Ndlambe Local Municipality

Annual Financial Statements
for the year ended 30 June 2025

General Information

Legal form of entity	Ndlambe Municipality (EC 105) is a local municipality performing the functions as set out in the Constitution. (Act no 108 of 1996)
Grading of local authority	Grade 3
Nature of business and principal activities	Municipal Services
Executive committee	
Mayor	Councillor KC Ncamiso - Corporate Services Portfolio
Speaker	Councillor AL Marasi
Executive Councillors	Councillor ST Dyakala - Infrastructure Portfolio
	Councillor NF Memani - Community Protection Portfolio
	Councillor S Venene - Finance Portfolio
Councillors	Councillor A Nyumka - MPAC Chairperson
	Councillor S Kolosa - Chief Whip
	Councillor A Bukani
	Councillor N Sweli
	Councillor EHK Walker
	Councillor NE Haynes
	Councillor P Khungwayo
	Councillor SI Melani
	Councillor S Zweni
	Councillor MW Mgweba
	Councillor PY Kani
	Councillor ZW Myali
	Councillor WG Johannes
	Councillor T Mbekela
	Councillor X Runeli

General Information

Primary legislation governing the municipality's operations	
	Local Government Municipal Finance Management Act (Act No 56 of 2003)
	Local Government: Municipal Systems Act (Act 32 of 2000)
	Local Government: Municipal Structures Act (Act 117 of 1998)
	Constitution of the Republic of South Africa (Act 108 of 1998)
	Municipal Property Rates Act (Act 6 of 2004)
Accounting Officer	R Dumezweni rdumezweni@ndlambe.gov.za
Chief Finance Officer (CFO)	M Klaas mklaas@ndlambe.gov.za
Business address	47 Campbell Street Port Alfred 6170
Postal address	P O Box 13 Port Alfred 6170
Bankers	First National Bank
Auditors	Auditor General
Jurisdiction	The Ndlambe Local Municipality includes the following areas: Port Alfred Bathurst Alexandria Kenton-on-Sea Cannon-Rocks Seafield Marselle

Index

Abbreviations used:

DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
LED	Local Economic Development
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant
MSIG	Municipal Systems Improvement Grant
FMG	Financial Management Grant
ECSRAC	Eastern Cape Department of Sports, Recreation, Arts and Culture
DME	Department of Minerals and Energy
INEP	Integrated National Electrification Programme
DWAF	Department of Water and Forestry
DoRA	Division of Revenue Act
DME	Department of Minerals and Energy
DWS	Department of Water and Sanitation
SBDM	Sarah Baartman District Municipality
CoGTA	Department of Co-operative Governance and Traditional Affairs
VAT	Value Added Tax
SARS	South African Revenue Service

Accounting Officer's Responsibilities and Approval

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

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

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

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

The accounting officer has reviewed the municipality’s cash flow forecast for the year to 30 June 2026 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The annual financial statements set out on pages 5 to 104, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2025 and were signed on its behalf by:

R Dumezweni
Accounting Officer

Statement of Financial Position as at 30 June 2025

Figures in Rand	Note(s)	2025	2024 Restated*
Assets			
Current Assets			
Inventories	3	2 909 114	1 438 947
Receivables from non-exchange transactions	4	75 766 427	25 784 778
Receivables from exchange transactions	5	40 903 712	37 354 309
VAT receivable	6	13 224 517	10 449 239
Cash and cash equivalents	7	66 432 760	140 308 928
Operating lease asset	8	116 353	12 899
		199 352 883	**215 349 100**
Non-Current Assets			
Investment property	9	233 069 059	242 890 547
Property, plant and equipment	10	1 406 820 819	1 287 018 846
Intangible assets	11	40 171	47 606
Heritage assets	12	16	16
Other financial assets	13	44 210	46 305
		1 639 974 275	**1 530 003 320**
Total Assets		**1 839 327 158**	**1 745 352 420**
Liabilities			
Current Liabilities			
Consumer deposits	15	2 891 281	2 827 601
Payables from exchange transactions	16	120 531 076	147 418 222
Unspent conditional grants and receipts	17	30 119 015	31 673 139
Financial liabilities - DBSA	18	-	973 082
VAT payable	19	5 172 316	3 492 771
Employee benefit obligation	20	23 470 978	22 085 561
Provisions	21	13 464 808	13 068 766
		195 649 474	**221 539 142**
Non-Current Liabilities			
Employee benefit obligation	20	78 989 300	69 743 000
Provisions	21	70 685 610	65 659 948
		149 674 910	**135 402 948**
Total Liabilities		**345 324 384**	**356 942 090**
Net Assets		**1 494 002 774**	**1 388 410 330**
Accumulated surplus		1 494 002 774	1 388 410 330
Total Net Assets		**1 494 002 774**	**1 388 410 330**

* See Note 46

Statement of Financial Performance

Figures in Rand	Note(s)	2025	2024 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	23	235 511 307	192 624 513
Rendering of services		3 977 871	3 657 024
Rental of facilities and equipment		1 121 344	1 079 721
Interest received - Trade and other receivables		14 254 954	9 655 942
Management Fees	32	1 978 139	94 968
Licences and permits		3 698 291	1 821 353
Housing debtor income		-	2 014 510
Other income	24	1 390 374	2 099 736
Interest received - investment	25	10 540 353	12 243 894
Total revenue from exchange transactions		**272 472 633**	**225 291 661**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	26	170 174 377	146 671 842
Licences and Permits - Non-exchange		1 165 805	1 313 532
Environmental levies		6 614 429	6 197 418
Interest received - Non-exchange receivables		6 665 461	4 603 953
Transfer revenue			
Government grants & subsidies	27	320 290 615	257 301 171
Public contributions and donations	28	1 168 241	517 370
Fines, Penalties and Forfeits		484 590	401 108
Total revenue from non-exchange transactions		**506 563 518**	**417 006 394**
Total revenue	22	**779 036 151**	**642 298 055**
Expenditure			
Employee related costs	29	(214 912 679)	(197 969 930)
Remuneration of councillors	30	(8 681 779)	(8 481 513)
Depreciation and amortisation	31	(43 907 001)	(43 683 082)
Finance costs	33	(8 498 192)	(8 294 637)
Lease rentals on operating lease		(1 108 094)	(991 905)
Debt Impairment	34	(84 384 403)	(58 357 952)
Alternative Energy Programmes		(7 427 120)	(5 932 564)
Bulk purchases	35	(105 847 340)	(95 172 935)
Contracted Services	36	(91 043 495)	(89 790 542)
Transfers and Subsidies		(5 195 820)	(4 304 426)
General Expenses	37	(95 430 564)	(92 153 354)
Total expenditure		**(666 436 487)**	**(605 132 840)**
Operating surplus		**112 599 664**	**37 165 215**
Loss on disposal of assets and liabilities		(7 419 797)	(4 329 638)
Fair value adjustments	38	3 006 131	2 193 160
Actuarial gains/(losses)	20	809 338	688 135
Impairment loss	39	(8 856 254)	(10 920 774)
Surplus from derecognition of liability	40	5 453 361	-
		(7 007 221)	**(12 369 117)**
Surplus for the year		**105 592 443**	**24 796 098**

* See Note 46

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus / deficit	Total net assets
Opening balance as previously reported	1 330 940 993	1 330 940 993
Adjustments		
Correction of errors 46	32 673 239	32 673 239
Balance at 01 July 2023 as restated*	**1 363 614 232**	**1 363 614 232**
Changes in net assets		
Surplus for the year	24 796 098	24 796 098
Total changes	24 796 098	24 796 098
Restated* Balance at 01 July 2024	**1 388 410 331**	**1 388 410 331**
Changes in net assets		
Surplus for the year	105 592 443	105 592 443
Total changes	105 592 443	105 592 443
Balance at 30 June 2025	**1 494 002 774**	**1 494 002 774**

Note(s)

* See Note 46

Cash Flow Statement

Figures in Rand	Note(s)	2025	2024 Restated*
Cash flows from operating activities			
Receipts			
Rates and services		345 080 622	300 951 925
Government Grants and Subsidies		270 411 674	273 430 268
Interest income		18 900 710	15 753 982
Other receipts		3 853 103	4 610 322
		638 246 109	594 746 497
Payments			
Employee costs		(212 153 403)	(196 553 995)
Suppliers		(333 114 148)	(205 278 703)
Finance costs		(59 272)	(183 514)
Grants and subsidies		(5 195 820)	(4 304 426)
		(550 522 643)	(406 320 638)
Net cash flows from operating activities	42	**87 723 466**	**188 425 859**
Cash flows from investing activities			
Purchase of property, plant and equipment	10	(162 625 743)	(114 257 418)
Proceeds from sale of property, plant and equipment	10	1 999 191	382 553
Net cash flows from investing activities		**(160 626 552)**	**(113 874 865)**
Cash flows from financing activities			
Repayment of financial liabilities - DBSA		(973 082)	(1 477 432)
Net cash flows from financing activities		**(973 082)**	**(1 477 432)**
Net increase/(decrease) in cash and cash equivalents		**(73 876 168)**	**73 073 562**
Cash and cash equivalents at the beginning of the year		140 308 928	67 235 366
Cash and cash equivalents at the end of the year	7	**66 432 760**	**140 308 928**

* See Note 46

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	226 197 000	-	**226 197 000**	235 511 307	**9 314 307**	56.1
Rendering of services	3 743 000	-	**3 743 000**	3 977 871	**234 871**	56.2
Rental of facilities and equipment	1 150 000	-	**1 150 000**	1 121 344	**(28 656)**	56.3
Interest received	9 222 000	-	**9 222 000**	14 254 954	**5 032 954**	56.4
Management fees	-	-	**-**	1 978 139	**1 978 139**	56.4i
Licences and permits	4 323 000	-	**4 323 000**	3 698 291	**(624 709)**	56.5
Other income	1 448 000	-	**1 448 000**	1 390 374	**(57 626)**	56.6
Interest received - investment	10 858 000	-	**10 858 000**	10 540 353	**(317 647)**	56.7
Total revenue from exchange transactions	**256 941 000**	**-**	**256 941 000**	**272 472 633**	**15 531 633**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	177 996 000	-	**177 996 000**	170 174 377	**(7 821 623)**	56.8
Licences and Permits (Non-exchange)	1 991 000	-	**1 991 000**	1 165 805	**(825 195)**	56.9
Environmental Levies	7 287 000	-	**7 287 000**	6 614 429	**(672 571)**	56.10
Interest received - non-exchange receivables	7 437 000	-	**7 437 000**	6 665 461	**(771 539)**	56.11
Transfer revenue						
Government grants & subsidies	353 100 000	140 602 000	**493 702 000**	320 290 615	**(173 411 385)**	56.12
Public contributions and donations	-	-	**-**	1 168 241	**1 168 241**	56.13
Fines, Penalties and Forfeits	418 000	-	**418 000**	484 590	**66 590**	56.14
Total revenue from non-exchange transactions	**548 229 000**	**140 602 000**	**688 831 000**	**506 563 518**	**(182 267 482)**	
Total revenue	**805 170 000**	**140 602 000**	**945 772 000**	**779 036 151**	**(166 735 849)**	
Expenditure						
Employee related costs	(204 080 000)	(370 000)	**(204 450 000)**	(214 912 679)	**(10 462 679)**	56.15
Remuneration of councillors	(8 573 000)	(115 000)	**(8 688 000)**	(8 681 779)	**6 221**	56.16
Depreciation and amortisation	(51 434 000)	-	**(51 434 000)**	(43 907 001)	**7 526 999**	56.17
Impairment loss	-	-	**-**	(8 856 254)	**(8 856 254)**	56.18
Finance costs	(9 501 000)	-	**(9 501 000)**	(8 498 192)	**1 002 808**	56.19
Lease rentals on operating lease	(769 000)	(947 000)	**(1 716 000)**	(1 108 094)	**607 906**	56.20
Debt Impairment	(32 563 000)	-	**(32 563 000)**	(84 384 403)	**(51 821 403)**	56.21
Alternative Energy Programmes	(8 652 000)	-	**(8 652 000)**	(7 427 120)	**1 224 880**	56.22
Bulk purchases	(88 969 000)	(2 927 000)	**(91 896 000)**	(105 847 340)	**(13 951 340)**	56.23
Contracted Services	(174 514 000)	(50 594 000)	**(225 108 000)**	(91 043 495)	**134 064 505**	56.24
Transfers and Subsidies	(5 368 000)	(739 000)	**(6 107 000)**	(5 195 820)	**911 180**	56.25
General Expenses	(105 015 000)	4 354 000	**(100 661 000)**	(95 430 564)	**5 230 436**	56.26
Total expenditure	**(689 438 000)**	**(51 338 000)**	**(740 776 000)**	**(675 292 741)**	**65 483 259**	
Operating surplus	**115 732 000**	**89 264 000**	**204 996 000**	**103 743 410**	**(101 252 590)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Loss on disposal of assets and liabilities	-	-	-	(7 419 797)	**(7 419 797)**	56.27
Fair value adjustments	-	-	-	3 006 131	**3 006 131**	56.28
Actuarial gains/losses	-	-	-	809 338	**809 338**	56.29
Surplus from derecognition of liability	-	-	-	5 453 361	**5 453 361**	56.30
	-	**-**	**-**	**1 849 033**	**1 849 033**	
Surplus before taxation	**115 732 000**	**89 264 000**	**204 996 000**	**105 592 443**	**(99 403 557)**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**115 732 000**	**89 264 000**	**204 996 000**	**105 592 443**	**(99 403 557)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Inventories	1 537 000	151 000	**1 688 000**	2 909 114	**1 221 114**	56.31
Operating lease asset	17 000	(4 000)	**13 000**	116 353	**103 353**	56.32
Receivables from non-exchange transactions	45 084 000	6 470 000	**51 554 000**	75 766 427	**24 212 427**	56.33
VAT receivable	149 579 000	20 266 000	**169 845 000**	13 224 517	**(156 620 483)**	56.34
Receivables from exchange transactions	54 095 000	(7 942 000)	**46 153 000**	40 903 712	**(5 249 288)**	56.33
Other current asset	848 000	658 000	**1 506 000**	-	**(1 506 000)**	56.35
Cash and cash equivalents	132 403 000	(4 774 000)	**127 629 000**	66 432 760	**(61 196 240)**	56.36
	383 563 000	**14 825 000**	**398 388 000**	**199 352 883**	**(199 035 117)**	
Non-Current Assets						
Investment property	258 541 000	(16 830 000)	**241 711 000**	233 069 059	**(8 641 941)**	56.37
Property, plant and equipment	1 275 464 000	148 760 000	**1 424 224 000**	1 406 820 819	**(17 403 181)**	56.38
Intangible assets	91 000	(56 000)	**35 000**	40 171	**5 171**	56.39
Heritage assets	-	-	**-**	16	**16**	56.40
Other financial assets	45 000	1 000	**46 000**	44 210	**(1 790)**	56.41
	1 534 141 000	**131 875 000**	**1 666 016 000**	**1 639 974 275**	**(26 041 725)**	
Total Assets	**1 917 704 000**	**146 700 000**	**2 064 404 000**	**1 839 327 158**	**(225 076 842)**	
Liabilities						
Current Liabilities						
Payables from exchange transactions	67 212 000	13 690 000	**80 902 000**	120 531 076	**39 629 076**	56.42
Taxes and transfers payable (non-exchange)	-	569 500	**569 500**	-	**(569 500)**	
VAT payable	145 481 000	28 389 000	**173 870 000**	5 172 316	**(168 697 684)**	56.34
Consumer deposits	2 877 000	166 000	**3 043 000**	2 891 281	**(151 719)**	56.43
Employee benefit obligation	2 418 000	567 000	**2 985 000**	23 470 978	**20 485 978**	56.44
Unspent conditional grants and receipts	79 963 000	923 000	**80 886 000**	30 119 015	**(50 766 985)**	56.45
Provisions	13 728 000	1 323 000	**15 051 000**	13 464 808	**(1 586 192)**	56.46
	311 679 000	**45 627 500**	**357 306 500**	**195 649 474**	**(161 657 026)**	
Non-Current Liabilities						
Employee benefit obligation	55 221 000	6 862 000	**62 083 000**	78 989 300	**16 906 300**	56.44
Provisions	77 465 000	5 268 000	**82 733 000**	70 685 610	**(12 047 390)**	56.46
	132 686 000	**12 130 000**	**144 816 000**	**149 674 910**	**4 858 910**	
Total Liabilities	**444 365 000**	**57 757 500**	**502 122 500**	**345 324 384**	**(156 798 116)**	
Net Assets	**1 473 339 000**	**88 942 500**	**1 562 281 500**	**1 494 002 774**	**(68 278 726)**	
Net Assets						
Reserves						
Accumulated surplus	1 473 339 000	88 942 500	**1 562 281 500**	1 494 002 774	**(68 278 726)**	56.47

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Rates and Services	369 351 000	14 973 000	**384 324 000**	345 080 622	**(39 243 378)**	56.48
Government Grants and subsidies	353 100 000	108 929 000	**462 029 000**	270 411 674	**(191 617 326)**	56.49
Interest income	10 858 000	8 424 000	**19 282 000**	18 900 710	**(381 290)**	56.50
Other receipts	48 807 000	21 708 000	**70 515 000**	3 853 103	**(66 661 897)**	56.51
	782 116 000	**154 034 000**	**936 150 000**	**638 246 109**	**(297 903 891)**	
Payments						
Supplier and Employee costs	(642 908 000)	(58 377 000)	**(701 285 000)**	(545 267 551)	**156 017 449**	56.52
Finance costs	(89 000)	-	**(89 000)**	(59 272)	**29 728**	56.53
Grants and subsidies paid	(5 168 000)	(169 000)	**(5 337 000)**	(5 195 820)	**141 180**	56.54
	(648 165 000)	**(58 546 000)**	**(706 711 000)**	**(550 522 643)**	**156 188 357**	
Net cash flows from operating activities	**133 951 000**	**95 488 000**	**229 439 000**	**87 723 466**	**(141 715 534)**	
Cash flows from investing activities						
Purchase of property, plant and equipment	(148 425 000)	(91 952 000)	**(240 377 000)**	(162 625 743)	**77 751 257**	56.55
Proceeds from sale of property, plant and equipment	215 000	-	**215 000**	1 999 191	**1 784 191**	56.56
Net cash flows from investing activities	**(148 210 000)**	**(91 952 000)**	**(240 162 000)**	**(160 626 552)**	**79 535 448**	
Cash flows from financing activities						
Repayment of financial liabilities - DBSA	-	-	**-**	(973 082)	**(973 082)**	56.57
Net cash flows from financing activities	**-**	**-**	**-**	**(973 082)**	**(973 082)**	
Net increase/(decrease) in cash and cash equivalents	(14 259 000)	3 536 000	**(10 723 000)**	(73 876 168)	**(63 153 168)**	
Cash and cash equivalents at the beginning of the year	139 410 000	115 000	**139 525 000**	140 308 928	**783 928**	56.58
Cash and cash equivalents at the end of the year	**125 151 000**	**3 651 000**	**128 802 000**	**66 432 760**	**(62 369 240)**	

1. Significant account policies

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

1.1 Basis of preparations

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

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

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

These accounting policies are consistent with the previous period.

1.2 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality. All amounts are rounded to the nearest Rand.

1.3 Going concern assumption

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

1.4 Materiality

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

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

1.5 Significant judgements and sources of estimation uncertainty

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

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

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

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

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

Accounting Policies

1.5 Significant judgements and sources of estimation uncertainty (continued)

Allowance for slow moving, damaged and obsolete stock

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

Fair value estimation

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

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

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

Impairment testing

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

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including [list entity specific variables, i.e. production estimates, supply demand], together with economic factors such as [list economic factors such as exchange rates inflation interest].

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 21 - Provisions.

Useful lives of waste and water network and other assets

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

1.5 Significant judgements and sources of estimation uncertainty (continued)

Post-retirement benefits

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

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

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 20.

Effective interest rate

The municipality used the prime+1% interest rate to discount future cash flows.

Allowance for doubtful debts

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

Accounting by principals and agent

The municipality makes assessments on whether it is the principal or agent in principal-agent relationships. Significant judgements applied are as follows -

The municipality considers the nature of the agreements entered into between itself and other entities. A principal-agent arrangement results from a binding arrangement in which one entity (an agent), undertakes transactions with third parties on behalf, and for the benefit of, another entity (the principal).

Should it render a service on behalf of another entity or vice versa, it will trigger the need to the related disclosure in terms of GRAP 109.

The municipality has identified that it acts as an agent for the collection of motor vehicle licence fees on behalf of the department of Transport.

Additional information is disclosed in Note 55.

Impairment of statutory receivables

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

1.6 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

1.6 Investment property (continued)

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

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

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Cost model

Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided to write down the cost, less estimated residual value by equal installments over the useful life of the property, which is as follows:

Item	**Useful life**
Property - land	indefinite
Property - buildings	30 years

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

Property interests held under operating leases are classified and accounted for as investment property in the following circumstances:

When classification is difficult, the criteria used to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of operations, including the nature or type of properties classified as held for strategic purposes, are as follows:

The nature OR type of properties classified as held for strategic purposes are as follows:

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

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

1.7 Property, plant and equipment

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

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

Property, plant and equipment is initially measured at cost.

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

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

1.7 Property, plant and equipment (continued)

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

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

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

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

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

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

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

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

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

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

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

Item	Depreciation method	Average useful life
Land		Indefinite
Buildings	Straight-line	50 Years
Plant and machinery	Straight-line	5 - 15 Years
Motor vehicles	Straight-line	5 - 15 Years
Office equipment	Straight-line	5 - 15 Years
IT equipment	Straight-line	5 - 15 Years
Community	Straight-line	10 - 30 Years
Electricity Network	Straight-line	15 - 80 Years
Roads	Straight-line	15 - 80 Years
Wastewater Network	Straight-line	15 - 60 Years
Water Network	Straight-line	15 -100 Years

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

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

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

1.7 Property, plant and equipment (continued)

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

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

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

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

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

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

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

1.8 Intangible assets

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

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

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

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

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

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

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

1.8 Intangible assets (continued)

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

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

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

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

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

Internally generated goodwill is not recognised as an intangible asset.

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

Item	Depreciation method	Average useful life
Computer software, other	Straight-line	5 - 15 Years

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 11).

1.9 Heritage assets

Assets are resources controlled by a municipality as a result of past events and from which future economic benefits or service potential are expected to flow to the municipality.

Carrying amount is the amount at which an asset is recognised after deducting accumulated impairment losses.

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

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

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

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

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

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

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

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

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

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

1.9 Heritage assets (continued)

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

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

Recognition

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

Initial measurement

Heritage assets are measured at cost.

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

Subsequent measurement

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

After recognition as an asset, a class of heritage assets, whose fair value can be measured reliably, is carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent impairment losses.

If a heritage asset's carrying amount is increased as a result of a revaluation, the increase is credited directly to a revaluation surplus. However, the increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same heritage asset previously recognised in surplus or deficit.

If a heritage asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in surplus or deficit. However, the decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that heritage asset.

1.10 Financial instruments

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

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

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

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

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

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

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

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

1.10 Financial instruments (continued)

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

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

A financial asset is:

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

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

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

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

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

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

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

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

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

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

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

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

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

1.10 Financial instruments (continued)

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

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:
- the entity designates at fair value at initial recognition; or
- are held for trading.

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

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

Classification

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

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

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

Class	Category
Payables from exchange transactions	Financial liability measured at amortised cost
DBSA Loans	Financial liability measured at amortised cost

Initial recognition

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

The entity recognises financial assets using trade date accounting.

1.10 Financial instruments (continued)

Initial measurement of financial assets and financial liabilities

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

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

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

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

1.10 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

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

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

Fair value measurement considerations

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

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

Gains and losses

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

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

Impairment and uncollectibility of financial assets

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

Financial assets measured at amortised cost:

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

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

Financial assets measured at cost:

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

1.10 Financial instruments (continued)

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

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

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

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

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognise the new financial asset, financial liability or servicing liability at fair value.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

If a transfer does not result in derecognition because the entity has retained substantially all the risks and rewards of ownership of the transferred asset, the entity continues to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the entity recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

Financial liabilities

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

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

1.10 Financial instruments (continued)

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

1.11 Statutory receivables

Identification

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

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

The cost method is the method used to account for statutory receivables that requires such receivables to be measured at their transaction amount, plus any accrued interest or other charges (where applicable) and, less any accumulated impairment losses and any amounts derecognised.

Nominal interest rate is the interest rate and/or basis specified in legislation, supporting regulations or similar means.

The transaction amount for a statutory receivable means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means.

Recognition

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

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

Subsequent measurement

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

Accrued interest

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

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

Impairment losses

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

1.11 Statutory receivables (continued)

In assessing whether there is any indication that a statutory receivable, or group of statutory receivables, may be impaired, the municipality considers, as a minimum, the following indicators:

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

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

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

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

Any previously recognised impairment loss is adjusted either directly or by adjusting the allowance account. The adjustment does not result in the carrying amount of the statutory receivable or group of statutory receivables exceeding what the carrying amount of the receivable(s) would have been had the impairment loss not been recognised at the date the impairment is revised. The amount of any adjustment is recognised in surplus or deficit.

Derecognition

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

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

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

1.12 Leases

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

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

Accounting Policies

1.12 Leases (continued)

Operating leases - lessor

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

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

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

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

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

Operating leases - lessee

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

1.13 Inventories

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

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

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

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

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

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

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

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

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

1.14 Impairment of cash-generating assets

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

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

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

Accounting Policies

1.14 Impairment of cash-generating assets (continued)

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

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

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

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

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

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

Identification

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

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

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

Value in use

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

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

Basis for estimates of future cash flows

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

Accounting Policies

1.14 Impairment of cash-generating assets (continued)

Composition of estimates of future cash flows

Estimates of future cash flows include:
- projections of cash inflows from the continuing use of the asset;
- projections of cash outflows that are necessarily incurred to generate the cash inflows from continuing use of the asset (including cash outflows to prepare the asset for use) and can be directly attributed, or allocated on a reasonable and consistent basis, to the asset; and
- net cash flows, if any, to be received (or paid) for the disposal of the asset at the end of its useful life.

Estimates of future cash flows exclude:
- cash inflows or outflows from financing activities; and
- income tax receipts or payments.

The estimate of net cash flows to be received (or paid) for the disposal of an asset at the end of its useful life is the amount that the municipality expects to obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the estimated costs of disposal.

Cash-generating units

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

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

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

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

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

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:
- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

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

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

1.14 Impairment of cash-generating assets (continued)

Reversal of impairment loss

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

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

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

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

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

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

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

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

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

1.15 Impairment of non-cash-generating assets

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

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

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

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

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

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

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

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

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

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

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

Identification

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

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

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

Value in use

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

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

Depreciated replacement cost approach

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

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

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

Reversal of an impairment loss

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

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

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

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

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

Redesignation

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

1.16 Employee benefits

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

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

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

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

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

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

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

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

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

1.16 Employee benefits (continued)

Short-term employee benefits

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

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

When an employee has rendered service to the entity during a reporting period, the entity recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:
- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

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

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

Post-employment benefits

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

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

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

1.16 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1.16 Employee benefits (continued)

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

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

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

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

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

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

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

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

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

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

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

1.16 Employee benefits (continued)

Other post retirement obligations

The municipality provides post-retirement health care benefits, housing subsidies and gratuities upon retirement to some retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations. The municipality also provides a gratuity and housing subsidy on retirement to certain employees. An annual charge to income is made to cover both these liabilities.

The amount recognised as a liability for other long-term employee benefits is the net total of the following amounts:
- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

The entity shall recognise the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:
- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement right recognised as an asset;
- actuarial gains and losses, which shall all be recognised immediately;
- past service cost, which shall all be recognised immediately; and
- the effect of any curtailments or settlements.

1.17 Provisions and contingencies

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

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

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

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

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

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

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

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

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

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

1.17 Provisions and contingencies (continued)

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

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

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

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 44.

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

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

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

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:
- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, an municipality recognises the obligation at the higher of:
- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

1.17 Provisions and contingencies (continued)

Decommissioning, restoration and similar liability

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

If the related asset is measured using the cost model:
- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity tests the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.14 and 1.15.

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

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

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

1.18 Revenue from exchange transactions

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

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

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

Measurement

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

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

Sale of goods

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

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

Rendering of services

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

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

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

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

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by the proportion that costs incurred to date bear to the total estimated costs of the transaction.

Interest, royalties and dividends

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

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

Accounting Policies

1.18 Revenue from exchange transactions (continued)

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

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

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

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

1.19 Revenue from non-exchange transactions

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

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

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

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

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

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

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

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

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

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

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

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

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

Recognition

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

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

Measurement

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

1.19 Revenue from non-exchange transactions (continued)

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

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

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

Taxes

The municipality recognises an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met.

Resources arising from taxes satisfy the definition of an asset when the municipality controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources. Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured. The degree of probability attached to the inflow of resources is determined on the basis of evidence available at the time of initial recognition, which includes, but is not limited to, disclosure of the taxable event by the taxpayer.

The municipality analyses the taxation laws to determine what the taxable events are for the various taxes levied.

The taxable event for value added tax is the undertaking of taxable activity during the taxation period by the taxpayer.

The taxable event for property tax is the passing of the date on which the tax is levied, or the period for which the tax is levied, if the tax is levied on a periodic basis.

Taxation revenue is determined at a gross amount. It is not reduced for expenses paid through the tax system.

Transfers

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

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

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

Fines

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

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

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

Gifts and donations, including goods in-kind

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

1.20 Investment income

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

1.21 Borrowing costs

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

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

1.22 Accounting by principals and agents

Identification

An agent is an entity that has been directed by another entity (a principal), through a binding arrangement, to undertake transactions with third parties on behalf of the principal and for the benefit of the principal.

A principal is an entity that directs another entity (an agent), through a binding arrangement, to undertake transactions with third parties on its behalf and for its own benefit.

A principal-agent arrangement results from a binding arrangement in which one entity (an agent), undertakes transactions with third parties on behalf, and for the benefit of, another entity (the principal).

Identifying whether an entity is a principal or an agent

When the municipality is party to a principal-agent arrangement, it assesses whether it is the principal or the agent in accounting for revenue, expenses, assets and/or liabilities that result from transactions with third parties undertaken in terms of the arrangement.

The assessment of whether a municipality is a principal or an agent requires the municipality to assess whether the transactions it undertakes with third parties are for the benefit of another entity or for its own benefit.

Binding arrangement

The municipality assesses whether it is an agent or a principal by assessing the rights and obligations of the various parties established in the binding arrangement.

Where the terms of a binding arrangement are modified, the parties to the arrangement re-assess whether they act as a principal or an agent.

Assessing which entity benefits from the transactions with third parties

When the municipality in a principal-agent arrangement concludes that it undertakes transactions with third parties for the benefit of another entity, then it is the agent. If the municipality concludes that it is not the agent, then it is the principal in the transactions.

The municipality is an agent when, in relation to transactions with third parties, all three of the following criteria are present:

- It does not have the power to determine the significant terms and conditions of the transaction.
- It does not have the ability to use all, or substantially all, of the resources that result from the transaction for its own benefit.
- It is not exposed to variability in the results of the transaction.

Where the municipality has been granted specific powers in terms of legislation to direct the terms and conditions of particular transactions, it is not required to consider the criteria of whether it does not have the power to determine the significant terms and conditions of the transaction, to conclude that is an agent. The municipality applies judgement in determining whether such powers exist and whether they are relevant in assessing whether the municipality is an agent.

Recognition

The municipality, as a principal, recognises revenue and expenses that arise from transactions with third parties in a principal-agent arrangement in accordance with the requirements of the relevant Standards of GRAP.

1.22 Accounting by principals and agents (continued)

The municipality, as an agent, recognises only that portion of the revenue and expenses it receives or incurs in executing the transactions on behalf of the principal in accordance with the requirements of the relevant Standards of GRAP.

The municipality recognises assets and liabilities arising from principal-agent arrangements in accordance with the requirements of the relevant Standards of GRAP.

1.23 Comparative figures

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

1.24 Unauthorised expenditure

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

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.25 Fruitless and wasteful expenditure

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

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.26 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity’s supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

1.27 Segment information

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

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

1.28 Budget information

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

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

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

The approved budget covers the fiscal period from 2023/07/01 to 2024/06/30.

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

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

1.29 Related parties

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

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

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

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

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

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

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

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

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

Accounting Policies

1.30 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

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

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

1.31 Commitments

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

At the end of the financial period the municipality determined commitments in respect of capital expenditure in terms of GRAP 17 that has been approved and contracted for.

1.32 Material Losses (Water and Electricity)

Water and electricity losses are required to be disclosed as part of the material loss disclosure of the MFMA Section 125. Losses are calculated on the following basis -

Nr of units of lost supply, being the difference between what was supplied and what has been sold at the per unit tariff rate.

The unit tariff rate, in the case of electricity being the lower rate of Kwh as charged per council and the case of water the lowest rate per Kl (incl VAT).

Figures in Rand	2025	2024

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

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

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 2023 Improvements to the Standards of GRAP 2023	01 April 2099	Unlikely there will be a material impact
• GRAP 1 (amended): Presentation of Financial Statements (Going Concern)	01 April 2099	Unlikely there will be a material impact
• GRAP 103 (amended): Heritage Assets	01 April 2099	Unlikely there will be a material impact
• iGRAP 22 Foreign Currency Transactions and Advance Consideration	01 April 2025	Unlikely there will be a material impact
• GRAP 104 (as revised): Financial Instruments	01 April 2025	Unlikely there will be a material impact

3. Inventories

Water for distribution	78 774	102 347
Stores, materials and fuels	2 830 340	1 336 600
	2 909 114	**1 438 947**
Inventories recognised as an expense during the year	49 327 725	47 997 608

4. Receivables from non-exchange transactions

Consumer debtors - Rates	63 985 619	63 880 396
Environmental Levies	10 112 210	11 642 330
Schedule 6B - RBIG receivable	7 009 450	976 100
Traffic & Finance department cases under investigation	576 945	609 812
Deposits	85 500	85 500
EC Human Settlements receivable	42 291 467	-
Provision for doubtful debts - Environmental Levies	(8 827 657)	(10 285 142)
Provision for doubtful debts - Consumer debtors - Rates	(39 467 107)	(41 124 218)
	75 766 427	**25 784 778**

Statutory receivables included in receivables from non-exchange transactions above are as follows:		
Consumer debtors - Rates	63 985 619	63 880 396
Environmental Levies	10 112 210	11 642 330
Provision for doubtful debts - Receivables from Non-Exchange transactions	(48 294 764)	(51 409 360)
	25 803 065	**24 113 366**
Financial asset receivables included in receivables from non-exchange transactions above	**49 963 362**	**1 671 412**
Total receivables from non-exchange transactions	75 766 427	25 784 778

4. Receivables from non-exchange transactions (continued)

Statutory receivables general information

Statutory receivables past due but not impaired

Statutory receivables which are less than 3 months past due are not considered to be impaired. At 30 June 2025, R 9 149 794 (2024: R 8 749 921) were past due but not impaired.

Factors the entity considered in assessing statutory receivables past due but not impaired

The municipality has adopted a policy for the determination of the provision for doubtful debts based on the national treasury principles. These principles are used to rate debtors based on various risk criteria associated with the type and status of their accounts. Furthermore an analysis is undertaken to accumulate the risk associated with the long outstanding nature of each account. These factors produce an overall risk factor which is utilised to prepare an impaired amount. The collectable cashflow is therefore determined and present valued based on the average days outstanding on each account. The overall impairment is thereafter pro-rata'ed per non-exchange and exchange portions of each debtors' account. Lastly, this is accumulated to produce the provision for impairment as raised at year end. Refer to the municipal policy for full details.

Statutory receivables impaired

As of 30 June 2025, Statutory receivables of R 48 294 765 (2024: R 51 409 360) were impaired and provided for.

Reconciliation of provision for impairment for statutory receivables

Opening balance	(51 409 360)	(50 397 221)
Provision for impairment	(11 580 593)	(8 709 201)
Amounts written off as uncollectible	14 695 188	7 697 062
	(48 294 765)	**(51 409 360)**

Receivables from non-exchange transactions past due but not impaired

Other receivables from non-exchange transactions which are less than 3 months past due are not considered to be impaired. At 30 June 2025, R 576 945 (2024: R 609 812) were past due but not impaired.

5. Receivables from exchange transactions

Gross balances		
Electricity	35 600 142	31 179 219
Water	63 880 481	74 192 680
Waste water	25 054 299	28 739 751
Refuse	31 639 839	35 325 822
Prepayment	-	14 500
Prepaid Electricity Sales - Vendors	648 121	539 320
Housing rental	1 191 403	1 271 541
Service charges and other	11 787 731	15 254 893
	169 802 016	**186 517 726**

Less: Allowance for impairment		
Provision for Doubtful debts - Electricity	(16 350 897)	(16 395 787)
Provision for Doubtful debts - Water	(51 985 712)	(60 065 228)
Provision for Doubtful debts - Waste water	(20 823 168)	(25 374 934)
Provision for Doubtful debts - Refuse	(27 275 556)	(31 272 575)
Provision for Doubtful debts - Housing rental	(1 125 303)	(1 206 453)
Provision for Doubtful debts - Service charges and other	(11 337 668)	(14 848 440)
	(128 898 304)	**(149 163 417)**

Figures in Rand	2025	2024

5. Receivables from exchange transactions (continued)

Net balance		
Electricity	19 249 245	14 783 432
Water	11 894 769	14 127 452
Waste water	4 231 131	3 364 817
Refuse	4 364 283	4 053 247
Prepayment	-	14 500
Prepaid electricity sales - Vendors	648 121	539 320
Housing rental	66 100	65 088
Service charges and other	450 063	406 453
	40 903 712	**37 354 309**

Electricity		
Current (0 -30 days)	10 928 302	8 926 840
31 - 60 days	3 878 386	2 252 719
61 - 90 days	1 601 572	1 452 082
91 - 120 days	1 178 119	1 061 196
121 - 365 days	5 770 047	4 262 101
> 365 days	12 243 716	13 224 281
	35 600 142	**31 179 219**

Water		
Current (0 -30 days)	7 035 273	7 549 374
31 - 60 days	2 994 094	2 744 194
61 - 90 days	2 250 457	2 535 544
91 - 120 days	2 015 528	2 206 602
121 - 365 days	13 628 905	16 330 205
> 365 days	35 956 224	42 826 761
	63 880 481	**74 192 680**

Waste water		
Current (0 -30 days)	2 243 769	2 021 604
31 - 60 days	1 497 039	1 175 512
61 - 90 days	811 963	1 032 004
91 - 120 days	776 068	950 939
121 - 365 days	5 518 067	6 412 181
> 365 days	14 207 393	17 147 511
	25 054 299	**28 739 751**

Refuse		
Current (0 -30 days)	2 338 969	2 266 793
31 - 60 days	1 266 630	1 316 696
61 - 90 days	1 011 392	1 104 721
91 - 120 days	925 035	1 018 197
121 - 365 days	6 401 832	6 887 713
> 365 days	19 695 981	22 731 702
	31 639 839	**35 325 822**

Prepayment		
Current (0 -30 days)	-	14 500

Prepaid electricity sales - Vendors		
Current (0 -30 days)	648 121	539 320

5. Receivables from exchange transactions (continued)

	2025	2024
Housing rental		
Current (0 -30 days)	77 364	97 353
31 - 60 days	49 496	67 621
61 - 90 days	49 253	63 281
91 - 120 days	48 404	58 480
121 - 365 days	310 730	356 531
> 365 days	656 156	628 275
	1 191 403	**1 271 541**

	2025	2024
Service charges and other		
Current (0 -30 days)	67 059	249 436
31 - 60 days	75 531	220 515
61 - 90 days	68 445	258 738
91 - 120 days	69 151	255 544
121 - 365 days	751 345	1 952 137
> 365 days	10 756 200	12 318 523
	11 787 731	**15 254 893**

	2025	2024
Reconciliation of allowance for impairment		
Balance at beginning of the year	(149 163 417)	(127 614 911)
Contributions to allowance	(82 026 080)	(56 339 343)
Debt impairment written off against allowance	102 291 193	34 790 837
	(128 898 304)	**(149 163 417)**

Consumer debtors past due but not impaired

Consumer debtors which are less than 3 months past due are not considered to be impaired. At 30 June 2025, R 13 895 027 (2024: R 14 623 691) were past due but not impaired.

Consumer debtors impairment process

The municipality has adopted a policy for the determination of the provision for doubtful debts based on the national treasury principles. These principles are used to rate debtors based on various risk criteria associated with the type and status of their accounts. Furthermore an analysis is undertaken to accumulate the risk associated with the long outstanding nature of each account. These factors produce an overall risk factor which is utilised to prepare an impaired amount. The collectable cashflow is therefore determined and present valued based on the average days outstanding on each account. The overall impairment is thereafter pro-rata'ed per non-exchange and exchange portions of each debtors' account. Lastly, this is accumulated to produce the provision for impairment as raised at year end. This process is similar to the process undertaken for the provision of doubtful debts as documented under note 4. Refer to the municipal policy for full details.

6. VAT receivable

	2025	2024
VAT Control	2 864 702	2 072 522
VAT Input Accrual	10 359 815	8 376 717
	13 224 517	**10 449 239**

VAT Control represents the amount of refunds outstanding from SARS.
The Input VAT Accrual represents the amounts yet to be claimed once payment is made and declared on creditors balances.
VAT Control is considered a statutory receivable whereas, VAT input accrual is accounted for as a receivable.

This is as a result of the differences between the cash basis of declarations to SARS and the Accrual basis of accounting for the GRAP annual financial statements.

The VAT Control amount is classified as statutory receivables.

Statutory receivables past due but not impaired

Figures in Rand	2025	2024

6. VAT receivable (continued)

No VAT Control - Statutory receivables are currently assessed as being past due.

Factors the entity considered in assessing statutory receivables past due but not impaired

The municipality has adopted a policy for the determination of the provision for doubtful debts based on the national treasury principles. These principles are used to rate debtors based on various risk criteria associated with the type and status of their accounts. Furthermore an analysis is undertaken to accumulate the risk associated with the long outstanding nature of each account. These factors produce an overall risk factor which is utilised to prepare an impaired amount. The collectable cashflow is therefore determined and present valued based on the average days outstanding on each account. The overall impairment is thereafter pro-rata'ed per non-exchange and exchange portions of each debtors' account. Lastly, this is accumulated to produce the provision for impairment as raised at year end. Refer to the municipal policy for full details.

The amount of impairment on the amounts in suspense and receivable from SARS is not considered impaired as refunds from SARS are received without significant delay.

Statutory receivables impaired

As of 30 June 2025, VAT receivable - Statutory receivables were not required to be impaired.

7. Cash and cash equivalents

Cash and cash equivalents consist of:

	2025	2024
Cash on hand	5 511	5 511
Bank balances	8 445 075	5 327 400
Short-term deposits	57 982 174	134 976 017
	66 432 760	**140 308 928**

Ndlambe Municipality also holds four bank accounts with the New Republic Bank Limited. These accounts related to bank investments made by Port Alfred TLC. New Republic Bank Limited went into liquidation in 1999. These accounts do not show any withdrawable funds/balances and are not active on bank confirmation searches. The liquidation process is still ongoing and during the 2021/2022 financial year distributions were made in accordance with the liquidation process.

Cash and cash equivalents pledged as collateral

	2025	2024
Total financial assets ceded to DBSA There is a cession recorded against the account (FNB-71078484865) to this value. Refer to note regarding DBSA loans. - The cession was release in 2025 due to settling the DBSA loan during the year.	-	1 300 000
Total financial assets pledged as guarantee to ESKOM There is a guarantee recorded against the FNB bank accounts in favour of ESKOM.	10 378 790	10 378 790

7. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances 30 June 2025	30 June 2024	30 June 2023	Cash book balances 30 June 2025	30 June 2024	30 June 2023
	7 964 520	8 262 819	7 479 844	8 445 075	5 327 588	7 533 278
FIRST NATIONAL BANK General Account-Current	6 795 755	6 997 758	6 848 150	7 276 310	4 062 527	6 901 584
FIRST NATIONAL BANK Current Account-Housing	308 960	417 401	13 352	308 960	417 401	13 352
FIRST NATIONAL BANK Current Account - Revolving	859 805	847 660	618 342	859 805	847 660	618 342
	14 966 548	16 404 249	22 216 453	14 966 548	16 404 249	22 216 453
FIRST NATIONAL BANK CRR Call Accounts	1 247	1 406 353	5 372 699	1 247	1 406 353	5 372 699
FIRST NATIONAL BANK Fixed Deposit Account DBSA	3 142 671	3 148 595	3 149 305	3 142 671	3 148 595	3 149 305
FIRST NATIONAL BANK Call Account - Eskom	1 300 000	1 310 051	3 164 582	1 300 000	1 310 051	3 164 582
FIRST NATIONAL BANK Call Account - Eskom Guarantee	10 522 630	10 539 250	10 529 867	10 522 630	10 539 250	10 529 867
	28 613 577	50 915 740	12 303 392	28 613 577	50 915 740	12 303 392
STANDARD BANK Notice Bank - Alex	260 897	244 694	228 382	260 897	244 694	228 382
STANDARD BANK Call Account - Fire Officer 008	999 085	170 085	32 691	999 085	170 085	32 691
STANDARD BANK Bathurst Water 011	1 033 647	1 456 583	-	1 033 647	1 456 583	-
STANDARD BANK EPWP 019	-	-	358 052	-	-	358 052
STANDARD BANK Water Service Infrastructure 023	77 495	77 573	78 646	77 495	77 573	78 646
STANDARD BANK EC Sports 025	346	754 117	1 313 558	346	754 117	1 313 558
STANDARD BANK Ndlambe Building Acc's 026	-	-	-	-	-	-
STANDARD BANK COGTA Retention 027	612 607	613 134	609 017	612 607	613 134	609 017
STANDARD BANK OTP 028	2 022 746	1 615 900	2 538 944	2 022 746	1 615 900	2 538 944
STANDARD BANK Wentzel Park 029	321	319	168 661	321	319	168 661
STANDARD BANK Wentzel Park Retention 030	16 917	16 921	19 021	16 917	16 921	19 021
STANDARD BANK Klipfontein 031	23 550	23 881	153 751	23 550	23 881	153 751
STANDARD BANK Nemato Bayso 032	1 569	178 579	101 167	1 569	178 579	101 167
STANDARD BANK Nemato Ezidonkini 033	2 426	2 429	32 082	2 426	2 429	32 082
STANDARD BANK Nemato New Rest 034	-	1 314 510	2 000 346	-	1 314 510	2 000 346
STANDARD BANK MMarselle Zihagu 500 035	-	201 774	1 781 127	-	201 774	1 781 127

Figures in Rand					2025	2024

7. Cash and cash equivalents (continued)

STANDARD BANK Cogta Retention 036	947 730	948 910	940 838	947 730	948 910	940 838
STANDARD BANK Nemato Cricket field 037	40 240	73 278	292 218	40 240	73 278	292 218
STANDARD BANK Alex Brakfontein 038	-	907 549	713 347	-	907 549	713 347
STANDARD BANK Kenton-on-Sea 039	861 112	58	925 120	861 112	58	925 120
STANDARD BANK Kos ISBT 10 Retention 040	16 368	16 385	16 424	16 368	16 385	16 424
STANDARD BANK Housing Bathurst Infill	5 551	13 196 758	-	5 551	13 196 758	-
STANDARD BANK Housing Kenton Ndokwenza	142 732	12 937 508	-	142 732	12 937 508	-
STANDARD BANK Housing Kenton Horseplay	39 194	8 132 665	-	39 194	8 132 665	-
STANDARD BANK Housing Alexandria Boknes Roads	407 141	8 032 130	-	407 141	8 032 130	-
STANDARD BANK Housing Bathurst 5(450) 045	-	-	-	-	-	-
STANDARD BANK Housing Marselle Internal Services 500 046	-	-	-	-	-	-
STANDARD BANK Housing Alex 403 (297 Project) 047	608 619	-	-	608 619	-	-
STANDARD BANK Disaster Response 048	20 493 284	-	-	20 493 284	-	-
	6 630 707	12 678 040	24 402 936	6 630 707	12 678 040	24 402 936
INVESTEC BANK Call Account -LG Seta 512	1 457 612	1 161 384	851 675	1 457 612	1 161 384	851 675
INVESTEC BANK Call Account-PrepwaterMete523	75 275	2 243 274	2 175 490	75 275	2 243 274	2 175 490
INVESTEC BANK Call Account-Retention 526	1 110 450	1 111 356	1 828 917	1 110 450	1 111 356	1 828 917
INVESTEC BANK Call Account-MIG Roads 532	-	393 196	1 460 527	-	393 196	1 460 527
INVESTEC BANK Call Ac-MIG Bulk Sewerage 533	80 369	580 190	31 466	80 369	580 190	31 466
INVESTEC BANK Call Acc-Integrated Elec 534	-	-	5 283	-	-	5 283
INVESTEC BANK Call Account-MIG PMU 535	-	-	22 563	-	-	22 563
INVESTEC BANK Call Acc-Financial Man. 536	-	2 212 293	1 246 886	-	2 212 293	1 246 886
INVESTEC BANK Call Account-WSIG 537	-	1 361 890	16 231 923	-	1 361 890	16 231 923
INVESTEC BANK Call Acc-Ndlambe Capital Res.538	7 876	-	346 534	7 876	-	346 534
INVESTEC BANK Call Acc-MIG Sportfield 539	311 528	-	427	311 528	-	427
INVESTEC BANK Call Acc-Greenest Town 540	218 297	217 092	201 245	218 297	217 092	201 245
INVESTEC BANK WSIG Retention	3 282 804	3 285 483	-	3 282 804	3 285 483	-

Figures in Rand					2025	2024

7. Cash and cash equivalents (continued)

INVESTEC BANK EPWP	86 496	111 882	-	86 496	111 882	-
	7 771 528	54 978 175	947 123	7 771 528	54 978 175	947 123
ABSA BANK Call Account - Roads 0651	-	-	-	-	-	-
ABSA BANK Call Account - Councillors Equitable Share 3669	-	700	869 031	-	700	869 031
ABSA BANK Call Account - Revolving 9340	-	1 362	48 511	-	1 362	48 511
ABSA BANK Call Account -071	-	-	29 581	-	-	29 581
ABSA BANK Housing Land Acquisition 3248	981 798	38 253 975	-	981 798	38 253 975	-
ABSA BANK Municipality Disaster Fund 3379	64 303	9 489 672	-	64 303	9 489 672	-
ABSA BANK MIG Roads 3939	2 477 581	1 079 195	-	2 477 581	1 079 195	-
ABSA BANK WSIG (R30Million) 5231	-	586 071	-	-	586 071	-
ABSA BANK Housing Bulk Infrastructure Retention 7325	31 908	2 701 479	-	31 908	2 701 479	-
ABSA BANK Councillors Equitable Share 0900	1 029 167	229 547	-	1 029 167	229 547	-
ABSA BANK Housing Bulk Infrastructure 9194	4 951	2 636 174	-	4 951	2 636 174	-
ABSA BANK MIG Sewerage 0189	-	-	-	-	-	-
ABSA BANK WSIG 1521	37 080	-	-	37 080	-	-
ABSA BANK FMG 1673	398 278	-	-	398 278	-	-
ABSA BANK RBIG 3035	590 762	-	-	590 762	-	-
ABSA BANK DSRAC 6519	2 155 700	-	-	2 155 700	-	-
Total	**65 946 880**	**143 239 023**	**67 349 748**	**66 427 435**	**140 303 792**	**67 403 182**

8. Operating lease asset (liability)

	2025	2024
Current assets	116 353	12 899

9. Investment property

	2025			2024		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	244 542 009	(11 472 950)	233 069 059	253 188 009	(10 297 462)	242 890 547

Reconciliation of investment property - 2025

	Opening balance	Disposals/Derecognitions	Depreciation	Total
Land	220 116 544	(8 646 000)	-	211 470 544
Buildings	22 774 003	-	(1 175 488)	21 598 515
	242 890 547	**(8 646 000)**	**(1 175 488)**	**233 069 059**

Reconciliation of investment property - 2024

	Opening balance	Disposals/Derecognitions	Depreciation	Total
Land	223 197 982	(3 081 438)	-	220 116 544
Buildings	23 952 714	-	(1 178 711)	22 774 003
	247 150 696	**(3 081 438)**	**(1 178 711)**	**242 890 547**

Pledged as security

No Investment Property has been pledged as security:

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.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

9. Investment property (continued)

Amounts recognised in surplus or deficit

From Investment property		
Repairs and maintenance	183 007	345 358

10. Property, plant and equipment

	2025			2024		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	82 780 971	-	82 780 971	83 030 971	-	83 030 971
Buildings	171 278 719	(57 299 643)	113 979 076	160 418 220	(51 181 330)	109 236 890
Plant and machinery	8 921 951	(6 437 617)	2 484 334	10 376 503	(7 231 007)	3 145 496
Motor vehicles	65 275 580	(38 671 270)	26 604 310	62 620 902	(36 819 660)	25 801 242
Office equipment	9 610 597	(7 210 034)	2 400 563	10 714 469	(7 915 238)	2 799 231
IT equipment	8 263 664	(4 044 759)	4 218 905	7 966 960	(4 040 472)	3 926 488
Electrical Network	159 708 025	(67 072 017)	92 636 008	159 181 016	(62 559 278)	96 621 738
Work in Progress	361 240 956	-	361 240 956	283 421 101	-	283 421 101
Roads	539 498 224	(200 927 789)	338 570 435	523 819 384	(186 982 941)	336 836 443
Wastewater network	253 101 942	(74 809 081)	178 292 861	210 862 144	(64 946 441)	145 915 703
Water network	365 707 682	(162 095 282)	203 612 400	347 410 911	(151 127 368)	196 283 543
Total	**2 025 388 311**	**(618 567 492)**	**1 406 820 819**	**1 859 822 581**	**(572 803 735)**	**1 287 018 846**

Notes to the Annual Financial Statements

Figures in Rand

10. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2025

	Opening balance	Additions	Disposals/Dere cognition	Transfers	Depreciation	Impairment loss	Total
Land	83 030 971	-	(250 000)	-	-	-	82 780 971
Buildings	109 236 890	129 195	-	10 731 306	(4 794 043)	(1 324 272)	113 979 076
Plant and machinery	3 145 496	65 777	(205 921)	-	(412 064)	(108 954)	2 484 334
Motor vehicles	25 801 242	5 094 175	(166)	-	(2 721 539)	(1 569 402)	26 604 310
Office equipment	2 799 231	190 963	(60 402)	-	(521 713)	(7 516)	2 400 563
IT equipment	3 926 488	1 220 056	(134 491)	-	(752 243)	(40 905)	4 218 905
Electrical Network	96 621 738	527 010	-	-	(3 761 368)	(751 372)	92 636 008
Work in Progress	283 421 101	163 870 049	-	(86 050 194)	-	-	361 240 956
Roads	336 836 443	-	-	15 678 840	(13 556 692)	(388 156)	338 570 435
Wastewater network	145 915 703	-	-	42 239 798	(6 054 086)	(3 808 554)	178 292 861
Water network	196 283 543	1 058 066	(122 008)	17 400 250	(10 150 328)	(857 123)	203 612 400
	1 287 018 846	**172 155 291**	**(772 988)**	**-**	**(42 724 076)**	**(8 856 254)**	**1 406 820 819**

10. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2024

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Total
Land	83 030 971	-	-	-	-	-	83 030 971
Buildings	117 168 766	345 606	(1 455 374)	971 622	(4 740 043)	(3 053 687)	109 236 890
Plant and machinery	3 098 381	547 266	(22 470)	-	(463 141)	(14 540)	3 145 496
Motor vehicles	23 841 179	7 062 555	-	-	(3 485 506)	(1 616 986)	25 801 242
Office equipment	2 262 644	1 084 715	(22 283)	-	(512 115)	(13 730)	2 799 231
IT equipment	3 489 536	1 215 808	(58 375)	-	(693 917)	(26 564)	3 926 488
Electrical Network	100 521 745	-	-	-	(3 742 139)	(157 868)	96 621 738
Work in Progress	187 488 829	110 993 348	-	(15 061 076)	-	-	283 421 101
Roads	336 782 035	-	(7 019)	13 996 090	(13 265 279)	(669 384)	336 836 443
Wastewater network	153 279 726	-	-	-	(5 644 563)	(1 719 460)	145 915 703
Water network	209 405 389	399 586	(65 232)	93 364	(9 920 061)	(3 629 503)	196 283 543
	1 220 369 201	**121 648 884**	**(1 630 753)**	**-**	**(42 466 764)**	**(10 901 722)**	**1 287 018 846**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

10. Property, plant and equipment (continued)

Property, plant and equipment in the process of being constructed or developed

Carrying value of property, plant and equipment that is taking a significantly longer period of time to complete than expected		
3ML RO Plant	7 610 252	7 610 252
Commissioning of the project has not taken place as it is dependent on completion of other projects.		
Refurbishment of Bathurst Water Treatment Plant	7 128 736	-
The project was delayed due to lack of funding, it will however resume in 2026 financial year.		
Upgrading:Water Supply Infrastructure:Distribution:Water Conservation and Demand Management	9 932 910	-
The project completion was delayed due to disputes arising from snags and defects identified. These will be attended to in the 2026 financial year.		
Thornhill Bulk MV Support Infrastructure & Switch House Upgrade and Protection Schemes	1 212 173	-
The project has been delayed due to the construction of RDP houses and internal services not yet completed.		
Investigation; Drilling and Equipping of boreholes in Ndlambe Municipality	11 799 797	-
The project is delayed due to awaiting the commissioning of the Bathurst Water Treatment Plant, which itself was delayed.		
Centres:Construction of the pump house for the MPCC	391 176	-
This was a co-funded project. Contractual disputes between the co-funder and their appointed contractors resulted in delays in finalisation. These are being resolved, with expected completion being forecast for the 2026 financial year.		
	38 075 044	**7 610 252**

10. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2025

	Included within Buildings	Included within Roads	Included within Water Network	Included within Sewerage Network	Included Electrical Network	Total
Opening balance	9 780 231	11 983 314	110 531 601	149 913 752	1 212 174	283 421 072
Additions/capital expenditure	1 818 002	36 037 724	41 703 719	84 310 632	-	163 870 077
Transferred to completed assets	(10 731 306)	(15 678 840)	(14 671 468)	(44 968 579)	-	(86 050 193)
	866 927	**32 342 198**	**137 563 852**	**189 255 805**	**1 212 174**	**361 240 956**

Reconciliation of Work-in-Progress 2024

	Included within Buildings	Included within Roads	Included within Water Network	Included within Sewerage Network	Included Electrical Network	Total
Opening balance	864 733	8 164 990	84 505 887	92 741 045	1 212 174	187 488 829
Additions/capital expenditure	9 887 120	17 814 414	26 119 108	57 172 707	-	110 993 349
Transferred to completed assets	(971 622)	(13 996 090)	(93 394)	-	-	(15 061 106)
	9 780 231	**11 983 314**	**110 531 601**	**149 913 752**	**1 212 174**	**283 421 072**

Expenditure incurred to repair and maintain property, plant and equipment

	2025	2024
Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance		
Contracted services	23 537 868	26 705 496

A misclassification in the 2024 opening balance for WIP was identified between Roads and Water Network, amounting to R93 394 which is part of the water network completed assets for 2024. This misclassification has been corrected in the above WIP disclosure.

An overstatement of the repairs and maintenance on property, plant and equipment was identified for the 2024 figure, as the portion relating to investment property was included. The correction is to an amount of R345 358.

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.

11. Intangible assets

	2025			2024		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	2 844 470	(2 804 299)	40 171	2 863 522	(2 815 916)	47 606

Reconciliation of intangible assets - 2025

	Opening balance	Amortisation	Total
Computer software, other	47 606	(7 435)	40 171

Reconciliation of intangible assets - 2024

	Opening balance	Amortisation	Impairment loss	Total
Computer software, other	104 267	(37 609)	(19 052)	47 606

12. Heritage assets

	2025			2024		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Conservation areas	16	-	16	16	-	16

Reconciliation of heritage assets 2025

	Opening balance	Total
Conservation areas	16	16

Reconciliation of heritage assets 2024

	Opening balance	Total
Conservation areas	16	16

13. Other financial assets

Designated at fair value		
Listed shares	44 210	46 305
Terms and conditions		

Non-current assets		
Designated at fair value	44 210	46 305

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

14. Financial instruments disclosure

Categories of financial instruments

2025

Financial assets

	At fair value	At amortised cost	Total
Receivables from exchange transactions	-	40 903 712	40 903 712
Receivables from non-exchange transactions	-	49 963 361	49 963 361
Cash and cash equivalents	-	66 432 760	66 432 760
Other financial assets	44 210	-	44 210
	44 210	**157 299 833**	**157 344 043**

Financial liabilities

	At amortised cost	Total
Payables from exchange transactions	120 531 076	120 531 076

2024

Financial assets

	At fair value	At amortised cost	Total
Receivables from exchange transactions	-	37 354 309	37 354 309
Receivables from non-exchange transactions	-	1 671 412	1 671 412
Cash and cash equivalents	-	140 308 928	140 308 928
Other financial assets	46 305	-	46 305
	46 305	**179 334 649**	**179 380 954**

Financial liabilities

	At amortised cost	Total
Payables from exchange transactions	147 418 222	147 418 222
Financial liabilities - DBSA	973 082	973 082
	148 391 304	**148 391 304**

15. Consumer deposits

	2025	2024
Electricity	1 715 252	1 798 367
Water	1 106 604	976 917
Housing rental	69 425	52 317
	2 891 281	**2 827 601**

Figures in Rand	2025	2024

16. Payables from exchange transactions

Trade payables & accrued expenses	46 163 519	38 436 903
Payments received in advanced	10 115 304	9 171 793
Unidentified Direct Deposits	4 397 940	7 779 499
Retention monies	15 997 282	10 930 069
EC Housing Land Acquisition	43 200 000	43 200 000
Human Settlements	90 248	37 590 958
Advanced Receipts - Land sales proceeds	566 783	309 000
	120 531 076	**147 418 222**

17. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Municipal Infrastructure Grant (MIG)	-	-
COGTA - Disaster Grant	28 307 719	10 026 130
Eastern Cape Department of Sports, Recreation, Arts and Culture - Library Grant	1 811 296	1 095 641
Expanded Public Works Prog Grant (EPWP)	-	-
Financial Management Grant	-	-
Regional Bulk Infrastructure Grant (RBIG)	-	-
Water Services Infrastructure Grant (WSIG)	-	-
EC Human Settlements - Bulk Infrastructure UISP	-	20 551 368
Sarah Baartman District Municipality: Public Safety	-	-
	30 119 015	**31 673 139**

Movement during the year

Balance at the beginning of the year	31 673 139	14 567 942
Balance at the beginning of the year - Receivable	(976 100)	-
Additions during the year	123 148 615	139 336 281
Income recognition during the year	(173 027 556)	(123 207 184)
Amount recognised as Receivables from non-exchange transactions	49 300 917	976 100
	30 119 015	**31 673 139**

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

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

See note 27 for reconciliation of grants from National/Provincial Government.

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

18. Financial liabilities - DBSA

At amortised cost		
DBSA Loan 101161/2 20 Years @ 10.89%	-	973 082

Current liabilities		
At amortised cost	-	973 082

19. VAT payable

VAT Output Accrual [on Receivables]	5 172 316	3 492 771

Figures in Rand	2025	2024

20. Employee benefit obligations

Defined benefit plan

Post retirement medical aid plan

Pension benefits

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

Carrying value		
Present value of the defined benefit obligation-wholly unfunded	(65 068 000)	(57 639 000)
Benefits paid during the year	2 857 999	2 499 483
Current service cost	(3 264 000)	(2 972 000)
Interest cost	(7 781 000)	(7 041 000)
Actuarial gains/(losses)	76 001	84 517
	(73 179 000)	**(65 068 000)**

Non-current liabilities	(70 249 000)	(62 083 000)
Current liabilities	(2 930 000)	(2 985 000)
	(73 179 000)	**(65 068 000)**

Net expense recognised in the statement of financial performance

Current service cost	3 264 000	2 972 000
Interest cost	7 781 000	7 041 000
Actuarial (gains) losses	(76 001)	(84 517)
Benefits paid during the year	(2 857 999)	(2 499 483)
	8 111 000	**7 429 000**

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	11,20 %	12,23 %
General earnings inflation rate (long term)	4,70 %	5,41 %
Health cost inflation rate (health cost trend)	7,00 %	7,71 %
Net discount rate	3,90 %	4,20 %
Average retirement age (Years)	62	62

Other assumptions

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

	One percentage point increase	**One percentage point decrease**
Effect on Interest Costs - movement in health care inflation	8 466 000	7 014 000
Effect on Service Costs - movement in health care inflation	3 638 000	2 822 000

Amounts for the current and previous four years are as follows:

	2025	2024	2023	2022	2021
Defined benefit obligation	(73 179 000)	(65 068 000)	(57 639 000)	(59 630 274)	(59 973 000)

Figures in Rand	2025	2024

20. Employee benefit obligations (continued)

Long Service Awards

Ndlambe Municipality offers long service bonus awards to active employees, the amount of which is dependent on the annual salary of the individual employee. Councillors are not eligible for this benefit and were not taken into account. The award comprises of a percentage of their annual salaries as well as additional leave days to employees at the end of the specified time period.

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

	2025	2024
Carrying value		
Present value of the defined benefit obligation-wholly unfunded	(9 642 000)	(8 986 000)
Benefits paid during the year	857 663	603 618
Current service costs	(978 000)	(1 007 000)
Interest Costs	(939 000)	(929 000)
Actuarial Gain/(Loss)	733 337	676 382
	(9 968 000)	**(9 642 000)**

	2025	2024
Non-current liabilities	(8 740 300)	(7 660 000)
Current liabilities	(1 227 700)	(1 982 000)
	(9 968 000)	**(9 642 000)**

The fair value of plan assets includes:

Net expense recognised in the statement of financial performance

	2025	2024
Current service cost	978 000	1 007 000
Interest cost	939 000	929 000
Actuarial (gains) losses	(733 337)	(676 382)
Benefits paid during the year	(857 663)	(603 618)
	326 000	**656 000**

Key assumptions used

Assumptions used at the reporting date:

	2025	2024
Discount rates used	9,60 %	10,83 %
General earnings inflation rate (long term)	4,60 %	5,98 %
Net discount rate	4,80 %	4,57 %
Average retirement age (Years)	62	62

Other assumptions

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

	One percentage point increase	**One percentage point decrease**
Effect on Interest Costs - discount rate	975 000	899 000
Effect on Service Costs - discount rate	929 000	1 032 000

Amounts for the current and previous four years are as follows:

Figures in Rand	2025	2024

20. Employee benefit obligations (continued)

	2025	2024	2023	2022	2021
Defined benefit obligation	(9 968 000)	(9 642 000)	(8 986 000)	(9 026 961)	(8 153 000)

Other current employee benefits liabilities

	2025	2024
Current liabilities		
Leave accrual	13 259 570	11 799 320
Bonus accrual	5 025 826	4 485 256
Overtime accrual	1 027 882	833 985
	19 313 278	**17 118 561**

Summary of Employee benefit obligations

The Employee benefit obligations disclosed above can be summarised as follows:

	2025	2024
Current liabilities		
Leave Accrual	13 259 570	11 799 320
Bonus Accrual	5 025 826	4 485 256
Overtime Accrual	1 027 882	833 985
Post retirement medical aid plan	2 930 000	2 985 000
Long service awards	1 227 700	1 982 000
	23 470 978	**22 085 561**

	2025	2024
Non-current liabilities		
Post retirement medical aid plan	70 249 000	62 083 000
Long service awards	8 740 300	7 660 000
	78 989 300	**69 743 000**

	2025	2024
Actuarial gains/(losses)		
Post retirement medical aid plan	76 001	84 517
Long service awards	733 337	676 382
	809 338	**760 899**

Figures in Rand	2025	2024

21. Provisions

Reconciliation of provisions - 2025

	Opening Balance	Fair Value Adjustments	Interest costs/Unwinding of Interest	Total
Environmental rehabilitation	78 728 714	(3 017 216)	8 438 920	84 150 418

Reconciliation of provisions - 2024

	Opening Balance	Fair Value Adjustments	Interest costs/Unwinding of Interest	Total
Environmental rehabilitation	72 793 991	(2 176 400)	8 111 123	78 728 714

Non-current liabilities	70 685 610	65 659 948
Current liabilities	13 464 808	13 068 766
	84 150 418	**78 728 714**

Ndlambe Municipality operates 5 landfill sites which by law will have to be permitted and closed in accordance with the "Minimum Requirements" and in accordance with the Environment Conservation Act. (Act no.73 of 1989) Closure will involve, inter alia, the application of final cover, topsoiling, vegetating, drainage maintenance and leachate management. This requirement does not extend over transfer stations which have been operated as transfer stations.

Closure of the landfill sites are dependant on a number of external factors, such as amongst others, waste minimisation and population changes. Previously there has been a court order to affect the closure of the Bushmens' landfill site, thereby directly affecting the provision estimation as the closure is now projected within the timeframes set out by the court ruling.

The site assessments and provision calculation was conducted by Zutari (Pty) Ltd.

22. Revenue

Rendering of services	3 977 871	3 657 024
Service charges	235 511 307	192 624 513
Rental of facilities and equipment	1 121 344	1 079 721
Interest received - trade and other receivables	14 254 954	9 655 942
Agency services	1 978 139	94 968
Licences and permits (Exchange transactions)	3 698 291	1 821 353
Housing debtor income	-	2 014 510
Licences and Permits (Non-exchange)	1 165 805	1 313 532
Other income	1 390 374	2 099 736
Interest received - investment	10 540 353	12 243 894
Property rates	170 174 377	146 671 842
Environmental levies	6 614 429	6 197 418
Interest, Dividends and Rent on Land	6 665 461	4 603 953
Government grants & subsidies	320 290 615	257 301 171
Public contributions and donations	1 168 241	517 370
Fines, Penalties and Forfeits	484 590	401 108
	779 036 151	**642 298 055**

Figures in Rand	2025	2024

22. Revenue (continued)

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

Service charges	235 511 307	192 624 513
Rendering of services	3 977 871	3 657 024
Rental of facilities and equipment	1 121 344	1 079 721
Interest received - trade and other receivables	14 254 954	9 655 942
Agency services	1 978 139	94 968
Licences and permits (Exchange)	3 698 291	1 821 353
Housing debtor income	-	2 014 510
Other income	1 390 374	2 099 736
Interest received - investment	10 540 353	12 243 894
	272 472 633	**225 291 661**

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

Taxation revenue		
Property rates	170 174 377	146 671 842
Licences or permits	1 165 805	1 313 532
Environmental levies	6 614 429	6 197 418
Interest, Dividends and Rent on Land	6 665 461	4 603 953
Transfer revenue		
Government grants & subsidies	320 290 615	257 301 171
Public contributions and donations	1 168 241	517 370
Fines, Penalties and Forfeits	484 590	401 108
	506 563 518	**417 006 394**

23. Service charges

Sale of electricity	113 861 639	92 197 379
Sale of water	68 604 982	59 338 163
Solid waste	28 726 721	22 161 387
Sewerage and sanitation charges	24 317 965	18 927 584
	235 511 307	**192 624 513**

24. Other income

Commission on Insurance	248 187	240 924
Insurance refunds	219 992	1 009 329
Sundry income	922 195	849 483
	1 390 374	**2 099 736**

25. Interest received - investment

Interest revenue		
Bank	10 540 353	12 243 894

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

26. Property rates

Rates received

Property rates	170 174 377	146 671 842

Valuations

All	17 877 767 510	14 735 195 198

Valuations on land and buildings are performed every 5 years. The last general valuation came into effect on **1 July 2024.** Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

Rates are levied on a monthly basis.

Figures in Rand	2025	2024

27. Government grants & subsidies

Operating grants		
Unconditional: Equitable share	132 060 000	126 830 587
Unconditional: Equitable share: Cllrs & Ward Contribution	4 576 000	1 705 415
Unconditional: LG SETA Grants	365 592	332 865
Unconditional: Sarah Baartman District Municipality Grant Revenue	3 902 300	1 305 120
Unconditional: Greenest Town	-	20 000
Financial Management Grant (FMG)	2 500 000	2 650 000
Municipal Infrastructure Grant (MIG)	1 556 450	1 490 950
Eastern Cape Department of Sports, Recreation, Arts and Culture - Library Grant	2 642 345	2 761 094
	147 602 687	**137 096 031**
Capital grants		
Unconditional: OTP Grant	5 351 818	3 900 000
Unconditional: SBDM Pumpstation Refurbishment	1 007 349	-
Conditional: Regional Bulk Infrastructure Grant (RBIG)	23 277 965	4 760 508
Sarah Baartman District Municipality - Public Safety (Capital)	-	2 191 845
Water Services Infrastructure Grant (WSIG) (Capital)	37 600 000	39 253 145
Department of Co-operative Governance and Traditional Affairs - Disaster Grant	11 718 411	1 223 870
Municipal Infrastructure Grant (MIG) (Capital)	29 572 550	28 328 050
Expanded Public Works Prog Grant (EPWP) (Capital)	1 317 000	1 486 000
Eastern Cape Department of Sports, Recreation, Arts and Culture - Library Grant (Capital)	-	60 218
EC Human Settlements - Bulk Infrastructure UISP	62 842 835	39 001 504
	172 687 928	**120 205 140**
	320 290 615	**257 301 171**

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	123 148 615	139 336 281
Unconditional grants received	147 263 059	134 093 987
	270 411 674	**273 430 268**

Municipal Infrastructure Grant (MIG)

Current-year receipts	31 238 000	29 819 000
Conditions met - transferred to revenue - operating	(1 556 450)	(1 490 950)
Conditions met - transferred to revenue - capital	(29 681 550)	(28 328 050)
	-	-

Conditions still to be met - remain liabilities (see note 17).

Figures in Rand	2025	2024

27. Government grants & subsidies (continued)

Department of Co-operative Governance and Traditional Affairs - Disaster Grant

Balance unspent at beginning of year	10 026 130	-
Current-year receipts	30 000 000	11 250 000
Conditions met - transferred to revenue	(11 718 411)	(1 223 870)
	28 307 719	**10 026 130**

Conditions still to be met - remain liabilities (see note 17).

EC Sports/Arts and Culture

Balance unspent at beginning of year	1 095 641	1 166 953
Current-year receipts	3 358 000	2 750 000
Conditions met - transferred to revenue	(2 642 345)	(2 821 312)
	1 811 296	**1 095 641**

Conditions still to be met - remain liabilities (see note 17).

Expanded Public Works Prog Grant (EPWP)

Current-year receipts	1 317 000	1 486 000
Conditions met - transferred to revenue	(1 317 000)	(1 486 000)
	-	**-**

Conditions still to be met - remain liabilities (see note 17).

Financial Management Grant (FMG)

Current-year receipts	2 500 000	2 650 000
Conditions met - transferred to revenue	(2 500 000)	(2 650 000)
	-	**-**

Conditions still to be met - remain liabilities (see note 17).

Regional Bulk Infrastructure Grant (RBIG)

Balance unspent at beginning of year	(976 100)	-
Current-year receipts	17 244 615	3 784 409
Conditions met - transferred to revenue	(23 277 965)	(4 760 509)
	(7 009 450)	**(976 100)**

Conditions still to be met - remain liabilities (see note 17).

Water Services Infrastructure Grant

Balance unspent at beginning of year	-	12 291 144
Current-year receipts	37 600 000	26 962 000
Conditions met - transferred to revenue	(37 600 000)	(39 253 144)
	-	**-**

Conditions still to be met - remain liabilities (see note 17).

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

27. Government grants & subsidies (continued)

EC Human Settlements - Bulk Infrastructure UISP

Balance unspent at beginning of year	20 551 368	-
Current-year receipts	-	59 552 872
Conditions met - transferred to revenue	(62 842 835)	(39 001 504)
	(42 291 467)	**20 551 368**

Conditions still to be met - remain liabilities (see note 17).

Sarah Baartman District Municipality: Public Safety

Balance unspent at beginning of year	-	1 109 845
Current-year receipts	-	1 082 000
Conditions met - transferred to revenue	-	(2 191 845)
	-	**-**

Conditions still to be met - remain liabilities (see note 17).

28. Public contributions and donations

Department of Science, Technology and Innovation via CSIR-Computer equipment, high masts and furniture	1 143 097	-
Kariega Foundation - Furniture and computer equipment	-	439 472
ECSRAC - Computer equipment	25 144	-
Sarah Baartman District Municipality - Computer equipment & licences	-	77 898
	1 168 241	**517 370**

The Department of Science, Technology and Innovation, via an agreement with the Council of Scientific and Industrial Research(CSIR) donated furniture, high mast lights and computer equipment to the Ndlambe Multipurpose Centre in the current year, amounting to -

Computer equipment:	R539 698
Furniture:	R 76 390
High mast lights	R527 009

ECSRAC donated computer equipment to the Kwanonkqubela, Freestone and Port Alfred Library in the current year amounting to:

Computer equipment- desktops	R 25 144

Kariega Foundation donated the furniture and computer Equipment to the municipal libraries in the prior financial year amounting to -

Computer equipment laptops:	R410 562
Computer consumables (non-capital)	R 7 025
Furniture - chairs	R 21 885

Sarah Baartman District Municipality donated the following funds during the prior financial year

Computer equipment - laptops	R 44 325
Computer licences - Annual(non-capital)	R 33 573

Figures in Rand	2025	2024

29. Employee related costs

Basic	114 573 992	105 895 470
Bonus	9 875 679	8 978 213
Allowances	5 331 946	5 956 000
Post-employment benefits	30 810 838	28 497 534
Medical aid - company contributions	16 084 194	14 929 852
UIF	1 037 855	1 042 649
Leave pay accrual charge	2 193 005	873 318
Overtime payments	13 170 494	13 018 143
Long-service awards	1 916 999	1 863 236
Car allowance	5 885 621	5 226 044
Housing benefits and allowances	1 038 420	490 724
Group insurance	234 662	268 295
Industrial levy	104 627	104 151
Employee costs - ex S57 managers	**202 258 332**	**187 143 629**

Remuneration of municipal manager

Annual Remuneration	1 557 915	1 457 259
Backpay	236 295	176 240
Car Allowance	193 529	193 529
Performance Bonus	179 192	184 593
Contributions to UIF, Medical and Pension Funds	347 160	320 924
Telephone allowance	17 084	17 084
13th Cheque	143 903	123 010
Leave Pay	101 133	101 909
	2 776 211	**2 574 548**

Remuneration of chief finance officer

Annual Remuneration	1 233 802	1 105 361
Backpay	310 814	127 099
Acting Allowance	59 319	-
Car Allowance	197 944	197 944
Performance Bonuses	145 517	81 565
Contributions to UIF, Medical and Pension Funds	285 306	259 805
Telephone allowance	26 393	26 393
13th Cheque	117 153	91 707
Leave Pay	109 670	121 799
	2 485 918	**2 011 673**

Remuneration of director Infrastructural Development

Annual Remuneration	1 270 960	1 079 458
Backpay	311 859	134 773
Car Allowance	224 336	224 336
Performance Bonuses	126 315	81 565
Contributions to UIF, Medical and Pension Funds	282 493	254 586
Telephone allowance	39 589	39 589
13th Cheque	106 976	82 989
Leave pay	92 272	187 824
	2 454 800	**2 085 120**

Figures in Rand	2025	2024

29. Employee related costs (continued)

Remuneration of director Corporate Services

Annual Remuneration	1 291 961	1 161 099
Backpay	310 796	126 966
Acting Allowance	74 329	70 817
Car Allowance	158 355	158 355
Performance Bonuses	152 179	130 504
Contributions to UIF, Medical and Pension Funds	275 197	252 323
Telephone allowance	13 196	13 196
13th Cheque	122 459	96 537
Leave Pay	131 471	127 723
	2 529 943	**2 137 520**

Remuneration of director Community Protection Services

Annual Remuneration	1 222 528	1 097 219
Backpay	312 388	138 661
Car Allowance	197 944	197 944
Performance Bonuses	128 535	97 878
Contributions to UIF, Medical and Pension Funds	297 507	268 622
Telephone allowance	26 393	26 393
13th Cheque	116 281	91 137
Leave Pay	105 899	99 586
	2 407 475	**2 017 440**

Reconciliation of employee costs

Employee costs - ex S57 managers	202 258 332	187 143 629
Remuneration of municipal manager	2 776 211	2 574 548
Remuneration of chief financial officer	2 485 918	2 011 673
Remuneration of director Infrastructural Development	2 454 800	2 085 120
Remuneration of director Corporate Services	2 529 943	2 137 520
Remuneration of director Community Protection Services	2 407 475	2 017 440
	214 912 679	**197 969 930**

30. Remuneration of councillors

Mayor	1 034 267	991 747
Speaker	836 682	803 115
Executive Members	1 373 198	1 323 904
MPAC Chair	445 570	535 846
Councillors	4 992 062	4 826 901
	8 681 779	**8 481 513**

In-kind benefits

The Mayor and Speaker are full-time. Each is provided with an office and secretarial support at the cost of the Council.

The Mayor and the Speaker each have the use of separate Council owned vehicles for official duties.

Additional information

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

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

31. Depreciation and amortisation

Property, plant and equipment	42 724 076	42 466 764
Investment property	1 175 489	1 178 710
Intangible assets	7 436	37 608
	43 907 001	**43 683 082**

32. Management fees

Department of Human Settlements	1 978 139	94 968

33. Finance costs

Non-current borrowings	59 272	183 514
Landfill Rehabilitation - Interest Cost	8 438 920	8 111 123
	8 498 192	**8 294 637**

34. Debt impairment

Electricity	4 215 600	2 292 095
Water	43 104 663	29 045 167
Refuse	13 589 135	8 472 772
Waste Water	11 615 986	8 265 514
Service charges	571 871	1 793 355
Housing debtors	31 138	20 595
Rates	8 435 793	5 329 970
Environmental levies	2 820 217	3 138 484
	84 384 403	**58 357 952**

35. Bulk purchases

Electricity - Eskom	84 071 933	76 635 411
Water	21 775 407	18 537 524
	105 847 340	**95 172 935**

36. Contracted services

Outsourced Services	19 712 776	14 166 815
Consultants and Professional Services	32 655 424	35 284 992
Contractors	38 675 295	40 338 735
	91 043 495	**89 790 542**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

37. General expenses

Advertising	619 032	568 309
Auditors remuneration	4 723 740	5 103 412
Bank charges	1 536 869	1 146 477
Commission paid	2 234 677	2 114 711
Electricity	24 775 684	20 160 785
Entertainment	168 004	107 855
Fuel and oil	8 360 167	10 626 530
Hire	14 343 568	13 622 379
IT expenses	6 292 803	5 799 794
Insurance	4 146 044	4 310 921
Levies	1 735 182	1 610 195
Other expenses	3 071 016	3 115 227
Other materials	12 018 830	12 957 913
Postage and courier	816 245	815 501
Printing and stationery	12 237	29 899
Protective clothing	1 101 726	1 438 668
Subscriptions and membership fees	2 222 450	2 088 409
Telephone and fax	4 110 106	3 345 624
Title deed search fees	33 954	22 648
Transport and freight	77 945	223 115
Travel - local	3 030 285	2 944 982
	95 430 564	**92 153 354**

38. Fair value adjustments

Other financial assets		
• Old Mutual shares	(2 095)	1 433
• FV Adjustment of Landfill rehabilitation provision	3 017 216	2 176 400
• Adjustments to Inventory	(8 990)	15 327
	3 006 131	**2 193 160**

39. Impairment loss

Impairments		
Property, plant and equipment	8 856 254	10 901 722
Intangible assets	-	19 052
	8 856 254	**10 920 774**

40. Surplus from derecognition of liability

Surplus from derecognition of unidentified deposits	5 453 361	-

Council wrote off the long outstanding unidentified deposits after due consideration that no claims have been made against these funds for a substantial number of year.

41. Auditors' remuneration

Fees	4 723 740	5 103 412

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

42. Cash generated from operations

Surplus	105 592 443	24 796 098
Adjustments for:		
Depreciation and amortisation	43 907 001	43 683 082
Gain on sale of assets and liabilities	7 419 797	4 329 638
Actuarial (gains)/losses	(809 338)	(688 135)
Fair value adjustments	(3 006 131)	(2 193 160)
Finance costs	8 438 920	8 111 123
Impairment loss	8 856 254	10 920 774
Debt impairment	84 384 403	58 357 952
Movements in operating lease assets and accruals	(103 454)	4 525
Movements in retirement benefit assets and liabilities	11 441 055	9 897 448
Movements in provisions	(11 085)	16 760
Non-cash donations and other in-kind benefits	(1 168 241)	(476 772)
Surplus from derecognition of liability	(5 453 361)	-
Changes in working capital:		
Inventories	(1 470 167)	(254 306)
Receivables from exchange transactions	(76 677 796)	(58 450 187)
Receivables from non-exchange transactions	(61 237 659)	(13 570 108)
Other current asset	2 095	(1 433)
Payables from exchange transactions	(29 795 101)	80 035 831
VAT	(1 095 725)	6 634 747
Unspent conditional grants and receipts	(1 554 124)	17 105 197
Consumer deposits	63 680	166 785
	87 723 466	**188 425 859**

43. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Property, plant and equipment	214 983 240	144 336 126
Total capital commitments		
Already contracted for but not provided for	214 983 240	144 336 126

This committed expenditure relates to property and will be financed by available bank facilities, retained surpluses, existing cash resources, funds internally generated, etc.

Operating leases - as lessee (expense)

Minimum lease payments due		
- within one year	76 938	18 900

Operating lease payments represent rentals payable by the municipality for certain of its office properties. Leases are negotiated for an average term of three years and rentals are escalated by a fixed percentage on an annual basis. No contingent rent is payable.

Figures in Rand	2025	2024

43. Commitments (continued)

Operating leases - as lessor (income)

Minimum lease payments due		
- within one year	392 934	25 939
- in second to fifth year inclusive	1 128 792	80 662
- later than five years	408 286	11 559
	1 930 012	**118 160**

Certain of the municipality's properties are held to generate rental income. Lease agreements are non-cancellable and have terms from 3 to 20 years. There are no contingent rents receivable.

44. Contingencies

KOSRA, Bushmans Kariega Estuary Care Management Forum & Natures Landing Homeowners Association vs Ndlambe LM - Legal proceedings have been instituted against the municipality regarding the state of the landfill site at Bushmans River Mouth and to put measures in place to rectify the state of the landfill. As of the time of reporting, the financial effect of this cannot be estimated as the financial claim has not been made.

Agri EC vs Ndlambe Municipality & others - Agric EC has taken Ndlambe Municipality to court to force the municipality to apply its by-laws. Agri EC further lodged a contempt of court procedings in the current year. This matter is ongoing, but as a financial claim was not made, the financial effect cannot be estimated

Dyongwana vs Ndlambe Municipality - Legal proceedings were instituted by Dyongwana against Ndlambe municipality after the former's minor child fell into an uncovered drain and sustained alleged damages. The possible financial effect of this is R2 000 000. (2024: R600 000)

Nkohla vs Ndlambe Municipality - Legal proceedings were instituted by M Nkohla against Ndlambe municipality after the drowning of the former's child on a local beach. The possible financial effect of this is R800 000.

Magwetyana vs Ndlambe Municipality - Legal proceedings were instituted by U. Magwetyana against Ndlambe Municipality after the former's minor child was electrocuted. As of the time of reporting, the financial effect of this cannot be determined.

Quality Filtration Systems vs Ndlambe - Both parties were in arbitration in relation to a dispute over the running and costs of the Ndlambe RO Plant. The matter was heard in the High Court and a binding agreement reached that arbitration would ensue. Arbitration was finalised in the current year and resulted in the arbitrator's award of outstanding fees from Ndlambe to QFS. This decision is currently under appeal. The possible financial effect of this is estimated at R14 million. (2024: R10 million)

Litigation is in the process against the municipality relating to various matters above. The total estimated potential liability to the municipality at 30 June 2025 is R16 800 000 and 30 June 2024 was R10 600 000.

Figures in Rand	2025	2024

45. Related parties

Relationships	
Accounting Officer	Refer to accounting officers' report note
Close family member of key management	MG Ncamiso (husband of Mayor Ncamiso) Sole shareholder of Nakhe Security and Cleaning Solutions 50% Shareholder of Genkorald General Trading XM Ncamiso (son of Mayor Ncamiso) 50% Shareholder of Genkorald General Trading 100% Shareholder of Sizilizwe General Trading X Masiza (husband of Ndlambe Director Infrastructure)Director of Lisolomzi Prestige Security
Members of key management	1. Members of Council Full names and remuneration details provided below 2. Section 57 managers Remuneration details provided in note 29

Related party balances

The amounts are unsecured and no security has been given.

Related party transactions

	2025	2024
Purchases from related parties- General Expenses - Other Materials		
Genkorald General Trading (Pty) Ltd - arm's length	-	31 372
Purchases from related parties - Contracted services-maintenance of assets		
Genkorald General Trading (Pty) Ltd - arm's length	25 970	-
Purchases from related parties- Contracted services- Contractors		
Sizilizwe General Trading (Pty) Ltd - arm's length	104 800	-

Notes to the Annual Financial Statements

Figures in Rand

45. Related parties (continued)

Remuneration of management

Management class: Council

2025

Name	Allowance	Transport	Telephone	Medical Aid	Pension	Backpay	Total
Mayor - KC Ncamiso	684 296	189 504	43 200	17 280	51 322	48 665	1 034 267
Speaker - L Marasi	568 603	83 376	43 200	17 280	85 291	38 932	836 682
Executive member - NF Memani	277 872	78 180	43 200	17 280	20 840	20 361	457 733
Executive member - S Venene	277 872	78 180	43 200	17 280	20 840	20 361	457 733
Executive member - S Dyakala	277 872	78 180	43 200	17 280	20 840	20 361	457 733
Chief Whip - S Kolosa	208 306	56 856	43 200	17 280	15 623	15 387	356 652
MPAC Chair - A Nyumka	303 023	56 856	43 200	-	22 727	19 765	445 571
Councillor - A Bukani	224 402	56 856	43 200	-	16 830	15 387	356 675
Councillor - M Sweli	224 402	56 856	43 200	-	16 830	15 387	356 675
Councillor - HK Walker	216 354	56 856	43 200	8 640	16 227	15 387	356 664
Councillor - NE Haynes	240 899	56 856	43 200	-	-	15 387	356 342
Councillor - P Khungwayo	224 402	56 856	43 200	-	16 830	15 387	356 675
Councillor - SI Melani	224 402	56 856	43 200	-	16 830	15 387	356 675
Councillor - S Zweni	224 402	56 856	43 200	-	16 830	15 387	356 675
Councillor - MW Mgweba	224 402	56 856	43 200	-	16 830	15 387	356 675
Councillor - PY Kani	240 899	56 856	43 200	-	-	15 387	356 342
Councillor - ZW Myali	208 305	56 856	43 200	17 280	15 623	15 387	356 651
Councillor - WG Johannes	240 899	56 856	43 200	-	-	15 387	356 342
Councillor - T Mbekela	224 402	56 856	43 200	-	16 830	15 387	356 675
Councillor - X Runeli	240 899	56 856	43 200	-	-	15 387	356 342
	5 556 913	**1 360 260**	**864 000**	**129 600**	**387 143**	**383 863**	**8 681 779**

Notes to the Annual Financial Statements

Figures in Rand

45. Related parties (continued)

2024

Name	Allowance	Transport	Telephone	Medical Aid	Pension	Backpay	Total
Mayor - KC Ncamiso	651 212	189 504	42 800	17 280	48 841	42 110	991 747
Speaker - L Marasi	543 836	83 376	42 800	17 280	81 575	34 248	803 115
Executive member - NF Memani	264 031	78 180	42 800	17 280	19 802	19 248	441 341
Executive member - S Venene	264 066	78 180	42 800	17 280	19 805	19 091	441 222
Executive member - S Dyakala	264 031	78 180	42 800	17 280	19 802	19 248	441 341
Chief Whip - S Kolosa	197 843	56 856	42 800	17 280	14 838	15 240	344 857
MPAC Chair - A Nyumka	277 367	56 856	42 800	-	20 803	138 020	535 846
Councillor - A Bukani	213 940	56 856	42 800	-	16 046	15 240	344 882
Councillor - M Sweli	213 940	56 856	42 800	-	16 046	15 240	344 882
Councillor - HK Walker	197 843	56 856	42 800	17 280	14 838	15 240	344 857
Councillor - NE Haynes	229 667	56 856	42 800	-	-	15 240	344 563
Councillor - P Khungwayo	213 940	56 856	42 800	-	16 046	15 240	344 882
Councillor - SI Melani	213 940	56 856	42 800	-	16 046	15 240	344 882
Councillor - S Zweni	213 940	56 856	42 800	-	16 046	15 240	344 882
Councillor - MW Mgweba	213 940	56 856	42 800	-	16 046	15 240	344 882
Councillor - PY Kani	229 667	56 856	42 800	-	-	15 240	344 563
Councillor - ZW Myali	197 843	56 856	42 800	17 280	14 838	15 240	344 857
Councillor - WG Johannes	229 667	56 856	42 800	-	-	15 240	344 563
Councillor - T Mbekela	213 940	56 856	42 800	-	16 046	15 144	344 786
Councillor - X Runeli	229 667	56 856	42 800	-	-	15 240	344 563
	5 274 320	**1 360 260**	**856 000**	**138 240**	**367 464**	**485 229**	**8 481 513**

Also refer to note "Remuneration of councillors" Note 30

46. Prior period errors & reclassifications

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

Statement of Financial Position	Previously reported	Adjustment	As restated	Reference
VAT Receivable	6 947 128	3 502 111	10 449 239	1
Property, Plant and Equipment	1 254 942 877	32 075 969	1 287 018 846	2
Payables from exchange transactions	(146 391 805)	(1 026 417)	(147 418 222)	3
VAT Payable	-	(3 492 771)	(3 492 771)	4
Accumulated surplus	(1 357 351 438)	(31 058 892)	(1 388 410 330)	5
	(241 853 238)	**-**	**(241 853 238)**	**-**

1 - VAT Receivable - Statement of Financial Position	
Previously reported 2024 balance	6 947 128
VAT on additional Accruals raised	9 340
Re-classification to VAT Output Accrual [on Receivables]	3 492 771
Reclassification from "VAT" disclosure	(10 449 241)
Reclassification to "VAT Control" disclosure	2 072 522
Reclassification to "VAT Input Accrual" disclosure	8 376 719
Reversal of depreciation on Buildings fully impaired	-
Other 3	-
Restated 2024 Closing Balance	**10 449 239**

2 - Property, plant and Equipment - Statement of Financial Position	
Previously reported 2024 balance	1 254 942 877
Additional buildings recognised in prior period	734 977
Additional Impairment recognised on bakkie written off -2024	(63 874)
Recognition of culverts as part of Road assets	31 938 262
Additional depreciation on culverts identified -2024	(533 396)
Restated 2024 Closing Balance	**1 287 018 846**

3 - Payables from exchange transactions - Statement of Financial Position	
Previously reported 2024 balance	(146 391 805)
Additional Accruals Raised	(74 300)
Additional Accruals Raised -Workmens Compensation	(1 047 085)
Management fees on human settlements projects previously omitted	94 968
Restated 2024 Closing Balance	**(147 418 222)**

4 - VAT Payable - Statement of Financial Position	
Previously reported 2024 balance	-
Re-classification of VAT Output Accrual [on Receivables]	(3 492 771)
Restated 2024 Closing Balance	**(3 492 771)**

Figures in Rand	2025	2024

46. Prior period errors & reclassifications (continued)

5 - Accumulated Surplus - Statement of Financial Position

Previously reported 2023/24 Opening balance	(1 330 940 993)
Effect of opening balance corrections relating to -	(32 673 239)
Additional buildings recognised in prior period	(734 977)
Recognition of culverts as part of Road assets	(31 938 262)
RESTATED 2023/24 OPENING BALANCE	(1 363 614 232)
	-
RESTATED 2023/24 (Surplus)/Deficit	(24 796 098)
Previously reported Surplus	(26 410 445)
Net corrections as per 2023/24 Statement of Financial Performance (see below)	1 614 347
	-
RESTATED 2023/24 CLOSING BALANCE	**(1 388 410 330)**

The 2024 amount on Inventory expensed during the year as disclosed in note 3 has been restated from R14 796 269 to R47 997 608 due to the inclusion of water inventory distributed, previously omitted.

2024 Comparative restatements

Statement of Financial Performance	Previously reported	Adjustment DT/(CT)	As restated	Reference
Revenue from exchange transactions - Service charges	504 133	(3 152 891)	3 657 024	i
Revenue from exchange transactions - Other income	5 252 627	3 152 891	2 099 736	ii
Revenue from exchange transactions- Management fees	-	(94 968)	94 968	iii
EXPENDITURE				
Depreciation and Amortisation	(43 149 685)	533 397	(43 683 082)	iv
General expenses	(91 041 310)	1 112 044	(92 153 354)	v
Impairment Loss	(10 856 900)	63 874	(10 920 774)	vi
	(139 291 135)	**1 614 347**	**(140 905 482)**	

i) Revenue from exchange transactions - Service charges - Statement of Financial Performance

As previously reported	504 133
Re-classification of Goods and Services to Service charges- MSCOA	3 152 891
	3 657 024

ii) Revenue from exchange transactions - Other income - Statement of Financial Performance

As previously reported	5 252 627
Re-classification of Goods and Services to Service charges- MSCOA	(3 152 891)
	2 099 736

iii) Revenue from exchange transactions - Management fees - Statement of Financial Performance

As previously reported	-
Management fee on human settlement projects previously omitted	94 968
	94 968

46. Prior period errors & reclassifications (continued)

iv) Depreciation and Amortisation - Statement of Financial Performance	
As previously reported	(43 149 685)
Additional depreciation on culverts identified -2024	(533 397)
	(43 683 082)

v) General expenses - Statement of Financial Performance	
As previously reported	(91 041 310)
Additional Accruals Raised	(64 958)
Additional Accruals Raised -Workmens Compensation	(1 047 086)
	(92 153 354)

vi) Impairment loss - Statement of Financial Performance	
As previously reported	(10 856 900)
Additional Impairment recognised on bakkie written off -2024	(63 874)
	(10 920 774)

Note 29 - Employee related costs	RESTATED	PREVIOUSLY DISCLOSED
Allowances	5 955 997	8 325 529
Post-employment benefits	28 497 534	27 786 988
Long service awards	1 863 236	207 869
Group insurance	268 295	264 953
Industrial levy	104 151	103 877
	36 689 213	**36 689 216**

Cash Flow Statement

Cash flow from operating activities	RESTATED	PREVIOUSLY DISCLOSED
Rates and Services	300 951 925	294 958 080
Interest income	15 753 982	19 081 048
Other receipts	4 610 322	7 668 245
Employee costs	(196 553 995)	(206 451 443)
Suppliers	(205 278 703)	(187 661 277)
Finance costs	(183 514)	(8 294 637)
	(80 699 983)	**(80 699 984)**

47. Unauthorised expenditure

Opening balance as previously reported	82 417 420	124 267 390
Opening balance as restated	**82 417 420**	**124 267 390**
Add: Expenditure identified - current	52 177 374	-
Add: Expenditure identified - prior period	-	42 150 388
Less: Amount written off - current	(42 069 515)	-
Less: Amount written off - prior period	-	(84 000 358)
Closing balance	**92 525 279**	**82 417 420**

47. Unauthorised expenditure (continued)

The over expenditure incurred by municipal departments during the year is attributable to the following categories:

	2025	2024
Non-cash	52 177 374	29 404 392
Cash	-	12 745 996
	52 177 374	**42 150 388**

Unauthorised expenditure: Budget overspending – per municipal department:

	2025	2024
Municipal Manager	-	294 807
Corporate services	7 085 832	5 244 607
Finance	4 496 956	-
Electricity	2 572 665	18 976 650
Water	29 649 374	3 862 798
Community and Social Services	8 372 547	13 771 526
	52 177 374	**42 150 388**

48. Fruitless and wasteful expenditure

	2025	2024
Opening balance as previously reported	666 807	727 190
Opening balance as restated	**666 807**	**727 190**
Add: Expenditure identified - current	96 257	-
Add: Expenditure identified - prior period	-	53 887
Less: Amounts recoverable - prior period	-	(102 312)
Less: Amount written off - current	(87 983)	-
Less: Amount written off - prior period	-	(11 958)
Closing balance	**675 081**	**666 807**

Fruitless and wasteful expenditure incurred in the current year relates to payment of penalty fees on late payment as well as monies misappropriated via consumer refunds.
Fruitless and wasteful expenditure incurred in the prior year relates to further monies identified which relates to the misappropriations made by a cashier in the 2023 financial year, as well as a traffic fine. In addition in the prior years there were payments made to incorrect creditor's bank accounts. In the prior financial year fruitless and wasteful expenditure relates to traffic deposit monies shortages as well as cashier misappropriations which the municipality had to settle with the department of transport and debtors' accounts. R53 887 for 2023/24 & R654 679 for 2022/23 is being investigated for further collectability and all the matters were reported to SAPS where applicable.

49. Irregular expenditure

	2025	2024
Opening balance as previously reported	102 020 197	235 198 131
Add: Irregular expenditure - current	138 982 773	-
Add: Irregular expenditure - prior period	-	110 910 511
Less: Amount written off - current	(187 711 035)	-
Less: Amount written off - prior period	-	(244 088 445)
Closing balance	**53 291 935**	**102 020 197**

49. Irregular expenditure (continued)

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

	Disciplinary steps taken/criminal proceedings	
- Supply Chain Management Regulation and/or Policy Deviations -Lack of Supporting documentation - Deviations not in accordance with S36 of the SCM regulations	Items was/will be referred to MPAC for Investigation and the need for criminal proceedings was and will be determined. Goods and/or services were received in all instances and none of the payments were made in vain.	138 982 773
		138 982 773

50. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Opening balance	2 185 157	2 000 035
Current year subscription / fee	2 225 097	2 198 407
Amount paid - current year	(2 190 105)	(2 013 285)
	2 220 149	**2 185 157**

Audit fees

Opening balance	-	17 081
Current year subscription / fee	5 432 301	5 868 923
Amount paid - current year	(5 432 301)	(5 886 004)
	-	-

PAYE and UIF

Amount paid - current year	29 469 251	25 031 290

Figures in Rand	2025	2024

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

Pension and Medical Aid Deductions

Amount paid - current year	37 849 990	35 269 925

VAT

VAT input receivables, VAT control and VAT output payables are shown in note 6 and 19 respectively.

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

Councillors' arrear consumer accounts

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

30 June 2025	Outstanding less than 90 days	Outstanding more than 90 days	Total
Councillor - WG Johannes	4 774	20 661	25 435

30 June 2024	Outstanding less than 90 days	Outstanding more than 90 days	Total
Councillor - WG Johannes	3 276	67 417	70 693
Councillor - ST Dyakala	5 914	4 320	10 234
Councillor - S Kolosa	2 122	726	2 848
	11 312	**72 463**	**83 775**

Supply chain management regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the City Manager and noted by Council. The expenses incurred as listed hereunder have been condoned.

Incident		
S36(1)(a)(i) - Emergency	4 117 689	7 278 985
S36(1)(a)(ii) - Sole Supplier	615 543	1 068 140
S36(1)(a)(v) - Impractical / Impossible (other)	52 872 087	104 523 346
	57 605 319	**112 870 471**

51. Water and electricity losses

Material Losses

Water	22 661 775	27 659 822
Electricity	8 188 925	5 789 611
	30 850 700	**33 449 433**

Water Losses
In 2025 the water reticulation losses were 30.5% (4 317 514 kl supplied and 1 315 251kl lost) (2024: 48.5% (3 674 237 kl supplied and 1 892 032 kl sold). In both years these real losses are predominantly due to physical losses from leaks, burst pipes and reservoir overflows. Furthermore apparent losses are realised due to metering inefficiencies, meter faults, unauthorised and unmetered consumption.

51. Water and electricity losses (continued)

Electricity Losses
In 2025, the electricity losses were 9.18% (2024: 9.6%). Electricity purchased was 39 440 737 kWh and 35 819 242 kWh was sold (2024: 38 637 443 kWh and 34 917 809 kWh was sold). These losses are predominantly due to MV and LV losses in switchgear, overhead lines, obsolete aluminium lines, underground cables and transformers. Furthermore losses are attributed to metering and meter reading losses and losses due to tampering.

52. Risk management

Liquidity risk

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

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

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

Credit risk

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

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

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

Financial instrument	2025	2024
Receivables from Non-Exchange Transactions	49 963 361	1 671 412
Receivables from Exchange Transactions	40 903 712	37 354 309
Cash and cash equivalents	66 432 760	140 308 928
Other financial assets	44 210	46 305

The municipality holds deposits of R 2 891 281 (2024: R 2 827 601) from consumer deposits. No guarantees of collateral was provided to third parties.

Market risk

52. Risk management (continued)

Interest rate risk

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

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at fixed rates which means that the municipality is not exposed to interest rate risk, as any change in interest rates will not affect the repayment terms of the long term liabilities. During 2025 and 2024, the municipality has no borrowings at variable rates.

The municipality analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on these scenarios, the municipality calculates the impact on surplus and deficit of a defined interest rate shift. For each simulation, the same interest rate shift is used for all currencies.

Cash flow interest rate risk

No further cash flow interest rate risk exposure exists as the DBSA loans have been settled.

Price risk

The municipality is exposed to equity securities price risk because of investments held by the municipality and classified on the consolidated statement of financial position either as available-for-sale or at fair value through surplus or deficit. The municipality is not exposed to commodity price risk. To manage its price risk arising from investments in equity securities, the municipality diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the municipality.

53. Going concern

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

54. Segment information

General information

Identification of segments

The municipality is organised and reports to management on the basis of the four major trading services: Electricity (Energy Sources), Water (Water management), Waste Water (Waste Water management) and Refuse (Waste Management) services. The segments were organised around the type of service delivered and the consumers. Management uses these same segments for determining strategic objectives. Segments were not aggregated for reporting purposes.

Information reported about these segments is used by management as a basis for evaluating the segments' performances and for making decisions about the allocation of resources. The disclosure of information about these segments is also considered appropriate for external reporting purposes.

Geographical information

The municipality operates in the Ndlambe Municipal demarcation, which include the following main towns: Port Alfred, Kenton-on-Sea, Alexandria, Cannon-Rocks, Seafield and Marselle. The information necessary to be able to report on segments on a geographical basis is not available and the municipality deems the costs necessary to develop that to be excessive and as such has disclosed the financial information on a geographical basis.

54. 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**
Electricity	Delivery of electrical services
Water	Delivery of water services
Sewerage and Sanitation	Delivery of waste water services
Solid Waste	Rendering of refuse removal

54. Segment information (continued)

Segment surplus or deficit, assets and liabilities

2025

	Electricity	Water	Sewerage and sanitation	Solid Waste	Total
Revenue					
Revenue from non-exchange transactions	-	-	-	6 614 429	6 614 429
Interest received - Non-exchange trade and other receivables	-	-	-	1 866 247	1 866 247
Revenue from exchange transactions	113 861 639	68 604 982	24 317 965	28 726 721	235 511 307
Interest received - trade and other receivables	2 063 055	6 370 742	2 662 075	3 063 078	14 158 950
Total segment revenue	**115 924 694**	**74 975 724**	**26 980 040**	**40 270 475**	**258 150 933**
Revenue from exchange transactions					22 802 375
Revenue from non-exchange transactions					498 082 844
Total revenue reconciling items					**520 885 219**
Entity's revenue					**779 036 152**
Expenditure					
Employee related costs	1 003 827	14 824 145	9 085 389	12 017 689	36 931 050
Depreciation and amortisation	3 790 736	10 641 221	5 291 722	423 443	20 147 122
Finance costs	-	59 272	-	8 438 920	8 498 192
Debt impairment	4 215 600	43 104 663	11 615 986	13 589 135	72 525 384
Alternative energy programme	7 427 120	-	-	-	7 427 120
Bulk purchases	84 071 933	21 775 407	-	-	105 847 340
Contracted services	19 361 185	14 494 414	3 709 461	9 887 291	47 452 351
General Expenses	10 926 413	16 509 244	11 559 440	5 009 256	44 004 353
Fair value adjustments	-	8 990	-	(3 017 216)	(3 008 226)
Loss on disposal of assets	-	122 007	-	-	122 007
Impairment loss	747 498	1 080 211	3 808 554	-	5 636 263
Total segment expenditure	**131 544 312**	**122 619 574**	**45 070 552**	**46 348 518**	**345 582 956**
Total segmental surplus/(deficit)					**(87 432 023)**

54. Segment information (continued)

	Electricity	Water	Sewerage and sanitation	Solid Waste	Total
Employee related costs					(177 981 626)
Remuneration of councillors					(8 681 778)
Depreciation					(23 759 878)
Lease rentals					(1 108 094)
Debt impairment					(11 859 017)
Contracted services					(43 591 138)
Transfers and Subsidies					(5 195 818)
General expenses					(51 426 229)
Fair value adjustments					(2 095)
Loss on disposal of assets					(7 297 789)
Actuarial gains					809 338
Impairment loss					(3 219 990)
Surplus from derecognition of liability					5 453 361
Entity's surplus (deficit) for the period					**105 592 443**
Assets					
Receivables from exchange transactions	19 249 244	11 894 768	4 231 131	4 364 283	39 739 426
Property, plant and equipment	92 636 005	203 612 403	178 292 862	-	474 541 270
Property, plant and equipment - WIP	1 212 174	137 563 852	189 255 805	-	328 031 831
Total segment assets	**113 097 423**	**353 071 023**	**371 779 798**	**4 364 283**	**842 312 527**
Property, plant and equipment					604 247 719
Other non-current assets					233 153 455
Current assets					159 613 462
Total assets as per Statement of financial Position					**1 839 327 163**
Current liabilities					(195 649 474)
Non-current liabilities					(149 674 910)
Total liabilities as per Statement of financial Position					**(345 324 384)**

54. Segment information (continued)

2024

	Electricity	Water	Sewerage and sanitation	Solid waste	Total
Revenue					
Revenue from non-exchange transactions	-	-	-	6 197 416	6 197 416
Revenue from exchange transactions	92 197 379	59 338 163	18 927 584	22 161 387	192 624 513
Interest received - trade and other receivables	1 280 148	3 185 352	2 035 148	2 648 705	9 149 353
Total segment revenue	**93 477 527**	**62 523 515**	**20 962 732**	**31 007 508**	**207 971 282**
Revenue from exchange transactions					23 517 796
Revenue from Non-exchange transactions					410 808 976
Total revenue reconciling items					**434 326 772**
Entity's revenue					**642 298 054**
Expenditure					
Employee related costs	966 124	11 763 375	9 855 194	12 237 189	34 821 882
Depreciation and amortisation	3 780 691	10 505 289	5 450 445	212 904	19 949 329
Finance costs	-	183 514	-	8 111 123	8 294 637
Lease rentals	-	27 500	-	-	27 500
Debt impairment	2 292 095	29 045 167	8 265 514	8 472 772	48 075 548
Alternative energy	5 932 564	-	-	-	5 932 564
Bulk purchases	76 635 411	18 537 524	-	-	95 172 935
Contracted services	19 144 413	13 382 265	4 247 478	9 055 356	45 829 512
General expenses	20 299 040	13 435 324	4 653 883	4 753 608	43 141 855
Fair value adjustments	-	-	-	(2 176 400)	(2 176 400)
Loss on disposal of assets	-	71 171	-	-	71 171
Impairment loss	157 868	3 788 671	1 752 441	-	5 698 980
Total segment expenditure	**129 208 206**	**100 739 800**	**34 224 955**	**40 666 552**	**304 839 513**
Total segmental surplus/(deficit)					**(96 868 231)**

	Electricity	Water	Sewerage and sanitation	Solid waste	Total
54. Segment information (continued)					
Total revenue reconciling items					434 326 772
Employee related costs					(163 148 051)
Remuneration of councillors					(8 481 513)
Depreciation					(23 733 752)
Lease rentals					(964 405)
Debt impairment					(10 282 405)
Contracted services					(43 961 026)
Transfers and subsidies					(4 304 427)
General expenses					(49 011 499)
Fair value adjustments					16 760
Gain on disposal of assets					(4 258 466)
Actuarial Gains					688 135
Impairment loss					(5 221 794)
Entity's surplus (deficit) for the period					**24 796 098**
Assets					
Receivables from exchange transactions	14 783 431	14 127 452	3 364 817	4 053 246	36 328 946
Property, plant and equipment	96 621 736	196 283 543	145 915 704	-	438 820 983
Property, plant and equipment - WIP	1 212 174	110 531 601	149 913 752	-	261 657 527
Total segment assets	**112 617 341**	**320 942 596**	**299 194 273**	**4 053 246**	**736 807 456**
Property, plant and equipment					586 540 343
Other non-current assets					242 984 475
Current assets					179 020 165
Total assets as per Statement of financial Position					**1 745 352 439**
Current liabilities					(221 539 142)
Non-current liabilities					(135 402 948)
Total liabilities as per Statement of financial Position					**(356 942 090)**

55. Accounting by principals and agents

The entity is a party to the following principal-agent arrangements.

Details of the arrangements are as follows:

The municipality acts an agent for the Department of Transport whereby it administers the provision of motor vehicle licences and registrations as well as drivers' licences. It receives compensation for these services based on a binding arrangement with the department.

The entity is the principal. Refer to note 1.5 for significant judgements applied in making this assessment.

The municipality acts as a principal in binding arrangements with vendors who sell prepaid electricity. The vendors earn commission on the prepaid electricity sales based on agreements.

Furthermore, the municipality acts as an agent for the Department of Human Settlements whereby it oversees the construction of RDP houses on behalf of the department. There is no compensation for this agency service and hence no revenue recognised.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

55. Accounting by principals and agents (continued)

Entity as agent

Revenue recognised

The aggregate amount of revenue that the entity recognised as compensation for the transactions carried out on behalf of the principal is R 3 698 291 (2024: R 1 821 353).

Additional information

Receivables and/or payables recognised based on the rights and obligations established in the binding arrangement(s)

Reconciliation of the carrying amount of payables

	2025	2024
Category 1 - MV Licences and registrations		
Amount received on behalf of the principal	13 429 284	5 868 138
Amounts transferred to the principal	(9 730 993)	(4 046 785)
Amount recognised as revenue for services rendered	(3 698 291)	(1 821 353)
	-	-
Category 2 - Human Settlements - Alex 402		
Opening balance	(1 025 244)	-
Amounts received - Human settlements	1 077 744	-
Amounts paid on behalf of Dept. Human Settlements on projects	(424 650)	(1 025 244)
	(372 150)	**(1 025 244)**
Category 2 - Human Settlements - Bathurst 5units		
Opening balance	(332 441)	-
Amounts received - Human settlements	876 851	-
Amounts paid on behalf of Dept. Human Settlements on projects	(922 270)	(332 441)
	(377 860)	**(332 441)**
Category 2 - Human Settlements - KOS 564& ISBT 10		
Opening balance	(50 850)	1 204 632
Amounts received - Human settlements	866 796	-
Amounts paid on behalf of Dept. Human Settlements on projects	(496 104)	(1 255 482)
	319 842	**(50 850)**
Category 2 - Human Settlements - Marselle 500 unit		
Amounts received - Human settlements	4 083 200	-
Amounts paid on behalf of Dept. Human Settlements on projects	(3 978 722)	-
	104 478	**-**
Category 2 - Human Settlements - UISP 5 Projects		
Opening balance	47 780 893	-
Amounts received - Human settlements	-	49 775 229
Amounts paid on behalf of Dept. Human Settlements on projects	(39 562 783)	(1 899 368)
Management Fees earned	(1 978 139)	(94 968)
	6 239 971	**47 780 893**
Category 2 - Human Settlements - UISP 7 Projects		
Opening balance	(8 781 402)	7 465 327
Amounts received - Human settlements	21 841 603	34 447 813
Amounts paid on behalf of Dept. Human Settlements on projects	(18 884 235)	(50 694 542)

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

55. Accounting by principals and agents (continued)

	(5 824 034)	**(8 781 402)**
Category 2 Summary - Human Settlements		
Opening balance	37 590 958	8 669 959
Amounts received - Human settlements	28 746 193	84 223 042
Amounts paid on behalf of Dept. Human Settlements on projects	(64 268 764)	(55 207 075)
Management Fees earned	(1 978 139)	(94 968)
	90 248	**37 590 958**
Category 3 - EC Housing Land Acquisition		
Opening balance	43 200 000	-
Amounts Received	-	43 200 000
	43 200 000	**43 200 000**
All categories		
Opening balance	80 790 958	8 669 959
Amounts received on behalf of the principal	13 429 284	5 868 138
Amount transferred to the principal	(9 730 993)	(4 046 785)
Amount recognised as revenue for the services rendered	25 047 902	82 401 689
Amounts received - Human settlements	(64 268 764)	(12 007 075)
Management Fees earned	(1 978 139)	(94 968)
	43 290 248	**80 790 958**

Entity as principal

Fee paid

Fee paid as compensation to the agent	787 633	670 710

The fee paid relates to the commission paid to vendors for selling pre-paid electricity to the consumers on behalf of the municipality.

56. Budget differences

Material differences between budget and actual amounts

56. Budget differences (continued)

The variances are considered to be material for the GRAP 24 variance disclosure where it exceeds 10%. Below are details of the relevant material variances as per the Statement of Comparison of Budget and Actual:

STATEMENT OF FINANCIAL PERFORMANCE

56.1) Service Charges:
Immaterial variance between budget and actual. The variance is mainly due to increase in consumer consumption.

56.2) Rendering of services: Immaterial variance

56.3) Rental of facilities and equipment: Immaterial variance

56.4) Interest received:
The budget was kept in line with the prior period interest income and although interest rates decreased, it did not fully factor larger gross debtors' balances throughout the year on hand. In addition tariff codes for interest billing on water was corrected.

56.4i) Management fees:
The budgeting process did not factor in the receipt of management fees from agency services performed for human settlements.

56.5) Licences and Permits
The budgeting process relating to the forecast of licences and permits was flawed as there was an overestimate of the agency revenue, as the prior period collections were not a good basis for projection into 2024/25.

56.6) Other income: Immaterial variance

56.7) Interest received - investment: Immaterial variance

56.8) Property rates: Immaterial variance

56.9) Licences and permits (non-exchange)
The licencing and permits relate to boat and trading licence. The figure has been overbudgeted for during the 2024/25 financial year.

56.10) Environmental levies: Immaterial variance

56.11) Interest received - non-exchange receivables
The interest rate decreased during the year.

56.12) Government Grants and subsidies:
Budget was aligned with the expectation relating to amounts to be received from conditional grant funding (multi-year, budgeted as a single year) as well as Human Settlements agent/principal monies expected. In addition, the Human settlements grant never materialised.

56.13) Public Contributions and donations
The donations amount was not budgeted for. Donations, by its nature, is gratuitous and were transferred as in-kind donations - there was no expectation to receive additional donations during the year, other than what was budgeted for.

56.14) Fines, Penalties and Forfeits
The budget for fines, penalties and forfeits was prepared, with the expectation of historical values - which is very unpredictable.

56.15) Employee related costs: Immaterial variance

56.16) Remuneration of councillors - Immaterial variance

56.17) Depreciation and amortisation: The actual depreciation is less than the budget due to the re-estimation of useful lives for 2024 which was concluded before the 2025 budget was prepared. This resulted in reduced actual figures for 2025.

56.18) Impairment loss

56. Budget differences (continued)
The impairment loss amount was not budgeted for as impairments by its nature are unplanned - there was no expectation to have any impairment losses during the year.

56.19) Finance costs
The finance costs was less in the current year due to reduced interest costs on the landfill site rehabilitation associated with reduced interest rates in South Africa. This resulted in the reduced actual finance charges.

56.20) Lease rentals on operating lease
The budget increase is largely resulted from budgeting for additional leased office equipment. This procurement never transpired during the year.

56.21) Debt impairment -
The variance is largely due to the fact that the budget cannot accommodate the full extent of funding the movement in doubtful debts.

56.22) Alternative Energy Programmes
In budgeting, a larger anticipated participation rate was projected. This never materialised and actual spending was less than budget.

56.23) Bulk purchases
The variance is due to underbudgeting on both water and electricity. Larger Eskom tariff increases and water consumption has also increased due to more holidaymakers visiting and permanent residents in the municipal area during the period, along with bulk increases above inflation.

56.24) Contracted services
The budget adjustments and approved budget include budgeting for Upgrade of Informal settlements. Therefore Housing grant expenditure is budgeted for against this line item. Majority of Housing funding is relating to principal/agent purchases segment which is not accounted for as expenditure through the statement of financial performance.

56.25) Transfers and subsidies:
Due to cashflow constraints and controls to mitigate spending, all planned donations did not materialise, resulting in underspending.

56.26) General expenses: Immaterial variance

56.27) Loss on disposal of assets
The disposals of movable & immovable assets based on the derecognition of obsolete assets resulted in unbudgeted losses which contributed towards the variance between budget actual expenditure.

56.28) Fair value adjustments:
At the time of the budget no budget was provided for fair value adjustments. It is also not known at the time of the budget what the effect of external factors would be on the landfill provision estimate. As such budget is not provided to the extent of the actual fair value losses incurred as this would have to be funded with revenue through rate increases.

56.29) Actuarial gains:
The budget provided no determination for the actuarial gains on post retirment employee benefits and long service awards which resulted in this variance.

56.30) Surplus from derecognition of liability:
At the time of the budget no budget was provided for Surplus from derecognition of liability as this was a once-off event that represents the derecognition of unidentified deposits.

STATEMENT OF FINANCIAL POSITION

56.31) Inventories
The variance is due to larger than expected stock levels as at year end, specifically relating to uniforms which is not part of normal stock levels.

56.32) Operating lease asset
The budget did not factor in the new leases entered into during 2024/25.

56. Budget differences (continued)

56.33) Receivables from non-exchange transactions & Receivables from exchange transactions
The variance is due to not fully budgeting for the full debt impairment expense needed to write-down the receivables to their impaired value at year end. Additionally the write-off of debtors were larger than anticipated. This resulted in a receivables figure which less than the budget. However, EC Human Settlements debtors and RBIG receivables offset this figure, resulting in actual figures exceding the budget.

56.34) VAT receivable / VAT payable
The budget accounts for the amounts in debit separate to the amounts in credit. The nett figure however shows an overall credit balance on VAT. The actual figures represents an overall receivable value of R8million, the variance is largely due to the budget inaccuracy in accouting for input accrual surplusses carried forward as well as current year creditors and retention input VAT accrual.

56.35) Other current assets
There are no classification on the statement of financial position relating to other current assets

56.36) Cash and cash equivalents
The less than expected cash balances are due monies from EC Human Settlements and RBIG not yet being received.

56.37) Investment property: Immaterial variance.
The variance is also partly due to disposal of land during the year not budgeted for.

56.38) Property, plant and Equipment: Immaterial variance
The budget on some items are overstated due to multi-year projects not being budgeted as such.

56.39) Intangible assets: Immaterial variance

56.40) Heritage assets:
Software reaching end of life and no longer in use increased depreciation.

56.41) Other financial assets: Immaterial variance.

56.42) Payables from exchange transactions:
The EC Housing monies payable is not included in the budgeted figure for 2024/25..

56.43) Consumer deposits: Immaterial variance

56.44) Employee Benefit obligation
The budget does not factor in the large portions of current liability relating to overtime, bonus and leave as well as short term portions of the Long Service and Post Retirement Medical Aid Liability. In addition, its difficult to establish an increase for budget purposes due to the complex nature of the actual calculation.

56.45) Unspent conditional grants and receipts
The EC Housing payable figure is included in the budget figures as well as roll-over for multi-year projects, resulting in a larger than anticipated budget figure.

56.46) Provisions
The current and non-current portions factored in a larger than anticipated increase due to unwinding of future costs on landfill sites and inflation figures. Due to the decrease in inflation, these increases did not materialise, resulting in larger budget then actual.

56.47) Accumulated surplus
The variance is a result of the above explanations combined. Due to the nature of the balance it will always represent the balancing figure on the budgeted statement of financial position.

CASHFLOW STATEMENT VARIANCES

56.48) Rates and services
Rates and services were overbudgeted due to the over-estimation of the collection rates.

56. Budget differences (continued)

56.49) Government grants and subsidies
The variance is due to budgeting for housing which is not included in the municipal operations.

56.50) Interest income
The variance is due to overbudgeting of collections on interest.

56.51) Other receipts:
Budgeting process includes VAT refunds and other revenue items not incidental to and not consider other income, resulting in variance as identified.

56.52) Supplier and Employee costs
The variance is due to budgeting for housing which is not included in the municipal operations

56.53) Finance Costs
The budget included a portion of interest relating to the prior period. This resulted in the variance as identified.

56.54) Grants and subsidies paid: Immaterial variances

56.55) Purchase of Property, plant and equipment
The budget increase relates to acquisition of assets via grant, however not all grants were spent and not all monies were grant monies received and hence not all capital expenditure was for the benefit of the municipality as per the agent/principal agreements in place. In addition multi-year projects were not budgeted for as such resulting in this variance.

56.56) Proceeds on sale of property, plant and equipment
Amounts were not budgeted as disposals are not determined at budget phase.

56.57) Repayment of financial liabilities - DBSA:
Final payment not included in the budget.

56.58) Cash and cash equivalents at the beginning of the year: Immaterial variance

57. Change in estimate

Property, plant and equipment

The useful life of certain assets were re-estimated in the current period. Management have revised their estimated respective useful lives. The effect of this revision has decreased the depreciation charges for the current period and increased it for the future periods by R887 088.

Intangible assets

The useful life of certain assets were re-estimated in the current period. Management have revised their estimated respective useful lives. The effect of this revision has increased the depreciation charges for the current period and decreased it for the future periods by R2 124.

58. Events after the reporting date

No material non-adjusting events have been identified after the reporting date.