subsidised spouse dependants were used and the potential for remarriage was ignored.

10.1.3.3 Plan Asset:

There are no long-term assets set aside off balance-sheet in respect of the Municipality's post employment health care DBO.

Notes to the Annual Financial Statements

Figures in Rand thousand	2025	2024

10. Non-current Employee Benefits (continued)

10.1.5 Sensitivity analysis - Post Retirement Medical Aid Obligation

Sensitivity Analysis on the Accrued Liability on 30 June 2025

Central assumptions		
Eligible Employees	4 238 000	4 282 000
Continuation members	7 463 000	7 399 000
	11 701 000	**11 681 000**

The liability has been recalulated using the following assumptions:

**20% increase/decrease in the assumed level of mortality rates.
**20% increase/decrease in the assumed level of withdrawal rates.
**1% increase/decrease in medical aid inflation.
**1% increase/decrease in discount rate.
**1-year increase/decrease in average retirement age.

The effect of movements in the assumptions are as follows:

Assumption	Change	Total accrued liability	Interest cost	Service cost
Mortality rate	-20%	12 530 000	1 425 000	287 000
Mortality rate	+20%	11 010 000	1 246 000	249 000
Withdrawal rate	-20%	11 774 000	1 337 000	276 000
Withdrawal rate	+20%	11 635 000	1 320 000	258 000
Medical aid inflation	-1%	10 825 000	1 224 000	235 000
Medical aid inflation	+1%	12 474 000	1 419 000	292 000
Discount rate	-1%	12 974 000	1 479 000	324 000
Discount rate	+1%	10 634 000	1 201 000	222 000
Average retirement age	-1 year	12 161 000	1 384 000	306 000
Average retirement age	+1 year	11 334 000	1 287 000	245 000
		117 351 000	**13 322 000**	**2 694 000**

10.1.6 Maturity Analysis - Post retirement medical aid obligation

The following table provides the maturity analysis based on future benefits payments:

Notes to the Annual Financial Statements

Figures in Rand thousand	2025	2024

10. Non-current Employee Benefits (continued)

Category	1-year Projection	2-5 year Projection	5+ year Projection	Total
Present value of Future Benefit Payments	823 214	2 738 426	11 380 617	14 942 257

10.2 Long Service Awards

This valuation considers all employees eligible for long service awards (LSA).

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

Employees eligible for Long service awards	2025	2024
Roads	119	108
Non-Roads	46	46
	165	**154**

The unfunded liability in respect of past service has been estimated as R 3,199,000 (2024: R 2 660 000).

The liability in respect of periods commencing prior to the comparative year has been estimated as follows:

	2023	**2022**	**2021**
Total liability	2,665,000	2,350,000	2,556,000

10.2.1 Key Assumptions - Long Service Awards

Assumption	**2025**	**2024**
Discount rate	9,27%	11,1%
Consumer Price Index	3,62%	5.24%
Normal salary increase rate	4,62%	6.24%
Net effective discount rate	4,44%	4.58%

Grap 25 defines the determination of the Discount rate assumption to be used as follow:

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 termof 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 9.27% per annum has been used. This yield was obtained by calculating the duration of the liability and then taking the yield from the yield curve at that duration using an iterative process (because the yield depends on the duration, which in turn depends on the liability). The corresponding liability-weighted index-linked yield is 5.10%.
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 prior to financial year end. The duration of the total liability was estimated to be 9 years

Figures in Rand thousand 2025 2024

10. Non-current Employee Benefits (continued)

Demographic Assumptions:

Promotional Earnings Scale
The annual escalation rates below are in addition to the general earnings inflation assumption of 6.24% per annum for all employees.

Average retirement age
The normal retirement age of employees is 65. It has been assumed that employees will retire at age 62 on average, which then implicitly allows for expected rates of ill-health and early retirement. Employees who have passed the assumed average retirement age, have been assumed to retire at their next birthday.

Termination of Service
If an eligible employee leaves due to resignation or retrenchment, the employer's Defined Benefit Obligation in respect of that employee ceases.

Mortality during Employment
Mortality before retirement has been based on the SA 85-90 ultimate table, adjusted for female lives. These are the most commonly used tables in the industry.

Plan assets:
Management has indicated that there are currently no long-term assets set aside off-balance sheet in respect of the LSA DBO.

Refer to 10.1.3 above for a reconciliation of present value of fund obligation.

Sensitivity Analysis - Long Service Awards

	2025	2024
Sensitivity Analysis on the Accrued Liability on 30 June 2024		
Central Assumptions	2 853 000	2 660 000

The liability has been recalulated using the following assumptions:
**20% increase/decrease in the assumed level of mortality rates.
**20% increase/decrease in the assumed level of withdrawal rates.
**1% increase/decrease in normal salary inflation.
**1% increase/decrease in discount rate.
**1-year increase/decrease in average retirement age.

The effect of movements in the assumptions are as follows:

Assumption	Change	Total accrued liability	Current service cost	Interest cost
Mortality rate	-20%	3 222 000	306 000	301 000
Mortality rate	+20%	3 176 000	301 000	296 000
Withdrawal rate	-20%	3 323 000	323 000	311 000
Withdrawal rate	+20%	3 084 000	286 000	287 000
Normal salary inflation	-1%	3 028 000	281 000	282 000
Normal salary inflation	+2%	3 386 000	328 000	317 000
Discount rate	-1%	3 379 000	327 000	282 000
Discount rate	+1%	3 037 000	282 000	313 000
Average retirement age	- 1 year	2 996 000	291 000	279 000
Average retirement age	+ 1 year	3 501 000	321 000	328 000

Retirement funds

Although the Cape Joint Retirement Fund is a Multi Employer fund defined as defined benefit plan, it will be accounted for as defined contribution plan. All the required disclosure has been made as defined in GRAP 25.31.

Notes to the Annual Financial Statements

Figures in Rand thousand		2025	2024

11. Current Employee Benefits

Employee benefits	11.1	6 490 132	5 966 161

11.1 Employee benefits

Staff Bonus and Performance Bonus	11.1.1	1 910 943	1 702 738
Leave	11.1.2	3 321 189	3 203 423
Long-service awards - current portion		370 000	265 000
Post Retirement Benefit - current portion		888 000	795 000
Total		**6 490 132**	**5 966 161**

11.1.1 Staff Bonus

Opening Balance	1 456 963	1 371 760
Contribution to current portion	3 181 376	2 992 445
Expenditure incurred	(3 079 078)	(2 907 242)
Total	**1 559 261**	**1 456 963**

Bonuses are being paid to all permanent municipal staff excluding the bonus payable to Section 57 Managers. The balance at year end represents the portion of the bonus that has already been vested for the current salary cycle.

Performance Bonus		
Balance at the beginning of the year	245 778	344 281
Contribution to current portion	351 683	7 816
Expenditure incurred	(123 585)	(106 319)
Reversal of provision	(122 192)	-
	351 684	**245 778**

Performance bonuses are being paid to the Municipal Manager and Directors after an evaluation of performance by the Council. There is no possibility of reimbursement.

11.1.2 Leave

Opening Balance	3 203 424	2 351 365
Contribution to current portion	604 756	1 721 168
Expenditure incurred	(486 991)	(869 110)
Total	**3 321 189**	**3 203 423**

Staff leave is accrued to employees according to the collective agreement. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave. There is no possibility of reimbursement

12. Trade and other payables from exchange transactions

Other payables	12.1	15 031 307	14 067 016

12.1 Other payables

Trade Payables	2 207 148	1 620 496
Department of Transport - Income Received in Advance	11 433 333	12 231 216
Sundry Creditors	1 389 944	211 183
Debtors with credit balances	882	4 121
Total	**15 031 307**	**14 067 016**

12. Trade and other payables from exchange transactions (continued)

Payables are being recognised net of any discounts

Payables are being paid within 30 days as prescribed by the MFMA where possible. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other payables on initial recognition is not deemed necessary.

The carrying value of trade and other payables approximates its fair value.

All payables are unsecured.

Notes to the Annual Financial Statements

Figures in Rand thousand

13. Unspent transfers and subsidies

		2025					2024				
		Opening balance	Funds received	Transfer to revenue	Repayment unspent grants	Closing balance	Opening balance	Funds received	Transfer to revenue	Repayment unspent grants	Closing balance
National Government Grants											
Monetary Allocations		2 400 000	-	(2 378 876)	(21 124)	-	-	2 400 000	-	-	**2 400 000**
Provincial Government Grants											
Monetary Allocations	13.1	2 967 841	8 348 750	(6 898 939)	(788 932)	**3 628 720**	3 504 832	8 433 220	(7 873 564)	(1 096 646)	**2 967 842**
Total		**5 367 841**	**8 348 750**	**(9 277 815)**	**(810 056)**	3 628 720	**3 504 832**	**10 833 220**	**(7 873 564)**	**(1 096 646)**	5 367 842

Notes to the Annual Financial Statements

Figures in Rand thousand

13. Unspent transfers and subsidies (continued)

13.1 Unspent operational monetary allocations

	2025					2024				
	Opening balance	Funds received	Transfer to revenue	Repayment unspent grants	Closing balance	Opening balance	Funds received	Transfer to revenue	Repayment unspent grants	Closing balance
Departmental Agencies and Accounts										
National departmental agencies	405 707	420 730	(510 770)	-	**315 667**	472 808	816 220	(383 321)	-	**405 707**

Notes to the Annual Financial Statements

Figures in Rand thousand

13. Unspent transfers and subsidies (continued)

National Government										
Expanded Public Works Programme Integrated Grant	-	963 000	(963 000)	-	-	-	2 314 000	(2 314 000)	-	-
Local Government Financial Management Grant	122 513	1 000 000	(1 000 001)	-	**122 512**	46	1 000 000	(877 533)	-	122 513
Municipal Disaster Relief Grant	32 622	600 000	-	(32 622)	**600 000**	350 000	-	(317 378)	-	32 622
Rural Road Asset Management Systems Grant	28 429	1 834 000	(1 828 036)	-	**34 393**	1 031 002	2 063 000	(2 034 573)	(1 031 000)	28 429
Municipal Water Resilience Grant	2 400 000	-	(2 378 876)	(21 124)	-	-	2 400 000	-	-	2 400 000
Total	**2 583 564**	**4 397 000**	**(6 169 913)**	**(53 746)**	**756 905**	**1 381 048**	**7 777 000**	**(5 543 484)**	**(1 031 000)**	**2 583 564**
Provincial Government										
Western Cape	2 348 571	3 531 020	(2 567 493)	(756 310)	**2 555 788**	1 620 976	2 240 000	(1 446 759)	(65 646)	2 348 571
Public Corporations										
Other transfers public corporations	30 000	-	(29 639)	-	**361**	30 000	-	-	-	30 000
Total unspent operational monetary allocations	**5 367 842**	**8 348 750**	**(9 277 815)**	**(810 056)**	**3 628 721**	**3 504 832**	**10 833 220**	**(7 873 564)**	**(1 096 646)**	**5 367 842**

All the unspent conditional grants are cash backed.

An amount of R 240,000 relating to the Expanded Public Works Programme Grant and an amount of R 322,000 relating to the Rural Road Asset Management Systems Grant, was withheld during the financial year, due to the assessment of slow-spending on the grant during the half-year assessment.

Notes to the Annual Financial Statements

Figures in Rand thousand

13. Unspent transfers and subsidies (continued)

The Municipality has received the outcome of roll-over application of provincial infrastructure conditional grants in a letter, dated 13 November 2025. Balance relating to the Safety Initiative Implementation - Whole of Society Approach (WOSA) of R 155,116, the Western Cape Municipal Intervention grant of R 146,803 and the Fire Services Capacity Grant of R 70,000, were not approved for roll-over and was repayable by the municipality by end of November 2025. Balances remaining unspent at financial year end, relates to delays in the appointment of service providers as well as allocations received during the latter part of the financial year.

Refer to note 17 for a detailed individual description for each grant and appendix "C" for reconciliation of grants from other spheres of government.

14. Provisions

Litigations	323 930	1 007 462

During the 2023/2024 financial year, a letter was sent without prejudice to the Office of the State Attorney requesting that the Department consider writing off the debt owed by the Municipality relating to case 222/19, 550/19 and 577/21. Cases 222/19 and 550/19 remains as a provision at 30 June 2025, whereas case 577/21 is still presently a contingent liability.

15. Current portion of non-current receivables

Other receivables		
Employee Benefits	655 000	570 701

16. Accumulated surplus / (deficit)

Opening Balance	5 911 307	11 896 342
Correction of Prior Period Error	-	(4 121 424)
Net surplus	(81 737)	(1 863 611)
Total	**5 829 570**	**5 911 307**

Refer to the Statement of Changes in Net Assets for more detail and the movement on Accumulated surplus.

Notes to the Annual Financial Statements

Figures in Rand thousand	2025	2024

17. Government grants and subsidies

Operational		
Monetary allocations	48 162 797	45 585 565

Government grants and subsidies - Operating		
Equitable Share	38 885 000	37 712 000
Expanded Public Works Programme Integrated Grant	963 000	2 314 000
Local Government Financial Management Grant	1 000 000	839 166
Municipal Service Delivery and Capacity Building Grant	357 328	7 741
Western Cape Financial Management Capability Building Grant	850 000	170 594
Western Cape Financial Management Capacity Building Grant	-	87 073
Rural Road Asset Management Grant (RRAMS)	1 529 599	1 498 624
The Chemical Industries Education and Training Authority	211 540	591 096
Western Cape Municipal Intervention Grant	600 900	100 000
Safety initiative implementation - Whole of Society Approach (WOSA)	329 246	507 219
Local Government Internship Grant	-	75 010
Joint District and Metro Approach Grant	-	499 123
Local Government Sector and Training Authority (LGLDP - 202331655 & 20233368)	-	188 770
Local Government Sector and Training Authority (LGLDP - 20239677)	299 230	103 455
Nedbank Winter Outreach Programme	29 639	-
	45 055 482	**44 693 871**

Government grants and subsidies - Capital		
Local Government Emergency Load-shedding Relief Grant	-	317 378
Rural Road Asset Management Grant (RRAMS)	298 437	535 949
Local Government Financial Management Grant	-	38 367
Fire Services Capacity Building Grant	430 000	-
Municipal Water Resilience Grant	2 378 876	-
	3 107 313	**891 694**

Total Government Grants and Subsidies		
Government grants and subsidies - Operating	45 055 482	44 693 871
Government grants and subsidies - Capital	3 107 313	891 694
	48 162 795	**45 585 565**

Included in above are the following grants and subsidies received:		
Unconditional grants	38 885 000	37 712 000
Conditional grants	9 277 795	7 873 565
	48 162 795	**45 585 565**

Revenue recognised per vote as required by Section 123 (c) of the MFMA:		
Equitable Share	38 885 000	37 712 000
Executive and Council	1 270 016	4 435 646
Corporate Services	5 169 911	1 946 497
Finance	2 837 868	1 491 421
	48 162 795	**45 585 564**

Based on the allocations set out in the Division of Revenue Act (DoRA), no significant changes in the level of government funding are expected over the forthcoming 3 financial years.

Notes to the Annual Financial Statements

17. Government grants and subsidies (continued)

Individual details regarding the nature of each allocation follows:

17.1 Equitable Share:

The Equitable Share is the unconditional share of the revenue raised nationally and is being allocated in terms of Section 214 of the Constitution (Act 108 of 1996) to the municipality by the National Treasury.

17.2 Expanded Public Works Programme Integrated Grant (EPWP):

To incentivise municipalities to expand work creation efforts through the use of labour intensive delivery methods in the following identified focus areas, in compliance with the Expanded Public Works Programme guidelines: road maintenance and the maintenance of buildings; low traffic volume roads and rural roads basic services infrastructure, including water and sanitation reticulation (excluding bulk infrastructure); other economic and social infrastructure tourism and cultural industries; waste management; parks and beautification; sustainable land-based livelihoods; social services programmes; community safety programmes.

17.3 Local Government Financial Management Grant (FMG):

The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The FMG Grant also pays for the cost of the Financial Management Internship Programme (e.g. salary costs of the Financial Management Interns).

17.4 Municipal Service Delivery and Capacity Building Grant:

To strengthen and improve municipal service delivery and capacity building to enable municipalities to manage their own affairs, to exercise their own powers and to perform their functions as prescribed by local government legislation. This grant relates to the funding of the Disaster Management Internship Programme.

17.5 Western Cape Financial Management Capability Building Grant:

The grant is a merger of the Western Cape Financial Management Support Grant and the Western Cape Financial Management Capacity Building grant. The purpose of the grant is to support municipalities to improve their financial management capabilities.

17.6 Western Cape Financial Management Capacity Building Grant:

To develop financial human capacity within the municipal area to enable a sustainable local financial skills pipeline that is responsive to municipalities' requirements to enable sound and sustainable financial management and good financial governance.

17.7 Rural Road Asset Management Grant (RRAMS):

To assist district municipalities to set up rural RAMS, and collect road, bridges and traffic data on municipal road networks in line with the Road Infrastructure Strategic Framework for South Africa.

17.8 The Chemical Industries Education and Training Authority:

The Primary Objectives of the project shall be the collaboration between the LGSETA and the recipient in the implementation of the NSDS III by improving the effectiveness and efficiency and the skills development through provision of bursaries.

17.9 Western Cape Municipal Intervention Grant:

The purpose of this grant is to fund the Municipal Graduate Internship Programme that is aimed at employing HR graduates. This is envisaged to provide institutional capacity within municipalities, to provide practical experience to graduates in local government, and to influence young people to consider local government sector for their career development.

17.10 Safety initiative implementation - Whole of Society Approach (WOSA):

To enable a resilient, sustainable, quality living environment through the operationalisation of a Safety Plan.

Notes to the Annual Financial Statements

17. Government grants and subsidies (continued)

17.11 Local Government Internship Grant:

To provide financial assistance to municipalities in support of capacity building for the future by means of internship programme.

17.12 Joint District and Metro Approach Grant:

To provide financial assistance to district municipalities to implement catalytic projects to improve infrastructure, systems, structures and service delivery.

17.13 Local Government Sector and Training Authority (LGLDP - 202331655 & 20233368):

The purpose of this grant is to provide bursaries to employed learners for training in Construction Plant Operations.

17.14 Local Government Sector and Training Authority (LGLDP - 20239677):

The purpose of this grant is to provide bursaries to employed learners for training in Supply Chain Management.

17.15 Local Government Emergency Load-shedding Relief Grant:

The purpose of this grant is to provide a financial contribution to municipalities towards the purchase and installation of back-up energy supply as an immediate response to the prolonged load-shedding, thereby mitigating the impact on the provision of basic services and potential health risks.

17.16 Fire Services Capacity Building Grant:

To provide financial assistance to municipalities to ensure functional emergency communication, mobilisation systems and fire services.

17.17 Municipal Water Resilience Grant:

A capital commitment is in place for the spending of this grant due to the order of an 18 000 liter water tanker truck by Isuzu Motors South Africa.

17.18 Local Government Public Employment Support Grant:

To coordinate and ensure the implementation of targeted, short term public employment programmes for communities identified as being in distress, through conditional transfers to local and district municipalities and the Metro in the Western Cape.

17.19 Local Government Sector and Training Authority:

The objective of the project is to identify and train candidates to obtain Chemical Operations skills (Chemical Operations Level 2 and 3 Learner-ships) to meet the requirements initiatives.

17.20 Nedbank Winter Outreach Programme:

These funds are to be used for providing uniforms to school children within the district.

Notes to the Annual Financial Statements

Figures in Rand thousand		2025	2024

18. Licence and Permits

Exchange revenue	18.1	64 180	55 263

18.1 Licenses and permits – Exchange revenue

Health certificates	64 180	55 263

19. Rental from Fixed Assets

Property, Plant and Equipment	-	65 859

20. Interests Earned - External Investments

Bank accounts and call investment deposits	1 475 109	1 704 944

21. Operational revenue

Exchange revenue		
Administrative Handling Fees - secondment revenue	153 957	-
Commission	76 187	41 367
Discounts and Early Settlements	27	3 120
Insurance Refund	-	984 866
Photocopies, telephone, sale of tenders and other	51 778	69 169
LGSETA Admin fee	-	105 501
Total	**281 949**	**1 204 023**

22. Department of Transport - Roads Service Charges

Service charges	58 356 106	58 880 317

The Municipality has a service level agreement with the Department of Transport Western Cape for rendering of services regarding the roads function within the jurisdiction of the Central Karoo District Municipality. The commission is calculated at a pre-determined rate on the total received from the Department of Transport and Public Works. Refer to note 23.

Grap 109 is not applicable as the relationship between the Municipality and the Department of Public Works and Transport of the Western Cape, does not meet the principal agent criteria as determined by the standard.

23. Straight Service Charge

Provincial - Department of Infrastructure	6 163 043	6 001 042

The Municipality has a service level agreement with the Department of Transport Western Cape for rendering of services regarding the roads function within the jurisdiction of the Central Karoo District Municipality. The commission is calculated at a pre-determined rate on the total received from the Department of Transport and Public Works.

To align to the accounting treatment for the funding received from the Department of Transport and Public Works with regards to the road maintenance, the prior year naming convention for this funding source was changed from agency services to Straight service charge. Both the prior year and current year naming convention is therefore consistent. This allows the users of the Annual Financial Statements to have a clear understanding of the substance of this funding.

Notes to the Annual Financial Statements

Figures in Rand thousand

24. Employee related costs

Municipal staff and senior management	24.1	68 741 470	67 927 584

24.1 Municipal staff costs

Basic salary	48 770 776	48 028 889
Pension, UIF and Medical Aid Contributions	10 731 295	9 709 731
Overtime	2 158 881	2 839 081
Bonuses	3 410 868	3 000 261
Housing allowance	450 732	361 885
Travel, motor car, Accommodation, Subsistence and Other Allowances	2 415 161	2 070 569
Long service awards	95 000	84 000
Leave provision	604 757	1 721 168
Current service costs	104 000	112 000
Total	**68 741 470**	**67 927 584**

Notes to the Annual Financial Statements

Figures in Rand thousand

24. Employee related costs (continued)

24.2 Senior management costs

2025

	Municipal Manager: Mr. MG Nkungwana	Municipal Manager: Mr. MJ Penxa	Chief Financial Officer (Acting and Permanent): Ms. K. Makalima	Director: Corporate Services: Dr. RR Links	Director: Corporate Services (Acting and Permanent): Adv. TB Mea	Director: Socio-Economic Services (Acting and Permanent): Mrs. B. Koopman	Chief Financial Officer: R. Butler	Total
Basic salary	391 014	1 025 339	832 829	42 173	976 810	288 153	128 630	3 684 948
Contributions to UIF, Medical and Pension Funds	40 937	1 416	1 948	177	2 125	85 161	177	131 941
Performance Bonus	-	-	-	123 585	-	-	-	123 585
Motor Vehicle Allowance	-	-	-	-	84 000	58 670	-	142 670
Cell Phone Allowance	6 000	27 000	27 400	-	30 904	15 000	2 500	108 804
Other benefits and allowances	28 317	71 839	58 432	8 295	74 279	56 434	6 852	304 448
	466 268	**1 125 594**	**920 609**	**174 230**	**1 168 118**	**503 418**	**138 159**	**4 496 396**

Notes to the Annual Financial Statements

Figures in Rand thousand

24. Employee related costs (continued)

2024

	Municipal manager: Dr. SW Vatala	Municipal Manager (Acting): Mr. A. Makendlana	Municipal Manager (Acting and Permanent): Mr. M. Nkungwana	Chief Financial Officer (Acting): Mr. R. Butler	Chief Financial Officer (Acting): Mr. M. Nhlengethwa	Director - Corporate Services: Dr. RR Links	Director - Corporate Services (Acting): Adv TB Mea	Total
Basic salary	-	-	1 212 890	545 784	156 372	669 785	285 429	2 870 260
Contributions to UIF, Medical and Pension Funds	-	354	61 155	74 870	783	1 902	531	139 595
Performance Bonus	74 424	-	-	-	-	-	-	74 424
Motor Vehicle Allowance	-	-	-	60 000	14 000	180 000	21 000	275 000
Cell Phone Allowance	-	-	33 000	20 000	5 480	22 500	7 500	88 480
Other benefits and allowances	-	39 562	87 264	44 245	14 116	54 691	19 661	259 539
Payments in lieu of leave	-	-	-	-	40 215	13 482	-	53 697
	74 424	**39 916**	**1 394 309**	**744 899**	**230 966**	**942 360**	**334 121**	**3 760 995**

The Remuneration of Executives as disclosed above refer to the actual amounts paid to them during the 2025 and 2024 years respectively.

Where other officials acted in the Executive Director positions and was remunerated accordingly, only the additional remuneration for acting in that position is disclosed.

25. Remuneration of Councillors

Executive Mayor/Mayor	25.1	693 472	647 651
Deputy executive mayor	25.3	747 718	750 884
Speaker	25.2	821 446	783 308
Executive committee	25.4	1 731 866	1 606 761
Section 79 committee chairperson		476 072	132 469
All other councillors and Section 79 committee chairperson	25.5	1 169 616	1 053 894
Total		**5 640 190**	**4 974 967**

Figures in Rand thousand		2025	2024

25. Remuneration of Councillors (continued)

25.1 Executive Mayor/Mayor

Allowances and service related benefits			
Basic salary		693 472	647 651

25.2 Speaker

Allowances and service related benefits			
Office-bearer allowance		821 446	783 308

25.3 Deputy executive mayor

Allowances and service related benefits			
Office-bearer allowance		747 718	750 884

25.4 Executive committee

Allowances and service related benefits			
Office-bearer allowance		1 731 866	1 608 864

25.5 All other councillors and Section 79 committee chairperson

Allowances and service related benefits			
Office-bearer allowance		1 645 688	1 184 260

The Executive Mayor, Executive Deputy Mayor, Speaker and Executive Committee Members are full-time Councillors. Each is provided with an office and shared secretarial support at the cost of the Municipality. The Executive Mayor may utilise official Council transportation when engaged in official duties.

26. Contracted Services

Contracted services		7 096 773	10 887 401

27. Depreciation and Amortisation

Amortisation			
Intangible assets	4.1	14 728	14 190
Depreciation			
Property, Plant and Equipment		1 010 325	774 902
Total		**1 025 053**	**789 092**

Notes to the Annual Financial Statements

Figures in Rand thousand		2025	2024

28. Finance Costs

28.1 Interest cost

Finance leases		-	2 633
Post-Employment Medical Aid Benefits	11	672 000	739 000
Long service awards		89 000	89 000
Overdue accounts	12.1	27 870	12 110

The amounts above accumulate to a total Interest cost of R 788,870 (2024: R 842,743).

The disclosure of the prior year figures for employment benefits have been adjusted to seperately include the finance costs related to the Post-Employment Medical Aid Benefit and the Long Service Awards.

An amount of R 658,000 (2024: R 616,000) relating to the Post-Retirement Medical Aid Benefit obligation has been reallocated to employee related costs for the Roads function, as these costs have not yet been claimed in terms of the Memorandum of Agreement.

An amount of R 192,000 (2024: R 195,000) relating to the Long Service Award obligation has been reallocated to employee related costs for the Roads function, as these costs have not yet been claimed in terms of the Memorandum of Agreement.

29. Transfers and subsidies

Operational		
Monetary allocations and allocations in-kind	233 546	1 199 265
Bursaries and study assistance provided	-	433 739
Monetary allocations to other organisations	-	54 976
Monetary allocations to B Municipalities	111 708	670 000
Allocations in-kind to B Municipalities	121 838	40 550
Transfers and Subsidies - allocations		
	233 546	**1 199 265**

30. Operational Costs

Advertising, Publicity and Marketing	149 372	201 941
Administration costs - Roads	446	-
Audit Fees	3 103 078	3 085 391
Bank Charges, Facility and Card Fees	33 812	25 939
Bursaries (Employees)	322 844	224 155
Communication	244 751	565 890
Courier and Delivery Services	30 790	76 573
External Computer Service	3 789 901	3 168 347
Insurance Underwriting	707 868	590 066
Municipal Services	1 373 024	1 399 926
Printing, Publications and Books	4 585	232 707
Professional Bodies, Membership and Subscription	716 162	580 161
Registration Fees	9 584	11 419
Skills Development Fund Levy	580 185	567 737
Sundry Projects	1 263 683	718 384
Travel and Subsistence	4 343 408	3 347 710
Uniform and Protective Clothing	20 787	476 459
Vehicle licences	8 647	37 182
Workmen's Compensation Fund	394 631	343 990
Total	**17 097 558**	**15 653 977**

Notes to the Annual Financial Statements

Figures in Rand thousand	2025	2024

31. Loss on disposal of assets and liabilities

Impairment loss / Reversal of impairment		
Property, Plant and Equipment	-	945

32. Actuarial Gain/(Loss)

Fair value adjustment	486 087	985 922

33. Net cash from/(used) operating activities

Deficit for the year	(81 742)	(1 863 609)
Adjustments for:		
Depreciation and amortisation	1 025 053	789 451
Fair value adjustment	-	(985 922)
Finance cost	-	(436 399)
Increase / (Decrease) in current employee benefits	523 969	683 532
Impairment loss	-	944
Movement in non-current employee benefit	362 000	713 758
Contribution from/to non-current employee benefits	234 298	1 093 922
Net movement in government grants and subsidies	-	1 863 010
Reversal on Inventory NRV	-	35 275
Contributed assets	-	(879 152)
Movement in working capital		
(Increase) / Decrease in receivables from non-exchange transactions	(285 152)	615 152
(Increase) / Decrease in inventory	193 386	(49 570)
(Increase) / Decrease in receivables from exchange transactions	(4 271 805)	(437 500)
(Increase) / Decrease in provisions	(683 532)	-
(Increase) / Decrease in long term receivables (current portion)	(84 299)	(39 601)
(Increase) / Decrease in taxes	-	831 110
Increase / (Decrease) in trade and other payables	964 293	706 296
Increase / (Decrease) in unspent conditional grants and receipts	(1 739 121)	-
Increase / (Decrease) in other current liabilities	-	(1 500)
Net cash flows from operating activities	**(3 842 652)**	**2 639 197**

34. Capital commitments

Commitments in respect of capital expenditure:

Approved and contracted for:		
The supply of an 18 000 litre water tanker truck by Isuzu Motors South Africa	-	2 378 876

Capital commitments for the 2023/2024 financial year were financed by Government Grants.

Capital commitments are disclosed inclusive of VAT.

35. Budget information

Explanation of variances between approved and final budget amounts

Explanation of variances greater than 10%: Final Budget and Actual Amounts:

35. Budget information (continued)

35.1. Statement of financial performance

Revenue from exchange transactions

35.1.1 Sale of goods and rendering of services (per budget)/Operational Revenue: The variance is due to secondment revenue not being budgeted for.

35.1.2 Straight service charge: The under recovery reflected is as a result of the VAT portion that is included in the budget but the actual excluded the VAT portion.

35.1.3 Interest earned - external investments: There were delays in the revenue collection for Roads service charges which resulted in less funds being invested than what was budgeted for.

35.1.4.1 Rental from fixed assets: The municipality did not have any properties subject to a rental agreement during the financial year as was budgeted for.

35.1.4.2 Licences and Permits: There was an increase in permits and licences issued due to more inspections being performed, especially in spaza shop.

35.1.4.3 Inventories - Write down to NRV: The amount was not budgeted for as this cannot be reliably estimated.

35.1.5 Department of Transport - Service Charges: The variance is due to corrections made to the revenue line item in the Annual Financial Statements in order to correctly disclose the DOT Service Charges net of the Straight Service Charges, whereas the budget line item comprises the full revenue receivable.

Revenue from non-exchange transactions

35.1.6 Transfers and subsidies (Operational and Capital): The budget and actual results for the line item comprises both the Capital and Operational allocations. The variance is due to the under-realisation of revenue relating to conditional grants attributable to slow spending on projects as well as funds received as late allocations during the financial year.

35.1.7 Actuarial gains: Actuarial gains are not budgeted for as it cannot be reliably estimated due to fluctuations in the actual results which is dependent on the outcome of the annual actuarial valuation of the non-current employee benefit obligation.

Expenditure

35.1.8 Employee related costs: The variance is less than 10% and considered immaterial.

35.1.9 Remuneration of Councillors: The variance is less than 10% and considered immaterial.

35.1.10 Inventory consumed:The variance is less than 10% and considered immaterial.

35.1.11 Depreciation and amortisation: The variance is due to an underestimation of the budget based on prior year actual results and not having taken planned acquisitions into account..

35.1.12 Finance charges: The variance is a result of the results of the annual actuarial valuation not being taken into account during the budgeting process. The amount budgeted for, only comprises the portion relating to possible interest on late payment of suppliers.

35.1.13 Contracted services: The variance is due to a saving on costs relating to the use of consultants during the AFS preparation process, as this appointment was taken into account during the budgeting process.

35.1.14 Transfers and subsidies: The variance is due to more allocations received than anticipated by the district municipality for providing monetary assistance to B-Municipalities.

35.1.15 Operational costs: The variance is due to corrections made to the expenditure line item in the Annual Financial Statements relating to Administration costs - Roads. This line item was created to set off the Department of Transport - service charges amount, which included the Straight Service Charge as a separate line item.

35. Budget information (continued)

35.2. Statement of financial position

Current assets

35.2.1 Cash and Cash Equivalents - the variance is due to cash flow challenges experienced towards the end of the financial year.

35.2.2 Trade and other receivables from exchange transactions - this line item in the budget relates to receivables from non-exchange transactions as is disclosed in the Annual Financial Statements. The variance is due to the under-recovery of amounts receivable from sundry debtors.

35.2.3 Current portion of non-current receivable - the variance is due to the budgeted amount not being reliably estimated as the actual result is dependent on the outcome of the actuarial valuation for the Employee benefit obligation.

35.2.4 Inventory - the variance is not considered to be material.

35.2.5 VAT - the budgeting process took into account the projected receivable at financial year end, however the Annual Financial Statements have been adjusted to correct the disclosure of the VAT input accrual as well as the VAT Receivable as part of Receivables from exchange transactions.

35.2.6 Other current assets: this line item in the budget relates to receivables from exchange transactions in the Annual Financial Statements. The variance is due to a re-evaluation of the outstanding balance which should have been accounted for as receivable from the Department of Transport for the Roads function.

Non-current assets

35.2.7 Property, plant and equipment - The variance is due to the adjustment which was done during the budget adjustment process and the anticipated acquisition of additional transport assets. This acquisition could not take place prior to the end of the financial year due to difficulties experienced in the SCM bid processes.

35.2.8 Intangible Assets - The variance is due to an over-estimation of software acquisitions during the budgeting process.

35.2.9 Non-current receivables from non-exchange transactions - The variance is less than 10% and considered immaterial.

Current liabilities

35.2.10 Financial liabilities: The variance is due to the anticipation that the municipality was going to enter into finance lease agreements during the financial year, however, this did not occur.

35.2.11 Consumer deposits: The budgeting process incorrectly took into account this line item, based on previous years actual results.

35.2.12 Trade and other payables from exchange transactions: the variance is due the adjustment processed against the original budget being misaligned on a financial system level. The municipality is in the process of revising and refining the budgeting process as far as the Statement of Financial Position is concerned for the periods going forward.

35.2.13 Unspent Transfers and Subsidies: the variance is due to the budgeting process taking into account the prior year unspent balance as a basis for the budgeted amount, however the municipality realised more revenue against the grant funding than anticipated.

35.2.14 Provision: This line item in the budget, takes into account the current employee benefits as disclosed in the Annual Financial Statements and the actual results have been aligned accordingly. The variance is due to the variable calculation of the leave provision as well as the current portion of the employee benefit obligation being dependent on the results of the actuarial valuation at financial year end.

35.2.15 VAT: the variance is due the adjustment processed against the original budget being misaligned on a financial system level. The municipality is in the process of revising and refining the budgeting process as far as the Statement of Financial Position is concerned for the periods going forward.

Notes to the Annual Financial Statements

Figures in Rand thousand	2025	2024

35. Budget information (continued)

35.2.16 Other current liabilities - This line item in the budget, takes into account the provisions (litigations) as disclosed in the Annual Financial Statements and the actual results have been aligned accordingly. The variance is due to the settlement of outstanding legal fees during the financial year.

Non-Current Liabilities

35.2.17 Provision: This line item in the budget, together with the item of the for Other non-current liabilities, refers to the post retirement benefit obligation and the actual results have been included in the line item for the latter and the variance is due to a result thereof. The municipality will revise the budgeting process going forward in order to combine the line items.

35.2.18 Non-current liabilities - This line item in the budget, together with the item of the for Provisions per 35.2.17 above, refers to the post retirement benefit obligation and the actual results have been included in the line item for the latter and the variance is due to a result thereof. The municipality will revise the budgeting process going forward in order to combine the line items.

35.2.19 Equity: Accumulated surplus - This variance is due to corrections being processed during the current financial year in order to correctly account for Receivables from Exchange Transactions and Income Received in advance related to the Roads function.

36.3 Cash Flow Statement

35.3.1 Other revenue - This line item refers to all operational receipts line items not separately disclosed below. This is dependant on the movements in the receivables balances and adjustments/corrections have been made.

35.3.2 Transfers and subsidies - operational - The variance is due to the under-realisation of revenue relating to conditional grants attributable to slow spending on projects as well as funds received as late allocations during the financial year.

35.3.3 Transfers and subsidies - capital - The variance is due to the under-realisation of revenue relating to conditional grants attributable to slow spending on projects as well as funds received as late allocations during the financial year as well as a misalignment in the budgeting process, where the actual capital projections were not taken into account.

35.3.4 Interest - There were delays in the revenue collection for Roads service charges which resulted in less funds being invested than what was budgeted for.

35.3.5 Suppliers and employees - This variance is mainly attributable to adjustments/ corrections made to the line items for operating expenditure and trade and other payables from exchange transactions.

35.3.6 Finance charges: The variance is a result of the results of the annual actuarial valuation not being taken into account during the budgeting process. The amount budgeted for, only comprises the portion relating to possible interest on late payment of suppliers.

35.3.7 Transfers and subsidies - The variance is due to more allocations received than anticipated by the district municipality for providing monetary assistance to B-Municipalities.

35.3.8 Capital assets - The variance is due to the anticipated acquisition of additional transport assets, however this did not take place prior to the end of the financial year due to difficulties experienced in the SCM bid processes.

Notes to the Annual Financial Statements

Figures in Rand thousand	2025	2024

36. Unauthorised, irregular, fruitless and wasteful expenditure

36.1 Unauthorised expenditure

	2025	2024
Opening balance as previously reported	6 758 719	10 040 667
Add: Unauthorised expenditure – operational	221 189	5 871 280
Add: Unauthorised expenditure – capital	-	887 439
Less: Amounts approved/condoned/authorised by Council – prior period (operational)	(5 871 280)	(10 040 667)
Less: Amounts approved/condoned/authorised by Council – prior period (capital)	(887 439)	-
Closing balance	**221 189**	**6 758 719**

36.2 Irregular expenditure

	2025	2024
Opening balance as previously reported	7 340 202	20 675 781
Add: Irregular expenditure - current	6 660 323	3 516 520
Less: Amounts written-off – current	(4 460 682)	-
Less: Amounts written off by Council – prior period	(5 793 869)	(16 852 099)
Closing balance	**3 745 974**	**7 340 202**

Recoverability, condonement and disciplinary steps of all other irregular expenditure will be evaluated by Council in terms of section 32 of the MFMA.

36.3 Fruitless and wasteful expenditure

	2025	2024
Opening balance as previously reported	12 111	13 006
Add: Fruitless and wasteful expenditure – current	2 271	17 438
Less: Amount recoverable – current - transferred to receivables	-	(5 327)
Less: Amounts approved/condoned/authorised by Council – prior period	(13 923)	(13 006)
Closing balance	**459**	**12 111**

37. Additional disclosure in terms of Municipal Finance Management Act

SALGA Contributions

	2025	2024
Opening balance	-	-
Current year subscription / fee	687 934	572 912
Amount paid - current year	(687 934)	(572 912)
Balance unpaid (included in creditors)	**-**	**-**

Notes to the Annual Financial Statements

Figures in Rand thousand	2025	2024

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

Audit fees

Opening balance	-	-
Current year subscription / fee	3 410 600	3 085 390
Amount paid - current year	(3 410 600)	(3 085 390)
Balance unpaid (included in creditors)	-	-

PAYE, UIF and SDL

Opening balance	-	-
Current year payroll deductions	11 765 319	10 738 732
Amount paid - current year	(11 765 319)	(10 738 732)
Balance unpaid (included in creditors)	-	-

Pension and medical aid deductions

Opening balance	-	-
Current year payroll deductions and Council contributions	13 828 642	13 104 540
Amount paid - current year	(13 828 642)	(13 104 540)
Balance unpaid (included in creditors)	-	-

Value Added Tax

VAT receivable (net)	533 175	588 469

VAT input receivables are shown in note 7.

VAT output payables are shown in note 12.

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

Councillors' arrear consumer accounts

	2025		2024	
	Outstanding more than 90 days	**Total**	**Outstanding more than 90 days**	**Total**
Councillor J Bostander	46 714	**46 714**	46 714	**46 714**
Councillor M Furman	22 552	**22 552**	22 522	**22 522**
Councillor EZ Njadu	41 192	**41 192**	41 192	**41 192**
Councillor M Daniels	737	**737**	737	**737**
Councillor J Jonas	4 515	**4 515**	4 515	**4 515**
Councillor GP Adolph	1 511	**1 511**	2 511	**2 511**
Councillor JP de Bruyn	8 332	**8 332**	8 332	**8 332**
Councillor JD van der Linde	-	-	639	**639**
Councillor SD Koonthea	-	-	635	**635**
Councillor AJ MacKay	-	-	123 457	**123 457**
Total	**125 553**	**125 553**	**251 254**	**251 254**

Notes to the Annual Financial Statements

Figures in Rand thousand	2025	2024

38. Deviations from SCM regulations - SCM Regulation 36

In terms of section 36 of the municipality SCM regulations, any deviations from SCM policy needs to be approved by the accounting officer and noted by Council. The awards listed below have been approved by the accounting officer and noted by Council.

Nature and value of deviations from SCM Regulations granted during the reporting year:

	2025	2024
Accommodation	45 800	-
Advertising	6 831	37 674
Catering	3 375	54 976
Courier fees	56 126	99 850
Inventory consumed (fuel and oxygen products)	3 943 828	6 158 414
Insurance	137 553	-
Legal fees	1 703 833	3 238 055
System support and training	393 412	238 516
Community support/projects	21 793	-
Security services	179 449	345 912
Subscriptions and memberships	49 000	26 700
Repairs and Maintenance	2 132 526	2 194 320
Capital expenditure	-	317 378
Consulting fees	394 954	45 233
Total amount approved by the accounting officer and noted by council	**9 068 480**	**12 757 028**

The disclosure per the note 39 has been amended to include a breakdown of the nature and related value of the deviations. The prior year figures have therefore been amended to include this breakdown.

Deviation from, and ratification of minor breaches of, the procurement processes

SGM paragraph reverence	Disciplinary steps/criminal proceedings	2025	2024
36 (1)(a) i	Dispense with the official procurement processes in an emergency	-	277 353
36 (1)(a) ii	Dispense with official procurement processes if such goods or services are produced or available from a single source or sole provider.	1 630 815	2 051 763
36 (1)(a) v	Dispense with official procurement processes in any other exceptional case where it is impractical or impossible to follow the official procurement processes.	7 437 663	10 427 912
Total deviations		**9 068 478**	**12 757 028**

Notes to the Annual Financial Statements

Figures in Rand thousand	2025	2024

39. Awards to close family members - SCM Regulation 45

30 June 2025 - Awards to close family members of persons in the service of state

Heading	Related Person	Service Capacity	Relationship	State Department	Amount of Award	Total
Admiror Trading	Mrs R Jonker	Occupational Therapist	Spouse	Department of Health - Beaufort West Hospital	17 973	17 973
Ann's Deli and Projects	Mr. A. Stoffels	Caretaker	Spouse	Department of Education	5 395	5 395
RWS Cleaning Services and Maintenance	Mr. N. Summers	Clerk: Records	Son	Central Karoo District Municipality	143 513	143 513
Pienaar Brothers	Mr. J. Bothma	Chief Technician: Engineering	Nephew	Central Karoo District Municipality	81 898	81 898
IT Brilliance	Mrs. K. Bekker	Warrant Officer	Spouse	SAPD Detective Services - Oudtshoorn	14 243	14 243
TNK Attorneys	Mrs. P. Jako	Admin Clerk (Clerk of the Court)	Spouse	Department of Justice	1 739 262	1 739 262
Mcleod Pest Control	Mrs. R. Mcleod	Professional Nurse	Spouse	Department of Health - Beaufort West Hospital	3 000	3 000
Adapt IT (Pty) Ltd	Mr. D.M.S. Mbambo	Operation and Maintenance Manager	Spouse	Sanral	267 300	267 300
Ilanja Sweiswerke t/a B en B Sweiswerke	Mr. A.C. Du Plessis	Teacher	Spouse	Department of Education	68 347	68 347
Ian Dickie	Mr. D. Samuels	Warrant Officer	Son	South African Police Service	52 474	52 474
Van De Wall Inc	Mrs. J.M. Cronje	SARS Tax Consultant	Spouse	South African Revenue Service	249 309	249 309
Nedbank Limited	Mrs Venisha Subramoney	Teacher	Spouse	Department of Education (I.E.A National Department)	33 812	33 812
		-	-	-	**2 676 526**	**2 676 526**

Notes to the Annual Financial Statements

Figures in Rand thousand	2025	2024

39. Awards to close family members - SCM Regulation 45 (continued)

30 June 2024 - Awards to close family members of persons in the service of other state

Company name	Related person	Service Capacity	Relationship	State Department	Amount	Total
Admiror Trading	Mr. D. Jonker	Occupational Therapist	Spouse	Beaufort West Hospital	33 631	33 631
Beaufort West Luxury Coaches	Mrs. B. Johnson	Traffic Officer	Daughter-in-law	Provincial Traffic Department	3 500	3 500
Ann's Deli and Projects	Mr. A. Stoffels	General Worker	Spouse	Western Cape Education Department	8 350	8 350
Mcleod Pest Control	Mrs. R. Mcleod	Professional Nurse	Spouse	Beaufort West Hospital	12 500	12 500
Magrietha Heilbreght Jacobs	Mrs. H. Jacobs	Legal Services	Daughter-in-law	Central Karoo District Municipality	3 521	3 521
Ilanja Sweiswerke t/a B en B Sweiswerke	Mr. A.C. Du Plessis	Teacher	Son	Western Cape Education Department	85 533	85 533
Avril Johnson	Ms. M.I. Johnson	Social Worker	Daughter	Social Development	38 600	38 600
Inzalo Sebata Municipal Solutions	Mrs. N.T. Mazibuko	National Archivist	Spouse	Department of Arts and Culture	2 608 229	2 608 229
Van De Wall Inc.	Mrs. J.M. Cronje	SARS Tax Consultant	Spouse	South African Revenue Services	160 515	160 515
		-	-	-	**2 954 379**	**2 954 379**

Figures in Rand thousand | 2025 | 2024

40. Financial instruments and Financial Risk Management

40.1 Classification of financial instruments at amortised cost

In accordance with GRAP 104.45 the financial liabilities and assets of the Municipality together with the carrying amounts shown in the Statement of Financial Position, are classified as follows:

		2025		2024	
		Carrying amount	At amortised cost	Carrying amount	At amortised cost
Financial assets					
		-	-	-	-
Amortised cost					
Trade and other receivables from exchange transactions	7	17 179 360	17 179 360	12 852 261	12 852 261
Receivables from non-exchange transactions	5&8	780 492	780 492	495 340	495 340
Cash and cash equivalents	9	5 180 977	5 180 977	12 686 824	12 686 824
		23 140 829	**23 140 829**	**26 034 425**	**26 034 425**
Financial liabilities					
Amortised cost					
Trade and other payables:					
Trade and other payables from exchange transactions	12	3 597 974	3 597 974	1 835 800	1 835 800
Unspent transfers and subsidies	13	3 628 720	3 628 720	5 367 841	5 367 841
		7 226 694	**7 226 694**	**7 203 641**	**7 203 641**
Total financial instruments		**15 914 135**	**15 914 135**	**18 830 784**	**18 830 784**

The activities of the municipality expose it to a variety of financial risks, including market risk (comprising fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The municipality's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance.

40.2 Foreign Exchange Currency Risk

The municipality does not engage in foreign currency transactions.

40.3 Price risk

The municipality is not exposed to price risk.

40.4 Interest rate risk

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

The municipality analyses its potential exposure to interest rate changes on a continuous basis. Different scenarios are simulated which include refinancing, renewal of current positions, alternative financing and hedging. Based on these scenarios, the entity calculates the impact that a change in interest rates will have on the surplus/deficit for the year. These scenarios are only simulated for liabilities which constitute the majority of interest bearing liabilities.

The municipality did not hedge against any interest rate risks during the current year.

Figures in Rand thousand		2025	2024

40. Financial instruments and Financial Risk Management (continued)

The following was taken into consideration when determining the interest rate risk:

- Cash and Cash Equivalents

	2025	2024
The potential impact on the entity's surplus/(deficit) for the year due to changes in interest rates were as follow:		
0.25% (2024: 0.25%) Increase in interest rates	12 952	31 714
0,25% (2024: 1%) Decrease in interest rates	(12 952)	(126 854)
	-	-

40.5 Credit risk management

Credit risk is the risk that a counter party to a financial or non-financial asset will fail to discharge an obligation and cause the Municipality to incur financial loss.

Credit risk arises mainly of cash deposits, cash equivalents, trade and other receivables and unpaid conditional grants and subsidies.

The municipality only deposits cash with major banks with high quality credit standing. No cash and cash equivalents were pledged as security for financial liabilities and no restrictions were placed on the use of any cash and cash equivalents for the period under review. Although the credit risk pertaining to cash and cash equivalents are considered to be low, the maximum exposure are disclosed below.

The credit quality of these institutions are evaluated based on their required SENS releases as well as other media reports. Based on all public communications, the financial sustainability is evaluated to be of high quality and the credit risk pertaining to these institutions are considered to be low.

The risk pertaining to unpaid conditional grants and subsidies are considered to be very low. Amounts are receivable from national and provincial government and there are no expectation of counter party default.

Unspent government grants have to be cash-backed and as a result R 3,628,720 are pledged as security for financial liabilities.

Long-term Receivables and Other Debtors are individually evaluated annually at reporting date for impairment or discounting.

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

		2025	2024
Receivables from non-exchange transactions	5	780 492	495 340
Receivables from exchange transactions	7	17 179 360	12 852 261
Cash and cash equivalents	9	5 180 977	12 686 824
		23 140 829	**26 034 425**

40.6 Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash and the availability of funding through proper budgeting.

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 theimpact of discounting is not significant.

Notes to the Annual Financial Statements

Figures in Rand thousand	2025	2024

40. Financial instruments and Financial Risk Management (continued)

30 June 2025

	Within 1 year
Maturity analysis	
Trade and Other Payables from Exchange Transactions	3 597 974
Unspent conditional grants and subsidies	3 628 720
	7 226 694

30 June 2024

	Within 1 year
Maturity analysis	
Trade and Other Payables from Exchange Transactions	1 835 800
Unspent conditional grants and subsidies	5 367 842
	7 203 642

41. Statutory receivables

In accordance with the principles of GRAP 108, Statutory Receivables of the Municipality are classified as follows:

	2025	2024
Taxes		
Vat Receivable (net)	156 452	93 851

42. In-Kind Donations and Assistance

The municipality did not receive any in-kind donations or assistance during the year under review.

43. Private Public Partnerships

Council has not entered into any private public partnerships during the financial year.

Notes to the Annual Financial Statements

Figures in Rand thousand	2025	2024

44. Contingent liabilities

CKDM//DEPARTMENT OF TRANSPORT AND PUBLIC WORKS - WESTERN CAPE GOVERNMENT Case no: 577/21 PA 190 368 - 16 August 2018 Damage to yellow fleet vehicle in year	12 637	12 637
CKDM // CAPX INVOICE DISCOUNTING (PTY) LTD HIGH COURT CASE NO: 6615/2017 CKDM has been summonsed by the Plaintiff for payment of the amount of R 2 000 000, alternatively R 1 000 000. As at 30 June 2025, it was assessed that the matter is unlikely to continue.	-	2 000 000
CKDM & AFRICA CREEK // ENTREPRENEURIAL BUSINESS SCHOOL (PTY) LTD / CB WILLIAMS TRAINING CC / BRIGHT IDEA PROJECTS 447 (PTY) LTD HIGH COURT CASE NO: 1723/2018 The Plaintiff's cause of action against CKDM also relates to the LGSETA project, where Africa Creek was appointed as implementing agent and Africa Creek failed to pay the three Plaintiffs (Training Providers), monies which was due to the Plaintiff.	-	-
FINANCIAL PERFORMANCE GUARANTEES FOR THE REHABILITATION OF LAND DISTURBED BY PROSPECT MINING IN TERMS OF THE EXECUTION OF ENVIRONMENTAL MANAGEMENT PLAN/PROGRAMME On 12 September 2012 the municipality entered into 16 financial performance guarantees with the Department of Mineral Resources amounting to R1 301 980 relating to the future rehabilitation of burrow pits. No movement on any of the guarantees have taken place since 2012 and there is no expectation that it will be taken up in the foreseeable future.	1 301 980	1 301 980
CKDM // AFRICA CREEK HIGH COURT CASE NO: 21067/2019 In this matter the Central Karoo District Municipality received a Summons for the amount of R 2,595 750.00. As at 30 June 2025, it was assessed that the matter is unlikely to continue.	-	2 595 750
CASE NO: WPC022306 CLAIMANT - MOEGAMAT RIDWAN ABDULLAH Arbitration proceedings based on an alleged unfair labour practice (unfair dismissal) was instituted by the former Chief Financial Officer who was dismissed for misconduct - has commenced against CKDM.	450 000	450 000
MNYAMEZELI JACKSON PENXA // CKDM & 5 OTHERS The applicant brought an urgent application to set aside the appointment of the 4th Respondent as the Municipality Manager. As at 30 June 2025, it was assessed that the matter is unlikely to continue.	-	250 000

Notes to the Annual Financial Statements

Figures in Rand thousand	2025	2024

44. Contingent liabilities (continued)

MEC OF LOCAL GOVERNMENT WESTERN CAPE & 2 OTHERS // CKDM & 4 OTHERS	100 000	100 000
CKDM // SARS VAT TREATMENT REGARDING DEPARTMENT OF TRANSPORT AND PUBLIC WORKS	10 069 718	-

MEC OF LOCAL GOVERNMENT WESTERN CAPE & 2 OTHERS // CKDM & 4 OTHERS

The applicants re-enrolled the matter on an urgent basis to compel the 1st to 5th respondent to comply with investigations and to disclose certain documents. We have proceeded to court carrying a watching brief that the MEC does not take order against the Municipality.

The financial exposure is unknown for the Central Karoo District Municipality, but could amount to R100 000.

CKDM // SARS VAT TREATMENT REGARDING DEPARTMENT OF TRANSPORT AND PUBLIC WORKS

Contingent liability – Value-Added Tax (VAT) exposure

The municipality does not levy input or pay output Value Added Tax (VAT) to the South African Revenue Service (SARS) for services rendered to/for the Department of Transport and Public Works related to the maintenance of roads in the district area.

During the audit of the 2023/2024 financial year, this method of treatment was questioned by the Auditor General of South Africa, resulting in the Municipality subsequently requesting a VAT ruling from SARS. A letter of correspondence was received from the South African Revenue Service dated 15 August 2024, in which SARS states that our application for a VAT ruling cannot be accepted, based on the criteria set forth under the Tax Administration Act 28 of 2011 (the TA Act).

The municipality has estimated a potential VAT exposure of R10,069,718 relating to the VAT treatment of funding received from the Provincial Department of Infrastructure for the roads function currently performed by the municipality. The estimate has been determined with reference to the applicable VAT legislation, relevant constitutional and legislative provisions, and guidance such as Binding General Ruling 74 issued by the South African Revenue Service (SARS), where applicable. In assessing the contingent liability, management considered available internal analyses, the outcome of consultations with external advisors and legal counsel, correspondence and engagements with the Auditor General of South Africa and SARS, and an assessment of the retrospective periods potentially affected. The disclosure reflects management's best assessment of the potential obligation at reporting date, based on the information available.

In terms of GRAP 19.101(b), the municipality must also disclose the uncertainties that may affect the amount or timing of any potential outflow of resources arising from this contingent liability. The ultimate VAT position remains uncertain due to a number of factors, including:

-a pending High Court process relating to the VAT treatment of the funding received for the roads function
-the outcome of any further rulings or clarifications that may be issued by SARS;
-the interpretation and application of Binding General Ruling 74 and other relevant guidance;
-constitutional and legislative considerations relating to the allocation and assignment of functions between spheres of government and;
-a SARS audit of the municipality's VAT affairs is ongoing at the reporting date.

These matters may result in a change in the amount and/or timing of any potential outflow of resources. At the date of approval of these annual financial statements, no final determination has been made by SARS or the courts, and it is therefore not possible to determine the exact financial impact with certainty.

Notes to the Annual Financial Statements

Figures in Rand thousand	2025	2024
44. Contingent liabilities (continued)		
MNYAMEZELI JACKSON PENXA // CKDM & 5 OTHERS An appeal was brought to full court of the Western cape Division involving MG Nkungwana (Appellant) and CKDM/Penxa regarding the appointment of the municipal manager. The case was set down for hearing on 25 August 2025. The appeal stands to be dismissed and CKDM is likely to get judgement in the municipality's favour with costs.	320 000	-
MEC FOR LOCAL GOVERNMENT // CKDM	200 000	-
The MEC instituted review proceedings to set aside the decision of the district municipality to appoint the current municipal manager on the ground that the latter does not meet the minimum requirements. The review application stands to be dismissed with costs on the grounds that the high court has on another case pronounced on the suitability of the current municipal manager and that the minister failed to take steps within the stipulated time frame.	-	-
MNYAMEZELI JACKSON PENXA // CKDM & 5 OTHERS	200 000	-
A review application was brought by MG Nkungwana against CKDM/Penxa, wherein the applicant seeks to have the decision to appoint the current municipal manager set aside and get himself re-instated as municipal manager. This review is still pending before the High Court and stands to be dismissed with costs in favour of CKDM.	-	-
MNYAMEZELI JACKSON PENXA // CKDM & 5 OTHERS	200 000	-
A labour case was instituted at the Gqeberha Labour Court by MG Nkungwana against CKDM for compensation on the grounds that his employment contract was unfairly terminated by the district municipality. The application stands to fail as MG Nkungwana was not lawfully appointed from the outset as he did not meet the minimum requirements for appointment as municipal manager.	-	-
	12 854 335	**6 710 367**

Notes to the Annual Financial Statements

45. Contingent assets

2024: Guardrisk:

On Monday 6 November 2023, Guardrisk took a decision to honour the insurance claim on the Fire truck, with the proviso that CDKM settle an invoice for the insurance premiums owed regarding the truck. This was conveyed to the municipality via email correspondence.

We are however unsure of the amount of legal fees to be recouped, due to the fact that the Bill of Costs in respect of fees and disbursements due is still required to be taxed by the Taxing Master of the High Court.

The Acceptance of loss letter received was dated at 28 March 2024, where the net settlement amount of R1 038 897.60 was indicated as being payable to the municipality. Payment was received on 12 April 2024.

The matter has been settled and no further obligations exist in favour of the municipality as at 30 June 2025.

2024: Member of the Executive Council for Local Government, Environmental Affairs and Development Planning Western Cape Province & 2 Others// CKDM & 5 Others CASE NR. 4567/24:

Non-compliance with the requests of the forensic auditors (2nd and 3rd applicants) appointed by the First applicant in an official investigation in terms of Section 106 of the Municipal Systems Act. We won the court case, with costs on 26/04/2024.

The cost account entered by our attorneys amounted to R419 923.94.

We are however unsure of the amount of legal fees to be recouped, due to the fact that the Bill of Costs in respect of fees and disbursements due is still required to be taxed by the Taxing Master of the High Court.

The matter remains ongoing as at 30 June 2025.

Notes to the Annual Financial Statements

Figures in Rand thousand	2025	2024

46. Related party disclosures

46.1 Nature of related party relationships

Related party relationships

Councillors and Management comprises of those persons responsible for planning, directing and controlling the activities of the Municipality.

46.2 Related party balances

Current employee benefits

Staff Leave Obligations		
Municipal Manager	71 355	34 742
Chief Financial Officer	32 826	-
Director: Corporate Services	12 439	-
Director: Socio-Economic Services	26 510	-
	143 130	**34 742**

Performance Bonus Obligations		
Municipal Manager	140 014	-
Chief Financial Officer	70 556	-
Director: Corporate Services	70 556	245 777
Director: Socio-Economic Services	70 556	-
	351 682	**245 777**

Travel and Subsistence Paid		
Municipal Manager	125 283	196 901
Chief Financial Officer	28 025	14 833
Director: Corporate Services	23 291	103 063
Director: Socio-Economic Services	32 461	-
	209 060	**314 797**

Compensation of key management personnel

The compensation of key management personnel is set out in note 24 of the Annual Financial Statements.

Councillor's arrear accounts - MFMA 124 (1)(b)

The following Councillors had arrear accounts for more than 90 days:		
Councillor J Bostander	46 714	46 714
Councillor M Furman	22 552	22 552
Councillor EZ Njadu	41 192	41 192
Councillor M Daniels	737	737
Councillor J Jonas	4 515	4 515
Councillor GP Adolph	1 511	2 511
Councillor JP de Bruyn	8 332	8 332
Councillor JD van der Linde	-	639
Councillor SD Koonthea	-	635
Councillor AJ MacKay	-	123 457
	125 553	**251 284**

46. Related party disclosures (continued)

Amounts included in Receivables from non-exchange transactions consist out of outstanding monies to be recovered from Councillors and previous Mayors due to upper limit changes and travel and lodging claimed, but not spent.

The remuneration of Councillors is set out in note 25 of the Annual Financial Statements.

There were no purchases made during the year where Councillors and Senior Management had an interest.

47. Going concern

We draw attention to the fact that at 30 June 2025, the municipality had an accumulated surplus (deficit) of 5 829 570 and that the municipality's total assets exceed its liabilities by 5 829 570.

These annual financial statements have been prepared on the going concern basis. We however wish to draw attention to the discontinuation of the Roads function at 31 March 2026. The revenue earned from this function is significant to the Municipality's operations.

The Municipality has an approved and funded budget for the 2025/2026 financial year, and management is satisfied that the municipality will be able to continue operating as a going concern for at least 12 months after the reporting date.

However, the withdrawal of the Roads function will reduce the Municipality's revenue base from the 2026/2027 financial year onwards and creates uncertainty regarding financial sustainability beyond 30 June 2026. This will also lead to the total staff complement of the Municipality being reduced to +/- 60 employees.

Management is actively exploring alternative revenue-generating opportunities and implementing cost-containment as well as financial sustainability measures to mitigate the impact, including the following:

- an active engagement with the Department of Local Government for the purposes of rolling out the Shared Services model of service delivery in which the district municipality will play a leading role in providing a bulk of the services for which income will be generated;
- the exploration of the provision of other services that are currently functions of the B-municipalities; and
- from a cost containment perspective, the municipal council has resolved to withdraw from further participation in certain legal matters in order to avoid further legal costs.

48. Additional disclosure in terms of the Broad-Based Black Economic Empowerment Act

Information on compliance with the Broad-Based Black Economic Empowerment Act (B-BBEE) is included in the Annual Report under the section titled B-BBEE Compliance Performance Information.

49. Segment information

General information

Identification of segments

The municipality is organised and reports to management on the basis of 5 major functional areas: Executive&Council, Municipal Manager, Financial Services, Corporate Services and Technical Services. To this end, management monitors the operating results of these business units for the purpose of making decisions about resource allocations and assessment of performance. Revenues and expenditure relating to these business units are allocated at a transaction level.

Management receives C-schedules on a monthly basis which provides actual amounts at that time per both the department and function.

49. 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
Governance and Administration	Supporting service departments
Environmental Health	Inspect landfill sites, air quality monitoring, health inspections at shops
Disaster Management	Fire services support
Roads Function	Administrating the roads function on behalf of Province

The grouping of these segments is consistent with the functional classification of government activities which considers the nature of the services, the beneficiaries of such services and fees charged for the services rendered, if any.

Notes to the Annual Financial Statements

Figures in Rand thousand

49. Segment information (continued)

Segment surplus or deficit, assets and liabilities

By function

Figures in Rand thousand	Governance and Administratio n	Environmental Health	Disaster Management	Roads	Total Allocated	Total Unallocated	Total
2025							
Revenue							
Exchange revenue							
Department of Transport - Roads Service Charges	-	-	-	58 356 106	58 356 106	-	58 356 106
Straight Service Charge	6 163 043	-	-	-	6 163 043	-	6 163 043
Interests Earned - External Investments	1 475 109	-	-	-	1 475 109	-	1 475 109
Licence and Permits	64 180	-	-	-	64 180	-	64 180
Operational revenue	281 671	278	-	-	281 949	-	281 949
Inventories: (Write-down)/Reversal of write-down to Net Realisable Value)	5 379	-	-	-	5 379	-	5 379
Total exchange revenue	7 989 382	278	-	58 356 106	66 345 766	-	66 345 766
Non-exchange revenue							
Transfers and subsidies – Operational	47 622 011	-	540 786	-	48 162 797	-	48 162 797
Actuarial Gains	486 087	-	-	-	486 087	-	486 087
Total non-exchange revenue	48 108 098	-	540 786	-	48 648 884	-	48 648 884
Total segment revenue	56 097 480	278	540 786	58 356 106	114 994 650	-	114 994 650

Notes to the Annual Financial Statements

Figures in Rand thousand

49. Segment information (continued)

Expenses							
Employee related costs	21 847 538	5 785 750	3 718 089	37 390 093	**68 741 470**	-	**68 741 470**
Remuneration of Councillors	5 640 190	-	-	-	**5 640 190**	-	**5 640 190**
Inventory Consumed	554 873	12 702	66 739	13 818 618	**14 452 932**	-	**14 452 932**
Depreciation and Amortisation	867 464	27 869	27 841	101 879	**1 025 053**	-	**1 025 053**
Finance Costs	788 870	-	-	-	**788 870**	-	**788 870**
Contracted Services	4 095 889	115 503	217 381	2 668 000	**7 096 773**	-	**7 096 773**
Transfers and subsidies	111 708	-	121 838	-	**233 546**	-	**233 546**
Operational Costs	9 506 301	263 100	967 042	6 361 115	**17 097 558**	-	**17 097 558**
Total segment	**43 412 833**	**6 204 924**	**5 118 930**	**60 339 705**	**115 076 392**	-	**115 076 392**
Deficit for the year	**12 684 647**	**(6 204 646)**	**(4 578 144)**	**(1 983 599)**	**(81 742)**	-	**(81 742)**

2024

Revenue

Exchange revenue							
Department of Transport - Roads Service Charges	-	-	-	58 880 317	**58 880 317**	-	**58 880 317**
Straight Service Charge	6 001 042	-	-	-	**6 001 042**	-	**6 001 042**
Interests Earned - External Investments	1 704 944	-	-	-	**1 704 944**	-	**1 704 944**
Licence and Permits	55 263	-	-	-	**55 263**	-	**55 263**
Inventories: (Write-down)/Reversal of write-down to Net Realisable Value)	35 275	-	-	-	**35 275**	-	**35 275**
Rental from Fixed Assets	65 859	-	-	-	**65 859**	-	**65 859**
Operational revenue	1 198 036	5 987	-	-	**1 204 023**	-	**1 204 023**
Total exchange revenue	**9 060 419**	**5 987**	-	**58 880 317**	**67 946 723**	-	**67 946 723**

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Auditing to build public confidence

30 November 2025

Notes to the Annual Financial Statements

Figures in Rand thousand

49. Segment information (continued)

Non-exchange revenue							
Transfers and subsidies – Operational	45 510 555	-	75 010	-	**45 585 565**	-	**45 585 565**
Actuarial Gains	985 922	-	-	-	**985 922**	-	**985 922**
Total non-exchange revenue	**46 496 477**	**-**	**75 010**	**-**	**46 571 487**	**-**	**46 571 487**
Total segment revenue	**55 556 896**	**5 987**	**75 010**	**58 880 317**	**114 518 210**	**-**	**114 518 210**
Expenditure							
Employee related costs	25 660 041	5 639 700	1 594 574	35 033 269	**67 927 584**	-	**67 927 584**
Remuneration of Councillors	4 974 967	-	-	-	**4 974 967**	-	**4 974 967**
Inventory Consumed	296 287	23 757	23 256	13 762 545	**14 105 845**	-	**14 105 845**
Depreciation, amortisation and impairment	211 074	20 178	495 677	62 522	**789 451**	-	**789 451**
Loss on disposal of assets and liabilities	29	916	-	-	**945**	-	**945**
Finance Costs	842 743	-	-	-	**842 743**	-	**842 743**
Contracted Services	6 718 794	124 911	23 393	4 019 941	**10 887 039**	-	**10 887 037**
Transfers and subsidies	879 265	-	320 000	-	**1 199 265**	-	**1 199 265**
Operational Costs	8 265 869	290 824	854 281	6 243 003	**15 653 977**	-	**15 653 977**
Total segment	**47 849 069**	**6 100 286**	**3 311 181**	**59 121 280**	**116 381 816**	**-**	**116 381 814**
Deficit for the year	**7 707 827**	**(6 094 299)**	**(3 236 171)**	**(240 963)**	**(1 863 606)**	**-**	**(1 863 604)**

Information about geographical areas

Management does not monitor performance geographically as it does not at present have reliable separate financial information for decision making purposes. The cost to develop this separately would be excessive.

Notes to the Annual Financial Statements

Figures in Rand thousand	2025	2024

50. Correction of errors

The following restatements and adjustments occurred which are set out below:

50.1 Adjustments of Statement of financial performance items

2024

	Note	As previously reported	Correction of error	Re-classification	Restated
Revenue					
Exchange revenue					
Department of Transport - Service Charges	22	65 781 515	-	(6 901 198)	**58 880 317**
Straight Service Charge	23	6 001 042	-	-	**6 001 042**
Interests Earned - External Investments	20	1 704 944	-	-	**1 704 944**
Licence and Permits	18	55 263	-	-	**55 263**
Inventories: (Write-down)/Reversal of write-down to Net Realisable Value)	6	50 231	(14 956)	-	**35 275**
Rental from Fixed Assets	19	65 859	-	-	**65 859**
Operational revenue	21	1 204 023	-	-	**1 204 023**
		74 862 877	**(14 956)**	**(6 901 198)**	**67 946 723**
Non-exchange revenue					
Transfers and subsidies – Operational	17	45 585 565	-	-	**45 585 565**
Actuarial Gains	32	985 922	-	-	**985 922**
		46 571 487	-	-	**46 571 487**
Total revenue		**121 434 364**	**(14 956)**	**(6 901 198)**	**114 518 210**
Expenditure					
Employee related costs	24	67 828 844	98 740	-	**67 927 584**
Remuneration of Councillors	25	4 974 967	-	-	**4 974 967**
Inventory Consumed		14 105 845	-	-	**14 105 845**
Depreciation and Amortisation	27	789 092	-	-	**789 092**
Loss on disposal of assets and liabilities	31	945	-	-	**945**
Finance Costs	28	842 743	-	-	**842 743**
Contracted Services	26	10 887 401	-	-	**10 887 401**
Transfers and subsidies	29	1 199 265	-	-	**1 199 265**
Operational Costs	30	22 555 175	-	(6 901 198)	**15 653 977**
Total expenditure		**123 184 277**	**98 740**	**(6 901 198)**	**116 381 819**
Surplus for the year		**(1 749 913)**	**(113 696)**	-	**(1 863 609)**

Notes to the Annual Financial Statements

Figures in Rand thousand	2025	2024

50. Correction of errors (continued)

50.2 Adjustments of Statement of financial position items

2024

	Note	Previously reported	Correction of error	Re-classification	Restated
Assets					
Current assets					
Cash and cash equivalents	9	12 686 824	-	-	**12 686 824**
Trade and other receivables from exchange transactions	7	4 742 474	8 109 787	588 469	**13 440 730**
Inventory	6	1 585 907	(14 956)	-	**1 570 951**
Current portion of non-current receivables	15	570 701	-	-	**570 701**
VAT Receivable		588 470	-	(588 470)	**-**
Receivables from non-exchange transactions	8	594 081	(98 741)	-	**495 340**
		20 768 457	**7 996 090**	**(1)**	**28 764 546**
Non-current assets					
Property, Plant and Equipment	3	9 807 917	-	-	**9 807 917**
Intangible assets	4	48 029	-	-	**48 029**
Non-current receivables from exchange transactions	5	6 980 299	-	-	**6 980 299**
		16 836 245	**-**	**-**	**16 836 245**
Total assets		**37 604 702**	**7 996 090**	**(1)**	**45 600 791**
Liabilities					
Current liabilities					
Provisions	14	1 007 462	-	-	**1 007 462**
Trade and other payables from exchange transactions	12	1 835 800	12 231 216	-	**14 067 016**
Unspent Transfers and Subsidies	13	5 367 842	-	-	**5 367 842**
Current Employee Benfits	11	5 966 163	-	-	**5 966 163**
		14 177 267	**12 231 216**	**-**	**26 408 483**
Non-current liabilities					
Non-current Employee Benefits	10	13 281 001	-	-	**13 281 001**
Total liabilities		**27 458 268**	**12 231 216**	**-**	**39 689 484**
Community Wealth / Equity					
Accumulated surplus	16	10 146 434	(4 235 127)	-	**5 911 307**

50.3 Correction of errors

A review of the 2024 financial information noted the following:

1. Inventory was overstated, due to the over-realisation on the inventory write down/reversal against NRV. The effect of the correction of the error is a decrease in the Inventory balance of R 14,956 in the Statement of Financial Position and a corresponding decrease in Inventories: (Write-down)/Reversal of write-down to Net Realisable Value) in the Statement of Financial Performance.

2. Payroll expenditure relating to the secondment of the Acting Municipal Manager from Beaufort West Municipality was not accounted for. The effect of the correction of the error is an increase in the Receivables from non-exchange (Net Salary control) balance of R 98,741 in the Statement of Financial Position and a corresponding increase in Employee related costs in the Statement of Financial Performance.

3. The Department of Transport Debtor's balance was understated by R 8,109,787 and Income Received in Advance - Department of Transport was understated by R 12,231,216. The net effect of this correction on Accumulated Surplus is a decrease of R 4,121,429.

The net effect of these adjustments against accumulated surplus is decrease of R 4,235,127.

50. Correction of errors (continued)

50.4 Reclassification

The following reclassifications adjustment occurred:

1. The Department of Transport - Roads Service Charges account total included the Straight Service Charge account total which was separately disclosed, resulting in an overstatement of Revenue from Exchange Transactions and a corresponding overstatement in Operational Costs expenditure of R 6,901,198. These amounts have therefore been reclassified and the effect of the reclassification is nil on the Statement of Financial Performance.

2. The VAT Receivable balance previously disclosed represented the net VAT Receivable from SARS and Net VAT accrual amounts. These amounts have been reclassified to correctly present Vat Input Accrual, VAT Output Accrual and the VAT Receivable from SARS in terms of the requirements of GRAP1.79 and the additional guidance provided in terms of SALGA circular 38 of 2025.

51. Events after the reporting date

During a council meeting held subsequent to financial year, items relating to Unauthorised, Irregular and Fruitless and Wasteful expenditure were authorised for write-off.

Central Karoo District Municipality
Appendix A
Disclosure of Grants and Subsidies in Terms of Section 123 of the MFMA, 56 of 2003

Description	Opening Balance 01 July 2024 Rand	Repayments Rand	Balance after repayments Rand	Year to Date Receipts Sept Rand	Dec Rand	Mar Rand	Jun Rand	Total Rand	Year to Date Expenditure Sept Rand	Dec Rand	Mar Rand	Jun Rand	Total Rand	Closing Balance 30 June 2025 Rand
National Government (Unconditional Grant)														
G/F : EQUITABLE SHARE	-	-	-	-	-	-	38 885 000	38 885 000	-	-	-	(38 885 000)	(38 885 000)	-
	-	**-**	**-**	**-**	**-**	**-**	**38 885 000**	**38 885 000**	**-**	**-**	**-**	**(38 885 000)**	**(38 885 000)**	**-**
National Government (Conditional Grant)														
G/F : LOCAL GOVERNMENT FINANCE MANAGEMENT GRANT	122 513	-	122 513	-	-	-	1 000 000	1 122 513	-	-	-	(1 000 000)	(1 000 000)	122 513
G/F : EXPANDED PUBLIC WORKS PROGRAMME GRANT	-	-	-	-	-	-	963 000	963 000	-	-	-	(963 000)	(963 000)	-
G/F : RURAL ROAD ASSET MANAGENT GRANT	28 430	-	28 430	-	-	-	1 834 000	1 862 430	-	-	-	(1 828 036)	(1 828 036)	34 394
	150 943	**-**	**150 943**	**-**	**-**	**-**	**3 797 000**	**3 947 943**	**-**	**-**	**-**	**(3 791 036)**	**(3 791 036)**	**156 907**
Provincial Government (Conditional Grant)														
G/F : WESTERN CAPE FINANCIAL MANAGEMENT CAPABILITY GRANT	29 406	(29 406)	-	-	-	-	850 000	850 000	-	-	-	(850 000)	(850 000)	-
G/F : SAFETY INITIATIVE IMPLEMENTATION - WHOLE OF SOCIETY APPROACH (WOSA)	32 780	(32 780)	-	-	-	-	581 000	581 000	-	-	-	(329 246)	(329 246)	251 754
G/F : WESTERN CAPE MUNICIPAL INTERVENTION	700 000	-	700 000	-	-	-	600 000	1 300 000	-	-	-	(600 900)	(600 900)	699 100
G/F : MUNICIPAL SERVICE DELIVERY AND CAPACITY BUILDING GRANT	392 259	-	392 259	-	-	-	-	392 259	-	-	-	(357 328)	(357 328)	34 931
G/F : JOINT DISTRICT AND METRO APPROACH GRANT	494 124	(494 124)	-	-	-	-	-	-	-	-	-	-	-	-
G/F : FIRE SERVICES CAPACITY BUILDING GRANT	500 000	-	500 000	-	-	-	1 500 000	2 000 000	-	-	-	(430 000)	(430 000)	1 570 000
G/F : LOCAL GOVERNMENT EMERGENCY LOADSHEDDING GRANT	32 622	(32 622)	-	-	-	-	600 000	600 000	-	-	-	-	-	600 000
G/F : MUNICIPAL WATER RESILIENCE GRANT	2 400 000	(21 124)	2 378 876	-	-	-	-	2 378 876	-	-	-	(2 378 876)	(2 378 876)	-
G/F : LOCAL GOVERNMENT PUBLIC EMPLOYMENT SUPPORT GRANT	200 000	(200 000)	-	-	-	-	-	-	-	-	-	-	-	-
	4 781 191	**(810 056)**	**3 971 135**	**-**	**-**	**-**	**4 131 000**	**8 102 135**	**-**	**-**	**-**	**(4 946 350)**	**(4 946 350)**	**3 155 785**
Other Grants (Unconditional Grant)														
G/F : THE CHEMICAL INDUSTRIES EDUCATION AND TRAINING AUTHORITY	221 108	-	221 108	-	-	-	121 500	342 608	-	-	-	(211 540)	(211 540)	131 068
G/F : LGSETA	201 784	-	201 784	-	-	-	-	201 784	-	-	-	-	-	201 784
G/F : LGSETA (LGLDP - 20331655 & 20233368)	(4 810)	-	(4 810)	-	-	-	-	(4 810)	-	-	-	-	-	(4 810)
G/F : LGSETA (LGLDP - 20239677)	(12 375)	-	(12 375)	-	-	-	299 230	286 855	-	-	-	(299 230)	(299 230)	(12 375)
G/F : NEDBANK WINTER OUTREACH PROGRAMME	30 000	-	30 000	-	-	-	-	30 000	-	-	-	(29 639)	(29 639)	361
	435 707	**-**	**435 707**	**-**	**-**	**-**	**420 730**	**856 437**	**-**	**-**	**-**	**(540 409)**	**(540 409)**	**316 028**
Total	**5 367 841**	**(810 056)**	**4 557 785**	**-**	**-**	**-**	**47 233 730**	**51 791 515**	**-**	**-**	**-**	**(48 162 795)**	**(48 162 795)**	**3 628 720**