SUNDAYS RIVER VALLEY LOCAL MUNICIPALITY
(Demarcation code: EC106)

UNAUDITED ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2025

Sundays River Valley Local Municipality
(Demarcation code: EC106)
Unaudited Annual Financial Statements for the year ended 30 June 2025

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The reports and statements set out below comprise the unaudited annual financial statements presented to the provincial legislature:

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Abbreviations used:

AO	Accounting Officer
ASB	Accounting Standards Board
CIGFARO	Chartered Institute of Government Finance, Audit and Risk Officers
CFO	Chief Finance Officer
CLLR	Councilor
CPI	Consumer Price Index
CRC	Current Replacment Cost
DORA	Division of Revenue Act
DTSL	Department of Transport, Safety and Liaison
DWS	Department of Water Affairs and Sanitation
DBSA	Development Bank of South Africa
EPWP	Expanded Public Works Programme
FMG	Finance Management Grant
GRAP	Generally Recognized Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IDP	Integrated Development Plan
IRD	Initial Rate of Deposition
IPSAS	International Public Sector Accounting Standards
INEP	Intergrated National Electrification Programme
LFG	Landfill Gas
LG SETA	Local Government Sector Education Training Programme
LSA	Long Service Awards
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant
MPAC	Municipal Public Account Committee
mSCOA	Municipal Standard Chart of Accounts
MSIG	Municipal Systems Improvement Grant
NERSA	National Energy Regulator of South Africa

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PAYE	Pay As You Earn
PEMA	Post-employment Medical Aid Subsidy Liability
PPP's	Public Private Partnerships
RDP	Reconstruction and Development Programme
SALGA	South African Local Government Association
SARS	South African Revenue Service
SA GAAP	South African Statements of Generally Accepted Accounting Practice
SDBIP	Service Delivery and Budget Implementation Plan
SDL	Skills Development Levy
SG	Surveyor-General
UIF	Unemployment Insurance Fund
VAT	Value Added Taxation
WCA	Workers Compensation Administration

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Relevant Legislation:
Constitution of the Republic of South Africa (Act no 108 of 1996)
Municipal Finance Management Act (Act no 56 of 2003)
Division of Revenue Act
The Income Tax Act
Value Added Tax Act
Municipal Structures Act (Act no 117 of 1998)
Municipal Systems Act (Act no 32 of 2000)
Water Services Act (Act no 108 of 1997)
Housing Act (Act no 107 of 1997)
Municipal Property Rates Act (Act no 6 of 2004)
Electricity Act (Act no 41 of 1987)
Skills Development Levies Act (Act no 9 of 1999)
Employment Equity Act (Act no 55 of 1998)
Unemployment Insurance Act (Act no 30 of 1966)
Basic Conditions of Employment Act (Act no 75 of 1997)

Sundays River Valley Local Municipality
(Demarcation code: EC106)
Unaudited Annual Financial Statements for the year ended 30 June 2025

General Information

Legal form of entity	South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act (Act no 117 of 1998).
Nature of business and principal activities	Sundays River Valley Local Municipality is local municipality performing functions as set out in the Constitution (Act no 105 of 1996). The municipality's operations are governed by the Local Government: Municipal Finance Management Act (MFMA) (Act 56 of 2003), Municipal Structures Act (Act 117 of 1998), Municipal Systems (Act 32 of 2000) and various other acts and regulations.
Grading of municipal Council for the upper limits for Councillors	Grade 2 Local Municipality
Grading of remuneration of municipal manager and senior managers	Grade 2 Local Municipality
Wage curve categorisation	Grade 2 Local Municipality
Accounting Officer	T Klaas
Chief Finance Officer (CFO)	J Krapohl (Currently suspended) O Tyali (Acting CFO)
Registered office	23 Middle Street Kirkwood 6120
Business address	23 Middle Street Kirkwood 6120
Postal address	PO Box 47 Kirkwood 6120
Bankers	First National Bank Limited
Auditors	Auditor General - South Africa
Attorneys	Clark Laing Incorporated Taleni Godi Kupiso Incorporated Wesley Pretorious & Associates
Level of assurance	These annual financial statements has been audited in compliance with the applicable requirements of the Municipal Finance Management Act, No 56 of 2003.
Email address	srvm@srvm.gov.za
Website	https://srvm.gov.za/
Telephone number	(042) 230 7700
WhatsApp number	078 266 6230

Members of the Municipal Council

Mayor	Cllr. S Lucas
Speaker	Cllr. SC Nodonti
Ward Councillors	Cllr. MC Payi
	Cllr. N Langbooi
	Cllr. XJ Jonas
	Cllr. LE Baka
	Cllr. Z Qusheka
	Cllr. NR Baxana
	Cllr. AM Ndawo
	Cllr. PN Ncambele
Proportional Representative Councillors	Cllr. SC Nodonti
	Cllr. S Lucas
	Cllr. H Jagers
	Cllr. K Smith
	Cllr. M Bosman
	Cllr. H Bayini
	Cllr. B Dyantyi
	Cllr. HS Hendricks

Council committees

Executive Committee

Chairperson:	Cllr. S Lucas
Members:	Cllr. K Smith
	Cllr. MC Payi

Finance, Administration and LED

Chairperson:	Cllr. S Lucas
Members:	Cllr. H Jagers
	Cllr. N Langbooi
	Cllr. XJ Jonas
	Cllr. H Bayini
	Cllr. NR Baxana

Community Services and Public safety

Chairperson:	Cllr. K Smith
Members:	Cllr. Z Qusheka
	Cllr. N Langbooi
	Cllr. N Ncambele
	Cllr. H Jagers
	Cllr. AM Ndawo
	Cllr. HS Hendricks

Members of the Municipal Council

Infrastructure, Planning and Development

Chairperson:	Cllr. MC Payi
Members:	Cllr. Z Qusheka
	Cllr. N Ncambele
	Cllr. NR Baxana
	Cllr. M Bosman
	Cllr. B Dyantyi

Financial misconduct board

Chairperson:	Advocate P Songo (Attorney / Legal Expert - Deceased 29 May 2025)Advocate L Bono (Appointed as Chairperson from 01 July 2025)
Members:	Prof W Plaatjes (Audit & Risk Committee, SRVM)
	Mr M Ngwadla (Provincial Treasury)
	Mr A P Kondile (Director Corporate Services, SRVM - Currently suspended)
	Mr S Nkuntayi (Chief Audit Executive, SRVM)

Municipal public account committee (MPAC)

Chairperson:	Cllr. LE Baka
Members:	Cllr. N Langbooi
	Cllr. XJ Jonas
	Cllr. M Bosman
	Cllr. B Dyantyi

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 unaudited annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the unaudited 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 30 June 2025. The external auditors are engaged to express an independent opinion on the unaudited annual financial statements and was given unrestricted access to all financial records and related data.

The unaudited 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 unaudited 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 places 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 unaudited annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

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

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continues to procure funding for the ongoing operations for the municipality and that the municipality is very reliant on grants from National Treasury. Funding will be received from National Treasury as long as the municipality complies with all legislative requirements. The collection of outstanding consumer debtor accounts and effective service delivery is also a priority of the municipality.

Although the accounting officer are primarily responsible for the financial affairs of the municipality, they are supported by the municipality's management team, external auditors and other oversight governance structures of Council.

The external auditors are responsible for independently reviewing and reporting on the municipality's unaudited annual financial statements.

Accounting Officer's Report

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

1. Review of activities

Main business and operations

The municipality is engaged in providing municipal services and maintaining the best interests of the local community and operates principally in South Africa.

The municipality is an organ of state within the local sphere of government exercising legislative and executive authority within an area determined in terms of the local government: Municipal Demarcation Act: 1998 and operates in South Africa The municipality is a South African Category B/Grade 2.

The operating results and state of affairs of the municipality are fully set out in the attached unaudited annual financial statements and do not in our opinion require any further comment.

Net surplus of the municipality was (R 91 546 802) (2024: deficit R 39 139 478).

2. Going concern

We draw attention to the fact that at 30 June 2025, the municipality had an accumulated surplus (deficit) of R (833 126 637) and that the municipality's total assets exceed its liabilities by R(569 859 523).

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

3. Subsequent events

The accounting officer stated the following relating to of any matter or circumstance arising since the end of the financial year 30 June 2025.

4. Accounting Officers' interest in contracts

The Accounting Officer does not have an interest in contracts awarded, either direct or indirect.

5. Accounting policies

The unaudited annual financial statements prepared in accordance with the Municipal Finance Management Act (MFMA) and effective standards of Generally Recognised Accounting Practices (GRAP), including any interpretations of such statements issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

Accounting policies for material transactions, events or conditions not covered by the GRAP reporting framework, have been developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 (Revised – March 2012) and the hierarchy approved in Directive 5 issued by the Accounting Standards Board.

6. Accounting Officer

The accounting officer of the municipality during the year and to the date of this report is as follows:

Mr T Klaas

Accounting Officer's Responsibilities and Approval

The accounting officer further certifies that the salaries, allowances and benefits of councillors and payments made to councillors for loss of office, if any, as disclosed in the notes of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Goverment's determination in accordance with this Act.

The unaudited annual financial statements set out on page 13 - 129, which have been prepared on the going concern basis, was approved by the accounting officer on 31 August 2025 and was signed by him.

T Klaas
Accounting Officer
Sunday's River Valley Local Municipality
31 August 2025

Accounting Officer's Report

7. Corporate governance

The accounting officer is committed to business integrity, transparency and professionalism in all its activities. As part of this commitment, the accounting officer supports the highest standards of corporate governance and the ongoing development of best practice.

The municipality confirms and acknowledges its responsibility to total compliance with the Code of Corporate Practices and Conduct ("the Code") laid out in the King IV Report on Corporate Governance for South Africa of November 2016. The accounting officer discusses the responsibilities of management in this respect, at Council meetings and monitors the municipality's compliance with the code on a quarterly basis.

Audit committee

Chairperson:	
Members:	Prof. W Plaatjies
	M Wait
	T Knoetze

8. Bankers

The municipality's primary bank accounts are with First National Bank Limited and will continue to bank with them in the new financial year.

9. Auditors

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

10. Public Private Partnership

The municipality did not enter into any Public-Private Partnerships for the financial year under review, nor does it have any existing PPP's

11. Non-compliance with applicable legislation

In terms of section 65 (2)(e) of the Municipal Finance Management Act (Act 56 of 2003), all money owing by the municipality must be paid within 30 days of receiving the relevant invoice or statement. Due to cash flow constraints, the municipality, could not settle all money owing within the prescribed period.

The unaudited annual financial statements set out on pages 10 to 129, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2025 and was signed by him.

T Klaas
Accounting Officer
Sunday's River Valley Local Municipality
31 August 2025

Certification of Remuneration of Councillors

Declaration by the Accounting Officer

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution and as prescribed in the Government Gazette dated 16 May 2024. This read with the Remuneration of Public Officer Bearers Act, Circular 14/2015 dated 27 March 2015 of SALGA, the Minister of Corporative Governance and Traditional Affairs' determination in accordance with this Act and the approval letter received from the Minister of Corporative Governance, Human Settlements and Traditional Affairs on 3 April 2018.

T Klaas
Municipal Manager (Accounting Officer)
Sunday's River Valley Local Municipality
31 August 2025

Statement of Financial Position as at 30 June 2025

Figures in Rand	Note(s)	2025	2024 *Restated**
Assets			
Current Assets			
Cash and cash equivalents	4	9 183 995	7 100 644
Inventories	5	164 086	308 870
Receivables from exchange transactions	6	76 296 554	15 660 224
Receivables from non-exchange transactions	7	47 674 887	9 456 251
VAT receivable		972 662	492 348
Total Current Assets		**134 292 184**	**33 018 337**
Non-Current Assets			
Heritage assets	9	322 483	322 483
Intangible assets	10	434 778	658 225
Investment property	11	111 092 711	111 596 305
Property, plant and equipment	12	847 588 822	831 262 625
Total Non-Current Assets		**959 438 794**	**943 839 638**
Total Assets		**1 093 730 978**	**976 857 975**
Liabilities			
Current Liabilities			
Consumer deposits	13	78 901	83 988
Employee benefit obligation	14	1 117 000	813 996
Payables from exchange transactions	15	225 828 998	125 846 290
Provisions	16	1 007 482	7 047 097
Unspent conditional grants and receipts	17	204 546	209 031
Total Current Liabilities		**228 236 927**	**134 000 402**
Non-Current Liabilities			
Employee benefit obligation	14	12 050 000	6 798 651
Provisions	16	9 805 155	47 598 023
Total Non-Current Liabilities		**21 855 155**	**54 396 674**
Total Liabilities		**250 092 082**	**188 397 076**
Net Assets		**843 638 896**	**788 460 899**
Accumulated surplus		843 638 896	788 460 899
Total Net Assets		**843 638 896**	**788 460 899**

* See Note 45

Draft

Statement of Financial Performance for the year ended 30 June 2025

Figures in Rand	Note(s)	2025	2024 Restated*
Revenue			
Revenue from exchange transactions			
Agency services	18	1 926 017	2 954 906
Interest income	19	25 185 373	14 989 267
Licences and permits	21	1 560 207	988 845
Rental of facilities and equipment	22	210 975	146 875
Service charges	23	65 727 424	56 586 037
Operational revenue	24	466 060	1 382 484
Total revenue from exchange transactions		**95 076 056**	**77 048 414**
Revenue from non-exchange transactions			
Taxation revenue			
Interest income	20	29 212 273	7 238 235
Licences and Permits		267 917	-
Property rates	25	57 369 565	44 517 113
Transfer revenue			
Fines	26	149 652	670 611
Government grants and subsidies	27	193 408 473	171 596 339
Total revenue from non-exchange transactions		**280 407 880**	**224 022 298**
Total revenue		**375 483 936**	**301 070 712**
Expenditure			
Bulk purchases	28	(26 538 232)	(28 362 540)
Contracted services	29	(41 914 509)	(61 629 259)
Debt impairment	30	-	(39 747 616)
Bad debts written off	31	2 757 418	(5 174 349)
Depreciation	32	(38 667 952)	(43 244 385)
Employee related costs	33	(114 607 656)	(102 322 767)
Finance costs	34	(10 173 848)	(11 184 427)
General expenses	35	(39 829 758)	(32 922 668)
Inventory consumed	36	(14 556 082)	(11 453 869)
Remuneration of councillors	37	(8 035 439)	(7 281 729)
Total expenditure		**(291 566 058)**	**(343 323 609)**
Operating surplus (deficit)		**83 917 878**	**(42 252 897)**
Actuarial gains	14	(4 776 711)	(206 311)
Fair value adjustments	39	1 101 805	214 973
Inventories losses/write-downs		(119 342)	-
(Loss) gain on disposal of assets and liabilities	12	(5 614 251)	697 448
Reversal of impairments	38	(8 044 543)	2 239 624
Contributions to landfill provision		24 458 331	-
Surplus (deficit) for the year		**90 923 167**	**(39 307 163)**

* See Note 45

Statement of Changes in Net Assets for the year ended 30 June 2025

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	815 097 831	815 097 831
Adjustments		
Prior year adjustments 45	12 670 231	12 670 231
Balance at 01 July 2023 as restated*	**827 768 062**	**827 768 062**
Changes in net assets		
Deficit for the year	(39 307 163)	(39 307 163)
Total changes	(39 307 163)	(39 307 163)
Opening balance as previously reported	767 881 491	767 881 491
Adjustments		
Prior year adjustments 45	(15 165 762)	(15 165 762)
Restated* Balance at 01 July 2024 as restated*	**752 715 729**	**752 715 729**
Changes in net assets		
Deficit for the year	90 923 167	90 923 167
Total changes	90 923 167	90 923 167
Balance at 30 June 2025	**843 638 896**	**843 638 896**
Note(s)		

* See Note 45

Cash Flow Statement for the year ended 30 June 2025

Figures in Rand	Note(s)	2025	2024 *Restated**
Cash flows from operating activities			
Receipts			
Taxation		-	41 203 750
Sale of goods and services		-	38 937 762
Grants		191 374 171	166 962 162
Interest income		25 185 373	1 654 726
		216 559 544	248 758 400
Payments			
Employee costs		(99 687 050)	(105 056 147)
Suppliers		-	(95 448 602)
Finance costs		(9 600 038)	(6 691 257)
		(109 287 088)	(207 196 006)
Undefined difference compared to the cash generated from operations note		**(27 659 026)**	**-**
Net cash flows from operating activities	41	**79 613 430**	**41 562 394**
Cash flows from investing activities			
Additions to property, plant and equipment	12	(61 581 448)	(82 874 001)
Disposal of property, plant and equipment	12	(1 586 739)	11 298 382
Proceeds from sale of investment property	11	19 261	-
Proceeds from sale of biological assets that form part of an agricultural activity		24 458 331	-
Proceeds from sale of financial assets		-	(19 166)
Net cash flows from investing activities		**(38 690 595)**	**(71 594 785)**
Cash flows from financing activities			
Finance lease payments		(573 810)	-
Net increase/(decrease) in cash and cash equivalents		**40 349 025**	**(30 032 391)**
Cash and cash equivalents at the beginning of the year		7 100 644	5 477 924
Cash and cash equivalents at the end of the year	4	**47 449 669**	**(24 554 467)**

* See Note 45

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

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Sale of goods	656 017	(381 824)	**274 193**	-	**(274 193)**	
Agency services	3 646 767	(834 424)	**2 812 343**	1 926 017	**(886 326)**	Note 58.1
Interest received - investment	15 491 089	1 349 360	**16 840 449**	17 179 015	**338 566**	Note 60.4
Licences and permits	1 020 231	745 452	**1 765 683**	1 560 207	**(205 476)**	Note 58.2
Other income - (rollup)	-	943 793	**943 793**	-	**(943 793)**	Note 58.3
Operational revenue	1 383 645	(714 045)	**669 600**	161 682	**(507 918)**	
Rental of facilities and equipment	71 576	127 498	**199 074**	210 975	**11 901**	
Service charges	66 832 011	2	**66 832 013**	67 462 436	**630 423**	
Total revenue from exchange transactions	**89 101 336**	**1 235 812**	**90 337 148**	**88 500 332**	**(1 836 816)**	
Revenue from non-exchange transactions						
Taxation revenue						
Surcharges and Taxes	-	-	**-**	1 441 577	**1 441 577**	
Licences and Permits (Non-exchange)	24 259	237 322	**261 581**	267 917	**6 336**	
Interest, Dividends and Rent on Land	7 512 338	1 125 982	**8 638 320**	29 212 273	**20 573 953**	Note 60.6
Property rates	49 057 562	7 605 136	**56 662 698**	57 369 565	**706 867**	
Transfer revenue						
Fines, Penalties and Forfeits	1 848 580	(1 414 043)	**434 537**	149 652	**(284 885)**	Note 58.7
Government grants and subsidies	184 252 000	-	**184 252 000**	191 851 577	**7 599 577**	
Total revenue from non-exchange transactions	**242 694 739**	**7 554 397**	**250 249 136**	**280 292 561**	**30 043 425**	
Total revenue	**331 796 075**	**8 790 209**	**340 586 284**	**368 792 893**	**28 206 609**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Expenditure						
Bulk purchases	(31 949 779)	-	**(31 949 779)**	(26 538 232)	**5 411 547**	Note 60.13
Contracted Services	(33 764 978)	2 290 234	**(31 474 744)**	(40 126 755)	**(8 652 011)**	Note 58.14
Debt Impairment	(2 955 686)	16 844 587	**13 888 901**	-	**(13 888 901)**	
Depreciation and amortisation	(29 848 278)	-	**(29 848 278)**	(38 667 952)	**(8 819 674)**	Note 58.8
Employee related costs	(104 673 910)	-	**(104 673 910)**	(114 607 656)	**(9 933 746)**	
Finance costs	(2 659 742)	-	**(2 659 742)**	(10 173 848)	**(7 514 106)**	Note 58.10
General Expenses	(28 204 943)	2 698 531	**(25 506 412)**	(51 030 787)	**(25 524 375)**	Note 58.16
Remuneration of councillors	(7 762 759)	-	**(7 762 759)**	(8 035 439)	**(272 680)**	
Total expenditure	**(241 820 075)**	**21 833 352**	**(219 986 723)**	**(289 180 669)**	**(69 193 946)**	
Operating surplus	**89 976 000**	**30 623 561**	**120 599 561**	**79 612 224**	**(40 987 337)**	
Actuarial gains	-	-	-	(4 776 711)	**(4 776 711)**	
Fair value adjustments	-	-	-	1 101 805	**1 101 805**	Note 58.17
Loss on disposal of assets and liabilities	-	-	-	(5 614 251)	**(5 614 251)**	Note 58.15
Impairment loss/ Reversal of impairments	-	-	-	(8 044 543)	**(8 044 543)**	Note 58.9
Inventories losses/write-downs	-	-	-	(119 342)	**(119 342)**	**Note 60.18**
	-	-	-	**(17 453 042)**	**(17 453 042)**	
Surplus before taxation	**89 976 000**	**30 623 561**	**120 599 561**	**62 159 182**	**(58 440 379)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual 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						
Cash and cash equivalents	57 605 851	(14 270 308)	**43 335 543**	9 183 995	**(34 151 548)**	Note 58.23
Inventories	298 731	10 139	**308 870**	164 086	**(144 784)**	Note 58.19
Receivables from exchange transactions	19 735 054	2 536 092	**22 271 146**	60 898 578	**38 627 432**	Note 58.20
Receivables from non-exchange transactions	26 376 274	(10 526 645)	**15 849 629**	47 674 887	**31 825 258**	Note 58.21
VAT receivable	7 204 688	19 854 805	**27 059 493**	30 824 794	**3 765 301**	Note 58.22
Total current assets	**111 220 598**	**(2 395 917)**	**108 824 681**	**148 746 340**	**39 921 659**	
Non-Current Assets						
Heritage assets	322 483	-	**322 483**	322 483	**-**	
Intangible assets	(286 229)	(1 466 440)	**(1 752 669)**	434 778	**2 187 447**	Note 60.26
Investment property	22 609 323	17 595 216	**40 204 539**	111 092 711	**70 888 172**	Note 58.24
Property, plant and equipment	868 587 224	84 107 187	**952 694 411**	928 917 837	**(23 776 574)**	Note 58.25
Total non-current assets	**891 232 801**	**100 235 963**	**991 468 764**	**1 040 767 809**	**49 299 045**	
Total Assets	**1 002 453 399**	**97 840 046**	**1 100 293 445**	**1 189 514 149**	**89 220 704**	
Liabilities						
Current Liabilities						
Consumer deposits	2 636 677	(2 552 688)	**83 989**	78 901	**(5 088)**	
Employee benefit obligation	753 861	147 786	**901 647**	1 117 000	**215 353**	Note 58.29
Payables from exchange transactions	57 933 596	71 662 902	**129 596 498**	225 829 000	**96 232 502**	Note 58.27
Provisions	6 422 668	624 429	**7 047 097**	1 007 482	**(6 039 615)**	Note 58.31
Unspent conditional grants and receipts	9 208 816	(9 208 816)	**-**	204 546	**204 546**	Note 58.30
VAT payable	(255 752)	26 433 513	**26 177 761**	(30 726 904)	**(56 904 665)**	Note 58.28
Total current liabilities	**76 699 866**	**87 107 126**	**163 806 992**	**197 510 025**	**33 703 033**	
Non-Current Liabilities						
Employee benefit obligation	5 112 139	1 598 861	**6 711 000**	12 050 000	**5 339 000**	Note 58.32

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Provisions	38 342 697	9 255 326	**47 598 023**	9 805 155	**(37 792 868)**	Note 58.33
Total non-current liabilities	**43 454 836**	**10 854 187**	**54 309 023**	**21 855 155**	**(32 453 868)**	
Total Liabilities	**120 154 702**	**97 961 313**	**218 116 015**	**219 365 180**	**1 249 165**	
Net Assets	**882 298 697**	**(121 267)**	**882 177 430**	**970 148 969**	**87 971 539**	
Net Assets						
Accumulated surplus	882 298 697	(121 267)	**882 177 430**	801 012 801	**(81 164 629)**	Note 58.34
Undefined Difference	-	-	-	**42 626 095**	-	
Total Net Assets	**882 298 697**	**(121 267)**	**882 177 430**	**801 012 801**	**(81 164 629)**	

The accounting policies on pages 21 to 51 and the notes on pages 52 to 128 form an integral part of the unaudited annual financial statements.

1. Significant accounting polices

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.

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

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

1.2 Presentation currency

State party

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

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

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

When the final accounts have been closed, any transaction that occurs in respect of a prior period, is considered by management individually and collectively for materiality and the annual financial statements are amended with transactions that are material in amount or by nature.

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. Significant judgements include:

Trade receivables

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

The impairment for trade receivables is calculated on a payment rate basis per consumer. The payment rate is calculated on the total payments received per consumer in the current year, and then divided by the total revenue billed per consumer for the current year. The percentage is then converted to a non payment ratio. The non payment ratio is then multiplied with the consumers total outstanding balance. The movement between a consumers yearly impairment balance are accounted through profit and loss in the statement of financial performance.

Accounting Policies

1.5 Significant judgements and sources of estimation uncertainty (continued)

Allowance for slow moving, damaged and obsolete stock

Management's judgement is required when determining the write down of stock 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 inventory 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 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.

Provisions

Management's judgement is required when recognising and measuring provisions, contingent liabilities and contingent assets. Additional disclosure of these estimates of provisions are included in note 16.

Useful lives of infrastructure and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for the property, plant and equipment and Investment properties. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives. In the event that a depreciating asset is nearing the end of its useful life, the availability of budget to replace the asset is considered. If the asset is not budgeted to be replaced, the useful life is extended by one year. Depreciation is adjusted going forward.

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 14.

Effective interest rate

The municipality used the most relevant contractual risk rate applicable where relevant to each category of assets and liabilities to discount future cash flows. Where none exists the prime interest rate is used to discount future cash flows.

Allowance for impairment

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.

1.5 Significant judgements and sources of estimation uncertainty (continued)

Recognition and Derecognition of Land

In some instances the municipality is not the legal owner or the custodian of land appointed in terms of legislation, but assessed that it controls such land. Key judgements made and assumptions applied to conclude that it controls such land, are as follow (IGRAP 18 par. 41):

- Land controlled by the municipality as a result of a past event and from which future economic benefit or service potential is expected to flow to the entity are recognised by the municipality. Control is evidenced by the municipality's ability to use, or direct others to use, the land and also by the right to direct access to the land and to restrict or deny access of others to the land.

In some instances the municipality is the legal owner, or the custodian of land appointed in terms of legislation, but concludes that it does not control such land. Key judgements made and assumptions applied to conclude that it does not control such land, are as follow (IGRAP 18 par. 41):

- Land not controlled by the municipality as a result of a past event and from which future economic benefit or service potential will not flow to the municipality. The municipality does not have the ability to use or direct others to use the land. The municipality does not have rights to direct access to the land and to restrict or deny access of others to the land. There are various housing scheme land where the municipality is still the legal owner per the deeds office, but where control and substantive rights were not transferred. These land are not recognised by the municipality.

Accounting by principals and agent

The municipality makes assessments on whether it is the principal or agent in principal-agent relationships.

Additional information is disclosed in note 59.

Segment reporting

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

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.

The municipality does not disclose the geographical areas in which it operates as it is not relevant for decision-making purposes.

Measurement

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

Interest on exchange and non exchange assets

In applying GRAP 104, GRAP 9 and GRAP 23 interest earned should be split based on the nature of the source of revenue, i.e., exchange and non-exchange. The financial system calculates interest on total debt outstanding monthly (Total balance due less interest charged not settled). Therefor interest is billed on total due (capital only amount). Management therefor to comply with the split on exchange and non-exchange calculates the total debt outstanding per source of revenue and then uses that to split interest earned between exchange and non-exchange transactions.

Accounting Policies

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.

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 fair value. 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.

Fair value

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

If the municipality determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably measurable when construction is complete, it measures that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier). If the entity determines that the fair value of an investment property (other than an investment property under construction) is not reliably determinable on a continuing basis, the entity measures that investment property using the cost model (as per the accounting policy on Property, plant and equipment). The residual value of the investment property is then assumed to be zero. The entity applies the cost model (as per the accounting policy on Property, plant and equipment) until disposal of the investment property.

Once the municipality becomes able to measure reliably the fair value of an investment property under construction that has previously been measured at cost, it measures that property at its fair value. Once construction of that property is complete, it is presumed that fair value can be measured reliably. If this is not the case, the property is accounted for using the cost model in accordance with the accounting policy on Property, plant and equipment.

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.

Revenue earned from rental of investment property is disclosed as part of rental of facilities and equipment and are thus not disclosed separately, as they are not material. Expenses in respect of investment property are disclosed as other expenditure and not disclosed separately as they are not material.

The municipality separately discloses expenditure to repair and maintain investment property in the notes to the unaudited annual financial statements (see note 11). Cost incurred to repair and maintain investment property comprises of goods and services and contracted services. These cost excludes labour cost.

The municipality discloses relevant information relating to assets under construction or development, in the notes to the unaudited annual financial statements (see note 11). All investment property under construction which have exceeded the initial planned completion date by two years are considered to be taking a significantly longer period of time to complete than expected.

Accounting Policies

1.7 Property, plant and equipment

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

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

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

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

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.

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

Item	Depreciation method	Average useful life
Immovable assets		
Buildings	Straight-line	7 - 50 years
Community	Straight-line	15 - 50 years
Infrastructure - Electricity network	Straight-line	15 - 40 years
Infrastructure - Roads network	Straight-line	15 - 80 years
Infrastructure - Solid waste network	Straight-line	15 - 50 years
Infrastructure - Water network	Straight-line	15 - 80 years
Land	Straight-line	Indefinite
Movable assets		
Computer equipment	Straight-line	5 - 15 years
Furniture and fixtures	Straight-line	5 - 15 years
Motor vehicles	Straight-line	7 - 15 years
Plant and machinery	Straight-line	5 - 15 years

Accounting Policies

1.7 Property, plant and equipment (continued)

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

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

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

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

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

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

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

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 12). The expenditure to repair and maintain property, plant and equipment comprises of goods and services and contracted services. These cost excludes labour cost.

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 12).

1.8 Site restoration and dismantling cost

The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as 'decommissioning, restoration and similar liabilities'. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which a municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

If the related asset is measured using the cost model:

- (a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
- (b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
- (c) if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash-generating assets.

1.9 Heritage assets

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

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.

Accounting Policies

1.9 Heritage assets (continued)

The municipality separately discloses expenditure to repair and maintain heritage assets in the notes to the financial statements (see note 9). Cost incurred to repair and maintain heritage assets comprises of goods and services and contracted services. These costs excludes labour cost.

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 9). Heritage Assets under construction are carried at cost. All assets under construction which have exceeded the initial planned completion date by two years are considered to be taking a significantly longer period of time to complete than expected.

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.

Heritage assets are not depreciated, since their long economic life and high residual value means that any depreciation would be immaterial. Heritage assets are considered to have indefinite useful lives.

Impairment

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

Transfers

Transfers from heritage assets are only made when the particular asset no longer meets the definition of a heritage asset.

Transfers to heritage assets are only made when the asset meets the definition of a heritage asset.

Derecognition

The municipality derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset is included in surplus or deficit when the item is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback). The gain or loss arising from the disposal or retirement of a heritage asset is determined as the difference between the net disposal proceeds, if any, and the carrying value and is recognised in the statement of financial performance

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.

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

1.10 Financial instruments (continued)

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

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

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.

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.

Accounting Policies

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
Loan1	Financial asset measured at amortised cost
Loan2	Financial asset measured at amortised cost
Loan3	Financial asset measured at amortised cost
Other receivables2	Financial asset measured at amortised cost

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

Class	Category
Loan2	Financial liability measured at amortised cost
Other receivables1	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.

Accounting Policies

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.

Accounting Policies

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, a municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

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

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.

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).

Accounting Policies

1.10 Financial instruments (continued)

Presentation

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

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

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

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

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

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

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.

1.11 Statutory receivables (continued)

Accrued interest

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

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

Other charges

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

Impairment losses

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

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

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

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

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

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

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.

Accounting Policies

1.11 Statutory receivables (continued)

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.

Finance leases - lessee

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

The discount rate used in calculating the present value of the minimum lease payments is the municipality's incremental borrowing rate.

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

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

The depreciation policy for depreciable leased assets is consistent with the normal depreciation policy for similar assets.

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 comprise current assets held for sale, consumption or distribution during the ordinary course of business. 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.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing theinventories to their present location and condition. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventories are manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing, construction or production process.

1.13 Inventories (continued)

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. 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;
- 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 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.

Water Inventory

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

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

1.14 Construction contracts and receivables

Construction contract is a contract, or a similar binding arrangement, specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and function or their ultimate purpose or use.

Contractor is an entity that performs construction work pursuant to a construction contract.

Cost plus or cost based contract is a construction contract in which the contractor is reimbursed for allowable or otherwise defined costs and, in the case of a commercially-based contract, an additional percentage of these costs or a fixed fee, if any.

Fixed price contract is a construction contract in which the contractor agrees to a fixed contract price, or a fixed rate per unit of output, which in some cases is subject to cost escalation clauses.

A contractor is an entity that enters into a contract to build structures, construct facilities, produce goods, or render services to the specifications of another entity either itself or through the use of sub-contractors. The term "contractor" thus includes a general or prime contractor, a subcontractor to a general contractor, or a construction manager.

The municipality assesses the terms and conditions of each contract concluded with customers to establish whether the contract is a construction contract or not. In assessing whether the contract is a construction contract, an entity considers whether it is a contractor.

Where the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting date, as measured by surveys of work done.

Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

1.14 Construction contracts and receivables (continued)

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent that contract costs incurred are recoverable. Contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected deficit is recognised as an expense immediately.

1.15 Cash and cash equivalents

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

1.16 Impairment of cash and 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

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

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.

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

- None of the assets are managed with the objective of generating positive cash flows are expected to be significantly higher than the cost of the asset; and

- Although certain services assets generate positive cash flows, these are used for cross subsidisation of services assets that generate negative cash flows.

Designation

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

The municipality designates an asset or a cash-generating unit as cash-generating when:

• its objective is to use the asset or a cash-generating unit in a manner that generates a commercial return; such that

• the asset or cash-generating unit will generate positive cash flows, from continuing use and its ultimate disposal, that ai expected to be significantly higher than the cost of the asset.

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

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

Accounting Policies

1.16 Impairment of cash and non-cash-generating assets (continued)

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 municipality 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.

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.

Accounting Policies

1.16 Impairment of cash and 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.

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.

1.17 Employee benefits

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

The municipality provides retirement benefits for its employees and councillors. Retirement benefits consist of defined contribution plans and defined-benefit plans.

Defined-contribution plans are post-employment benefit plans under which a municipality pays fixed contributions into a separate entity (a fund), and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against the statement of financial performance in the year in which they become payable.

Defined-benefit plans are post-employment benefit plans other than defined-contribution plans. The defined-benefit funds are actuarially valued based on the projected unit credit method. Deficits identified are recovered through lump sum payments or increased future contributions on a proportional basis from all participating municipalities. The contributions and lump sumpayments are charged against the statement of financial performance in the year in which they become payable.

Accounting Policies

1.17 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; 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 municipality during a reporting period, the municipality recognise 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 municipality recognise 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 municipality measures the expected cost of accumulating compensated absences as the additional amount that the municipality expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The municipality provides long-service awards to eligible employees, after completion of every five years' service and the liability thereof is based on an actuarial valuation. The projected unit credit method has been used to value the obligation.

Actuarial gains and losses on the long-term incentives are fully accounted for in the statement of financial performance.

Post-employment benefits

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

The municipality provides post-retirement benefits by subsidising the medical healthcare contributions of certain retired staff. According to the rules of the medical aid funds with which the municipality is associated, a member on retirement is entitled to remain a continued member of such medical aid fund, and the municipality will continue to subsidise medical contributions in accordance with the provisions of the employee's employment contract.

The liability in respect of current pensioners is regarded as fully accrued, and is therefore not split between a past, or accrued and future in-service element. The liability is recognised at the fair value of the obligation, together with any adjustments required. The projected unit credit method has been used to value the obligation. Refer to note 14.

Post-employment benefits: Defined contribution plans

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

When an employee has rendered service to the entity during a reporting period, the entity recognise the contribution payable to a defined contribution plan in exchange for that service:
• as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
• as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

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

Accounting Policies

1.17 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 recognise actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

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 recognise past service cost as an expense in the reporting period in which the plan is amended.

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

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

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;
- actuarial gains and losses;
- past service cost; and
- the effect of any curtailments or settlements.

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.

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.

1.17 Employee benefits (continued)

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

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

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

1.18 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.

Accounting Policies

1.18 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.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 43.

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 1.16 .

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.

1.19 Commitments

Capital commitments disclosed in the annual financial statements represent the contractual balance committed to capital projects on reporting date that will incurred in the period subsequent to the specific reporting date. The municipality discloses capital commitments exclusive of VAT.

1.20 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. Revenue arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

Pre-paid Electricity

Revenue from the sale of electricity pre-paid meter cards are recognised at the point of sale. Revenue from the sale of electricity prepaid meter cards are recognised based on an estimate of the prepaid electricity consumed as at the reporting date.

1.20 Revenue from exchange transactions (continued)

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.

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

Interest

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

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

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

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

1.21 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.

1.21 Revenue from non-exchange transactions (continued)

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.

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

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

Recognition

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

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

Measurement

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

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

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 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.

Accounting Policies

1.21 Revenue from non-exchange transactions (continued)

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.

Unconditional Grants

Equitable share allocations are recognised in revenue in the beginning of the financial year.

Conditional Grants

Conditional grants recognised as revenue to the extent that the Municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the criteria, conditions or obligations have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

Interest earned on grants received and invested is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor and if it is the Municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

Availability charges

The municipality recognise revenue for charges billed to consumers for all vacant or undeveloped land that has been serviced. These properties are not connected to the municipal infrastructure, but can be reasonably be connected to the service.

Availability charges arise from the application of the approved tariff of charges and is recognised when the the asset recognition criteria is met.

Fines

Availability charges arise from the application of the approved tariff of charges and is recognised when the the asset recognition criteria is met.

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.

Assets arising from fines are initially measured at its fair value at the date of acquisition, which is the best estimate of the inflow of economic benefits. The probability of non-payment is not considered at initial recognition.

The non-payment of traffic fines is estimated at subsequent measurement with reference to historical data and payment trend analysis. An impairment loss is recognised in surplus and deficit.

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

Bequests

Bequests that satisfy the definition of an asset 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.

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.

Accounting Policies

1.21 Revenue from non-exchange transactions (continued)

Services in-kind

Except for financial guarantee contracts, the municipality recognise services in-kind that are significant to its operations and/or service delivery objectives as assets and recognise the related revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Where services in-kind are not significant to the municipality's operations and/or service delivery objectives and/or do not satisfy the criteria for recognition, the municipality disclose the nature and type of services in-kind received during the reporting period.

Unallocated deposit

All unclaimed deposits are initially recognised as a liability until 36 months expires, when all unclaimed deposits into the municipality's bank account will be treated as revenue. This policy is in line with prescribed debt principles as enforced by the law.

1.22 Investment income

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

1.23 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.

Change in accounting policy due to amendments to GRAP 5 - Borrowing costs

The adoption of amendments to GRAP 5 - Borrowing costs resulted in a change in accounting policy during the current period. The effect of the change is that borrowing costs are now expensed when incurred, and this change is applied prospectively since 01/07/2017. The effective date of the amendments was 01/04/2020.

Borrowing costs, incurred both before and after the effective date of this amendment and related to qualifying assets for which the commencement date for capitalisation is prior to the effective date of this Standard, is recognised in accordance with the municipality's previous accounting policy.

1.24 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.

Accounting Policies

1.24 Accounting by principals and agents (continued)

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.

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.

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.

1.25 Comparative figures

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

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are reclassified. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.26 Unauthorised expenditure

Unauthorised expenditure is defined as any expenditure incurred by a municipality not in accordance with section 15 or 11(3) of the MFMA, and includes an overspending of the total amount appropriated in the municipality's approved budget, an overspending of the total amount appropriated for a vote in the approved budget, an expenditure from a vote unrelated to the department or functional area covered by the vote, an expenditure of money appropriated not in accordance for that specific purpose, a spending of an allocation not in accordance with any conditions of the allocation, or a grant made by the municipality not in accordance with the MFMA.

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.

1.27 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.

Fruitless and wasteful expenditure is disclosed inclusive of VAT.

1.28 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.

1.28 Irregular expenditure (continued)

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 is disclosed inclusive of VAT.

1.29 Consumer deposits

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

1.30 Offsetting

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

1.31 Segment information

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

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

Measurement

The amount of each segment item reported is the measure reported to management for the purposes of making decisions about allocating resources to the segment and assessing its performance.

Management uses only one measure of a segment's surplus or deficit, the segment's assets or the segment's liabilities in assessing segment performance and deciding how to allocate resources, segment surplus or deficit, assets and liabilities are reported in terms of that measure.

1.32 Budget information

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

The approved budget is prepared on an accrual basis and presented in accordance with the GRAP reporting framework.

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 accounting basis and for the same municipality and same period but not on the same classification basis therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

The Statement of comparative and actual information has been included in the annual financial statements based on the prescribed budget schedules using tables B1, B4, B6 and B7.

1.33 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.

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.

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.

1.33 Related parties (continued)

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 unaudited annual financial statements.

1.34 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.

1.35 Change on accounting policies estimates and errors

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

Changes in accounting estimates are applied prospectively in accordance with GRAP 3 requirements. Details of changes in estimates are disclosed in the notes to the annual financial statements where applicable.

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

The municipality identified and disclosed the impact of GRAP standards that have been issued but are not yet effective in accordance with the requirements of GRAP 3.

1.36 Bad debts written off

Bad debts are written off in the year during which they are identified as irrecoverable, subject to the approval by the appropriate delegated authority. When a receivable is considered uncollectible, it is written off against the debt provision account. Subsequent recoveries of amounts previously written off are credited against the Statement of Financial Performance.

1.37 Value Added Tax

The municipality accounts for Value Added Tax on the Payments Basis in accordance with section15(2)(a) of the Value-Added Tax Act (Act No 89 of 1991).

The Municipality is registered for VAT on the payment basis. Revenue, expenses and assets are recognised net of the amount of value added tax. The net amount of value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Accounting Policies

1.38 Unspent Conditional Grants and Receipts

Unspent conditional grants and receipts are reflected on the Statement of Financial Position as a current liability. They represent unspent government grants, subsidies and contributions from the public. This liability always has to be backed by cash.

The following provisions are set for the creation and utilisation of this liability:

- The cash which backs up the liability is invested until it is utilised,
- Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the liability. If it is the municipality's interest it is recognised as interest earned in the Statement of Financial Performance.
- Whenever an asset is purchased out of the unspent conditional grant an amount equal to the cost price of the asset purchased is transferred from the unspent conditional grant into the Statement of Financial Performance as revenue.

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		Unlikely there will be a material impact
• GRAP 1 (amended): Presentation of Financial Statements (Going Concern)		Unlikely there will be a material impact
• GRAP 103 (amended): Heritage Assets		Unlikely there will be a material impact
• GRAP 104 (as revised): Financial Instruments	01 April 2025	Unlikely there will be a material impact

2.2 Standards and interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2025 or later periods but are not relevant to its operations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• iGRAP 22 Foreign Currency Transactions and Advance Consideration	01 April 2025	Unlikely there will be a material impact

3. Financial instruments disclosure

Categories of financial instruments

2025

Financial assets

	At amortised cost	Total
Receivables from exchange transactions	76 296 553	76 296 553
Receivables from non-exchange transactions	47 602 851	47 602 851
Cash and cash equivalents	9 183 994	9 183 994
	133 083 398	**133 083 398**

Financial liabilities

	At amortised cost	Total
Payables from exchange transactions	145 173 689	145 173 689
Consumer deposits	78 901	78 901
	145 252 590	**145 252 590**

2024

Financial assets

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2025	2024

3. Financial instruments disclosure (continued)

	At amortised cost	Total
Receivables from exchange transactions	15 660 224	15 660 224
Receivables from non-exchange transactions	8 697 699	8 697 699
Cash and cash equivalents	7 100 643	7 100 643
	31 458 566	**31 458 566**

Financial liabilities

	At amortised cost	Total
Payables from exchange transactions	108 750 158	108 750 158
Consumer deposits	83 988	83 988
	108 834 146	**108 834 146**

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2025	2024

4. Cash and cash equivalents

Cash and cash equivalents consist of:

	2025	2024
Cash on hand	11	11
Bank balances	314 933	902 507
Short-term deposits	8 869 051	6 198 126
	9 183 995	**7 100 644**
The total amount of undrawn facilities available for future operating activities and commitments	9 183 995	7 100 644
	9 183 995	**7 100 644**

The municipality had the following bank accounts

Account number / description	Bank statement balances 30 June 2025	Bank statement balances 30 June 2024	Bank statement balances 30 June 2023	Cash book balances 30 June 2025	Cash book balances 30 June 2024	Cash book balances 30 June 2023
Current accounts	-	-	-	-	-	-
FNB BANK - Primary Account - 620-254-90856	200 723	712 029	(52 379)	212 745	719 251	(2 327 808)
Petty Cash	-	-	-	11	-	-
FNB BANK - Motor Account - 626-987-54134	30 907	167 006	1 181 102	31 499	178 048	1 202 784
FNB BANK - Traffic FinesAccount - 626-987-50009	31 498	5 218	73 591	70 689	5 218	73 590
Short-term Investments	-	-	-	-	-	-
FNB BANK - MIG Account - 620-812-28621	2 045 912	1 000	1 000	2 045 913	1 000	1 000
FNB BANK - FMG Account - 621-494-57708	10 000	1 000	1 000	10 000	1 000	1 000
FNB BANK - Integrated ZoningAccount - 621-614-89086	117 622	261 000	1 000	117 623	261 000	1 000
FNB BANK - Town PlanningAccount - 621-789-42580	24 760	24 760	24 760	24 760	24 760	24 760
FNB BANK - INEP Account - 620-275-90589	2 088 490	226 309	3 346 667	2 088 490	226 310	3 346 666
FNB BANK - Salary Account - 620-849-69694	1 000	1 000	8 600	1 000	1 000	8 599
FNB BANK - EPWP Account - 623-874-75009	1 600	1 600	1 000	1 600	1 600	1 000
FNB BANK - Disaster RecoveryAccount - 623-940-71204	4 579 665	5 681 456	846 183	4 579 665	5 681 457	846 183
Total	**9 132 177**	**7 082 378**	**5 432 524**	**9 183 995**	**7 100 644**	**3 178 774**

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2025	2024

5. Inventories

Consumable stores	77 118	102 560
Water for distribution	86 968	206 310
	164 086	**308 870**
Opening balance	206 310	368 499
System input volume	-	7 581 547
Authorised consumption	-	2 267 623
Water losses	-	(9 849 170)
Data transfer and management errors	-	(162 189)
Undefined Difference	**(119 342)**	**-**
Closing balance	**86 968**	**206 310**
	47 674 887	**7 211 309**
Total	-	108 419 429

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2025	2024

6. Receivables from exchange transactions

	2025	2024
Gross balances		
Employee costs in advance	-	9 623
Prepayments	1 068 130	1 083 923
Deposits	151 468	151 468
Accrued interest	43 330	-
Consumer debtors - Electricity	25 711 851	20 984 775
Consumer debtors - Water	103 382 529	79 751 373
Consumer debtors - Waste water	24 450 166	19 210 030
Consumer debtors - Refuse	52 996 263	40 754 633
Consumer debtors - Sundry	13 992 805	14 612 362
	221 796 542	**176 558 187**
Less: Allowance for impairment		
Consumer debtors - Electricity	(15 644 412)	(14 162 524)
Consumer debtors - Water	(67 072 150)	(75 945 655)
Consumer debtors - Waste water	(15 951 013)	(18 510 034)
Consumer debtors - Refuse	(34 574 070)	(40 021 407)
Consumer debtors - Sundry	(12 258 343)	(12 258 343)
	(145 499 988)	**(160 897 963)**
Net balance		
Employee costs in advance	-	9 623
Prepayments	1 068 130	1 083 923
Deposits	151 468	151 468
Prepaid Electricity	43 330	-
Consumer debtors - Electricity	10 067 439	6 822 251
Consumer debtors - Water	36 310 379	3 805 718
Consumer debtors - Waste water	8 499 153	699 996
Consumer debtors - Refuse	18 422 193	733 226
Consumer debtors - Sundry	1 734 462	2 354 019
	76 296 554	**15 660 224**
Electricity		
Current (0 -30 days)	4 421 152	4 454 098
31 - 60 days	2 914 057	488 883
61 - 90 days	538 211	442 750
91 - 120 days	233 838	664 590
120+ Days	19 086 480	14 934 454
Impairment	(15 644 411)	(14 162 524)
Undefined Difference	**(1 481 888)**	**-**
	10 067 439	**6 822 251**

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2025	2024

6. Receivables from exchange transactions (continued)

Water		
Current (0 -30 days)	4 419 077	3 265 335
31 - 60 days	1 685 672	1 480 081
61 - 90 days	1 537 630	1 480 467
91 - 120 days	1 522 665	1 450 721
120+ Days	93 639 238	72 074 768
Impairment	(75 367 408)	(75 945 654)
Undefined Difference	**8 873 505**	-
	36 310 379	**3 805 718**

Waste water		
Current (0 -30 days)	357 185	571 493
31 - 60 days	289 573	267 672
61 - 90 days	283 461	261 499
91 - 120 days	278 122	261 397
120+ Days	23 241 984	17 847 969
Impairment	(18 510 193)	(18 510 034)
Undefined Difference	**2 559 021**	-
	8 499 153	**699 996**

Refuse		
Current (0 -30 days)	573 182	1 070 303
31 - 60 days	543 513	510 484
61 - 90 days	535 212	502 024
91 - 120 days	529 193	500 705
120+ Days	50 815 366	38 171 117
Impairment	(40 021 610)	(40 021 407)
Undefined Difference	**5 447 337**	-
	18 422 193	**733 226**

Sundry Debtors		
Current (0 -30 days)	11 293	19 740
31 - 60 days	11 293	91 009
61 - 90 days	11 293	27 664
91 - 120 days	11 293	616 703
120+ Days	12 259 659	13 857 246
Impairment	(9 902 204)	(12 258 343)
Undefined Difference	**(668 165)**	-
	1 734 462	**2 354 019**

Figures in Rand	2025	2024

6. Receivables from exchange transactions (continued)

Summary of debtors by customer classification

Residential / Consumers		
Current (0 -30 days)	9 781 892	9 380 970
31 - 60 days	5 444 111	2 838 131
61 - 90 days	2 905 810	2 714 405
91 - 120 days	2 575 114	3 494 118
120+ Days	195 826 381	151 510 928
	216 533 310	169 938 555
Less: Allowance for impairment	(141 267 193)	(160 897 963)
	75 266 115	**9 040 589**

Total		
Current (0 -30 days)	9 781 892	9 380 970
31 - 60 days	5 444 111	2 838 131
61 - 90 days	2 905 810	2 714 405
91 - 120 days	2 575 114	3 494 118
120+ Days	195 826 381	156 885 549
	216 533 310	169 938 554
Less: Allowance for impairment	(156 229 492)	(160 897 963)
Undefined Difference	**14 729 810**	-
	75 033 626	**14 415 210**

Reconciliation of allowance for impairment		
Balance at beginning of the year	(160 897 963)	(128 641 532)
Contributions to allowance	19 630 769	(32 256 430)
	(141 267 194)	**(160 897 962)**

Receivables from exchange transactions pledged as security

No Trade and other receivables from exchange transactions were pledged as security.

Credit quality of trade and other receivables from exchange

The credit quality of trade and other receivables from exchange transactions that are neither past due nor due nor impaired can be assessed by reference to historical trends and other available information. Although credit quality can be assessed the municipality did not apply any methods to evaluate the credit quality.

Fair value of receivables from exchange transactions		
Trade and other receivables from exchange	76 296 553	15 650 600

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2025	2024

7. Receivables from non-exchange transactions

Gross balances		
Fines	8 218 971	8 104 981
Government grants and subsidies	(69 149)	(69 149)
Property rates	125 158 783	110 239 578
	133 308 605	**118 275 410**
Less: Allowance for impairment		
Fines	(8 077 787)	(7 277 281)
Property rates	(77 555 931)	(101 541 878)
	(85 633 718)	**(108 819 159)**
Net balance		
Fines	141 184	827 700
Government grants and subsidies	(69 149)	(69 149)
Property rates	47 602 852	8 697 700
	47 674 887	**9 456 251**
Statutory receivables included in receivables from non-exchange transactions above are as follows:		
Fines	141 184	333 757
Government grants and subsidies	(69 149)	-
Property rates	47 602 851	6 877 551
	47 674 887	**9 456 251**
Total receivables from non-exchange transactions	**47 674 887**	**9 456 251**
Fines		
Current (0 -30 days)	-	8 104 980
31 - 60 days	-	-
61 - 90 days	-	-
91 - 120 days	-	-
120+ Days	8 218 970	-
Impairment	(8 077 786)	(7 277 280)
	141 184	**827 700**
Government grants and subsidies		
Current (0 -30 days)	(69 149)	(69 149)
31 - 60 days	-	-
61 - 90 days	-	-
91 - 120 days	-	-
120+ Days	-	-
Impairment	-	-
	(69 149)	**(69 149)**

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2025	2024

7. Receivables from non-exchange transactions (continued)

Property rates		
Current (0 -30 days)	4 645 942	7 545 505
31 - 60 days	1 911 630	1 643 362
61 - 90 days	1 648 501	1 503 508
91 - 120 days	1 537 702	1 431 972
120+ Days	115 624 774	98 115 231
Impairment	(100 231 098)	(101 541 878)
Undefined Difference	**22 465 401**	**-**
	47 602 852	**8 697 700**

Summary of debtors by customer classification

Consumers		
Current (0 -30 days)	4 645 942	7 545 505
31 - 60 days	1 911 630	1 643 362
61 - 90 days	1 648 501	1 503 508
91 - 120 days	1 537 702	1 431 972
120+ Days	115 624 774	98 115 231
	-	108 419 428
Less: Allowance for impairment	(100 231 098)	(101 541 878)
	25 137 451	**8 697 700**

Total		
Current (0 -30 days)	4 645 942	7 545 505
31 - 60 days	1 911 630	1 643 362
61 - 90 days	1 648 501	1 503 508
91 - 120 days	1 537 702	1 431 972
120+ Days	115 624 774	98 115 231
	-	108 419 428
Less: Allowance for impairment	(100 231 098)	(101 541 878)
Undefined Difference	**22 465 401**	**-**
	47 602 852	**8 697 700**

Reconciliation of allowance for impairment		
Balance at beginning of the year	(101 541 878)	(90 066 599)
Contributions to allowance	1 310 780	(11 475 279)
	(100 231 098)	**(101 541 878)**

Receivables from non-exchange transactions pledged as security

No Trade and other receivables from non-exchange transactions were pledged as security.

Credit quality of trade and other receivables from non-exchange

The credit quality of trade and other receivables from non-exchange transactions that are neither past due nor due nor impaired can be assessed by reference to historical trends and other available information. Although credit quality can be assessed the municipality did not apply any methods to evaluate the credit quality.

Fair value of receivables from non-exchange transactions

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2025	2024

7. Receivables from non-exchange transactions (continued)

Trade and other receivables from non-exchange	47 674 887	9 456 251

Figures in Rand	2025	2024

8. Statutory receivables

The municipality had the following statutory receivables where the Framework for the Preparation and Presentation of Financial Statements have been applied, for the initial recognition:

Statutory receivables included in the Statement of Financial Position under VAT Payable

VAT Receivable	93 082 833	59 071 162
VAT Payable	(92 110 170)	(58 578 813)
	972 663	**492 349**

Property rates	47 602 851	8 697 699
Fines	141 184	827 700
Government grants and subsidies	(69 149)	(69 149)
	47 674 886	**9 456 250**

Reconciliation of provision for impairment for statutory receivables

Provision for impairment included under receivables from non-exchange transactions:		
Property rates	(77 555 931)	(101 541 878)
Fines	(8 077 786)	(7 277 280)
	(85 633 717)	**(108 819 158)**

Statutory receivables general information

Property rates related transactions arise in terms of the Municipal Property Rates Act, 6 of 2004, Municipal Finance Management Act, 56 of 2003, as well as the Property Rates Policy of the municipality approved by Council as part of the Budget Process.

Traffic fines arise from the National Road Traffic Act 93 of 1996, National Road Traffic Regulations 2000, National Land Transport Act 5 of 2009 and Criminal Procedure Act 51 of 1971. Prosecutor performs prosecutorial functions in terms of a general delegation awarded by the National Prosecuting Authority and is subject to the control of theControl Prosecutor at the Magistrate's Court.

Government grants related transactions arise in terms of the applicable annual Division of Revenue Act Bill as well as the relevant Provincial Gazette.

VAT transactions arise from the Value Added Tax Act 89 of 1991. VAT is an indirect tax on the consumption of goods and services in the economy. VAT is levied on all goods and services subject to certain exemptions, exceptions, deductions and adjustments provided for in the Value Added Tax Act 89 of 1991.

Property rates transaction amounts are determined in line with the Annual Tariff List of the municipality approved by Council as part of the Budget Process in terms of the Municipal Finance Management Act, 56 of 2003.

Traffic fines transaction amounts are determined in line with the Traffic Offence Code Book as approved by Senior Magistrate and implemented in the district.

Government grants related transaction amounts allocated to the municipality are stipulated in the applicable annual Division of Revenue Act as well as the relevant Provincial Gazette.

VAT transactions amounts are determined in line with the Value Added Tax Act 89 of 1991.

No impairment on VAT Receivable, balance expected to be fully recoverable.

Notes to the Unaudited Annual Financial Statements

Figures in Rand

9. Heritage assets

	2025			2024		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Collections of rare books, manuscripts and records	70 975	-	70 975	70 975	-	70 975
Historical buildings	251 508	-	251 508	251 508	-	251 508
Total	**322 483**	**-**	**322 483**	**322 483**	**-**	**322 483**

Reconciliation of heritage assets 2025

	Opening balance	Total
Collections of rare books, manuscripts and records	70 975	70 975
Historical buildings	251 508	251 508
	322 483	**322 483**

Reconciliation of heritage assets 2024

	Opening balance	Total
Collections of rare books, manuscripts and records	70 975	70 975
Historical buildings	251 508	251 508
	322 483	**322 483**

Pledged as security

Heritage assets has not been pledged as security.

Notes to the Unaudited Annual Financial Statements

Figures in Rand

10. 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	6 889 884	(6 455 106)	434 778	6 889 884	(6 231 659)	658 225

Reconciliation of intangible assets - 2025

	Opening balance	**Amortisation**	**Total**
Computer software, other	658 225	(223 447)	434 778

Reconciliation of intangible assets - 2024

	Opening balance	**Amortisation**	**Total**
Computer software, other	1 012 622	(354 397)	658 225

Notes to the Unaudited Annual Financial Statements

Figures in Rand

11. Investment property

	2025	2024
	Cost / Valuation	**Cost / Valuation**
Investment property	111 092 711	111 596 305
Total	**111 092 711**	**111 596 305**

Reconciliation of investment property - 2025

	Opening balance	Disposals	Reclassification	Fair value adjustments	Total
Investment property	111 596 305	(19 261)	(1 605 399)	1 121 066	111 092 711
	111 596 305	**(19 261)**	**(1 605 399)**	**1 121 066**	**111 092 711**

Reconciliation of investment property - 2024

	Opening balance	Fair value adjustments	Total
Investment property	110 486 255	1 110 050	111 596 305
	110 486 255	**1 110 050**	**111 596 305**

Pledged as security

No investment properties has been pledged as security for liabilities.

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 Unaudited Annual Financial Statements

11. Investment property (continued)

Details of valuation

The effective date of the revaluations was 30 June 2025. Revaluations were performed by WRCON (Pty) Ltd. Mr Z Van Der Merwe was the valuer at WRCON (Pty) Ltd to perform the valuations. Mr Van de Merwe is a registered Professional Associated Valuer with SA Council of Valuers Profession, registration number 4973/1, a member of the SA Institute of Valuers and has the appropriate experience in performing valuation of investment properties.

The valuation for the land portion was based on adapted comparable sales and for the improvements there-on on replacement costs.

These assumptions are based on current market conditions.

Legal ownership

iGrap 18.16 The right to direct access to land, and to restrict or deny the access of others to land iGrap 18.20 In assessing whether the rights that have been granted to an entity in a binding arrangement result in control of the land, it is important to distinguish between substantive rights and protective rights. Only substantive rights are considered in assessing whether an entity controls land.

iGrap 18.18 Legal ownership refers to the owner being the registered title deed holder of the land. Legal ownership also arises where the land is transferred from the legal owner to another entity or party, through legislation or similar means. For example, when a change in ownership is recorded by way of an endorsement on the existing title deed, rather than a formal transfer or change in ownership reflected on the title deed. References to legal owner or legal ownership in this Interpretation include both situations.

iGrap 18.19 In the absence of an entity demonstrating that it has granted the right to direct access to and restrict or deny access of others to the land to another entity, the legal owner controls the land as it retains the right to direct access to land, and to restrict or deny the access of others to land. The legal owner is thus able to demonstrate both criteria in paragraph.

iGrap 18.21 Substantive rights grant the entity the ability to make decisions about, and benefit from, certain rights and assets, such as how to use the land to provide services, and when to dispose of the land, to whom and at what price. For the right to be substantive, the holder of the right must have the present ability to exercise that right.

The accounting for land is based on the rights that an entity is presently able to exercise in terms of its ownership of the land or other rights granted in terms of a binding arrangement.

Derecognise

The invasion of land may be an illegal act. Although the illegal occupants may have certain rights, these rights do not supersede or eliminate the entity's currently exercisable rights in terms of its legal ownership of the land. Land ownership means that the entity has substantive rights to direct or restrict access to the economic benefits or service associated with the land. The fact that the entity may not execute these rights because of political, socio-economic or other factors, is irrelevant in establishing whether control exists for accounting purposes. An entity would need to assess if its ownership rights are subsequently changed through another legal action, such as the outcome of a court process such as the outcome of court case, court order, etc. The illegal occupation of land may indicate that an impairment loss should be recognised. An entity should apply the principles in either GRAP 21 or GRAP 26 when these occupations occur (and throughout their duration).

Notes to the Unaudited Annual Financial Statements

Figures in Rand

12. Property, plant and equipment

	2025			2024		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Immovable assets						
Land	33 418 425	-	33 418 425	35 630 397	-	35 630 397
Buildings	55 114 166	(30 146 328)	24 967 838	55 815 965	(29 341 767)	26 474 198
Community	88 214 065	(44 892 104)	43 321 961	88 454 202	(41 752 911)	46 701 291
Infrastructure - Electricity	145 047 633	(48 543 419)	96 504 214	145 072 511	(45 694 386)	99 378 125
Infrastructure - Water	307 384 485	(158 092 623)	149 291 862	308 465 327	(150 441 198)	158 024 129
Infrastructure - Sanitation	384 531 715	(180 308 651)	204 223 064	343 753 141	(174 339 570)	169 413 571
Infrastructure - Solid Waste	26 423 033	(24 544 985)	1 878 048	26 423 033	(24 453 306)	1 969 727
Infrastructure - Road network	377 034 904	(176 824 346)	200 210 558	367 896 039	(165 730 533)	202 165 506
Landfill Site	13 380 011	(13 380 011)	-	33 710 249	(11 422 986)	22 287 263
Work-in-Progress	84 089 204	-	84 089 204	56 435 230	-	56 435 230
Movable assets						
Computer equipment	7 021 587	(5 573 085)	1 448 502	7 547 981	(6 092 419)	1 455 562
Furniture and fixtures	7 304 496	(6 612 689)	691 807	5 216 015	(4 040 341)	1 175 674
Motor vehicles	19 499 720	(12 546 025)	6 953 695	20 654 829	(11 325 286)	9 329 543
Plant and machinery	1 423 891	(834 247)	589 644	2 931 267	(2 108 858)	822 409
Total	**1 549 887 335**	**(702 298 513)**	**847 588 822**	**1 498 006 186**	**(666 743 561)**	**831 262 625**

Notes to the Unaudited Annual Financial Statements

Figures in Rand

12. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2025

	Opening balance	Difference	Additions	Disposals	Transfers received	Transfers	Other changes, movements	Depreciation	Impairment loss	Impairment reversal	Total
Immovable assets											
Land	35 630 397	-	-	(2 211 972)	-	-	-	-	-	-	33 418 4
Buildings	26 474 198	-	-	(246 185)	-	-	-	(1 095 040)	(168 846)	3 711	24 967 8
Community	46 701 291	-	-	(25 554)	-	-	-	(2 243 284)	(1 299 949)	189 457	43 321 9
Infrastructure - Electricity	99 378 125	(20 313)	-	(4 742)	-	-	-	(2 745 136)	(103 720)	-	96 504 2
Infrastructure - Water	158 024 129	-	-	(121 540)	-	-	-	(5 998 373)	(2 615 484)	3 130	149 291 8
Infrastructure - Solid Waste	1 969 727	-	-	-	-	-	-	(91 679)	-	-	1 878 0
Infrastructure - Sanitation	169 413 571	(4 962 599)	49 251 934	(566 244)	-	-	-	(6 123 081)	(2 790 517)	-	204 223 0
Infrastructure - Roads and Stormwater	202 165 506	(320 303)	12 420 149	(745 221)	-	-	-	(13 201 910)	(107 663)	-	200 210 5
Work-in-Progress	56 435 230	28 607 089	-	-	60 718 968	(61 672 083)	-	-	-	-	84 089 2
Landfill Sites	22 287 263	-	-	-	-	-	(20 330 238)	(1 957 025)	-	-	
Movable assets											
IT equipment	1 455 562	444 324	-	(101 104)	-	-	-	(347 067)	(3 213)	-	1 448 5
Furniture and fixtures	1 175 674	(505 968)	78 190	-	-	-	37 132	(91 917)	(1 304)	-	691 8
Motor vehicles	9 329 543	(2 178 782)	(197 065)	-	-	-	-	(1)	-	-	6 953 6
Plant and machinery	822 409	(256 055)	28 240	(4 950)	-	-	-	-	-	-	589 6
Undefined Difference	-	-	-	-	-	-	-	4 550 001	-	-	
	831 262 625		**61 581 448**	**(4 027 512)**	**60 718 968**	**(61 672 083)**	**(20 293 106)**	**(33 894 513)**	**(7 090 696)**	**196 298**	**847 588 8**

Notes to the Unaudited Annual Financial Statements

Figures in Rand

12. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2024

	Opening balance	Additions	Disposals	Transfers received	Transfers	Other changes, movements	Depreciation	Total
Immovable assets								
Land	35 630 397	-	-	-	-	-	-	35 630 397
Buildings	19 407 779	8 750 078	-	-	-	-	(1 683 659)	26 474 198
Community	27 266 606	21 476 013	-	-	-	-	(2 041 328)	46 701 291
Infrastructure - Electricity	91 257 060	11 823 967	(582 949)	-	-	-	(3 119 953)	99 378 125
Infrastructure - Water	150 342 339	14 774 324	(332 105)	-	-	-	(6 760 429)	158 024 129
Other property, plant and equipment # 1	-	-	-	495 636	-	-	(495 636)	-
Infrastructure - Sanitation	155 830 740	20 938 663	-	-	-	-	(7 355 832)	169 413 571
Infrastructure - Solid Waste	2 954 590	-	-	-	-	-	(984 863)	1 969 727
Infrastructure - Roads and Stormwater	222 928 893	5 110 956	(9 685 880)	-	-	-	(16 188 463)	202 165 506
Work-in-Progress	90 855 560	-	-	48 453 670	(82 874 000)	-	-	56 435 230
Landfill Sites	22 147 997	-	-	-	-	1 315 870	(1 176 604)	22 287 263
Movable assets								
IT equipment	2 088 090	-	-	-	-	-	(632 528)	1 455 562
Furniture and fixtures	1 333 603	-	-	-	-	-	(157 929)	1 175 674
Motor vehicles	11 493 476	-	-	-	-	-	(2 163 933)	9 329 543
Plant and machinery	951 240	-	-	-	-	-	(128 831)	822 409
	834 488 370	**82 874 001**	**(10 600 934)**	**48 949 306**	**(82 874 000)**	**1 315 870**	**(42 889 988)**	**831 262 625**

Figures in Rand	2025	2024

12. Property, plant and equipment (continued)

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

Cumulative expenditure recognised in the carrying value of property, plant and equipment		
Infrastructure - Road network	-	8 562 101
Community	36 789 935	22 041 676
Infrastructure - Electricity network	3 908 695	751 407
Infrastructure - Wastewater network	5 313 382	8 293 913
Infrastructure - Water network	9 470 101	14 269 281
	55 482 113	**53 918 378**

Carrying value of property, plant and equipment that is taking a significantly longer period of time to complete than expected		
Upgrading of telemetry in Addo and surrounding area Project on hold due to non-payment of work performed.	-	751 407
	-	**751 407**

Reconciliation of Work-in-Progress 2025

	Included within Infrastructure	Included within Community	Total
Opening balance	34 393 553	22 041 676	56 435 229
Additions/capital expenditure	45 970 709	14 748 258	60 718 967
Transferred to completed items	(61 672 082)	-	(61 672 082)
	18 692 180	**36 789 934**	**55 482 114**

Reconciliation of Work-in-Progress 2024

	Included within Infrastructure	Included within Community	Total
Opening balance	58 024 565	32 830 995	90 855 560
Additions/capital expenditure	36 810 496	11 643 173	48 453 669
Transferred to completed items	(60 441 508)	(22 432 491)	(82 873 999)
	34 393 553	**22 041 677**	**56 435 230**

Expenditure incurred to repair and maintain property, plant and equipment

Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance		
Contracted services	6 554 036	19 179 926
Inventory consumed	278 781	-
Operational cost	193 514	-
	7 026 331	**19 179 926**

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.

Figures in Rand	2025	2024

13. Consumer deposits

Hall deposits	78 901	83 988
	78 901	**83 988**

14. Employee benefit obligations

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

Non-current employee benefits		
Post-Retirement Medical Aid benefits	(7 404 000)	(2 980 489)
Long-service awards benefits	(4 646 000)	(3 818 162)
	(12 050 000)	**(6 798 651)**
Current employee benefits		
Post-Retirement Medical Aid benefits	(312 000)	(280 761)
Long-service awards benefits	(805 000)	(533 235)
	(1 117 000)	**(813 996)**
Total employee benefits		
Post-Retirement Medical Aid benefits	(7 716 000)	(3 261 250)
Long-service awards benefits	(5 451 000)	(4 351 397)
	(13 167 000)	**(7 612 647)**
Non-current liabilities	(12 050 000)	(6 798 651)
Current liabilities	(1 117 000)	(813 996)
	(13 167 000)	**(7 612 647)**

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2025	2024

14. Employee benefit obligations (continued)

Post employment health care benefits

The municipality provides certain post-retirement health care benefits by funding the medical aid contributions of qualifying retired members of the municipality. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service) is entitled to remain a continued member of such medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee. The municipality operates an unfunded defined benefit plan for these qualifying employees. The plan is treated as a defined benefit plan under GRAP 25. No other post-retirement benefits are provided to these employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2024 by Chanan Weisis of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

The members of the Post-employment Health Care Benefit Plan are made up as follows:

Continuation members (Retirees)	8	8
Total members	**8**	**8**

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

LA Health

Samwumed

The liability in respect of past service has been estimated as follow:

In-service members (Employees)	-	-
Total liability	**7 716 000**	**3 261 250**

Non-current	12 050 000	6 798 651
Current	1 117 000	813 996
	13 167 000	**7 612 647**

The principal assumptions used for the purposes of the actuarial valuations were as follow:

Rates of interest		
Discount rate	11,00 %	11,00 %
Health care cost inflation rate	7,00 %	7,00 %
Net effective discount rate	3,00 %	4,00 %

Normal retirement age

The average retirement age for all active employees was assumed to be 62 years.

Figures in Rand	2025	2024

14. Employee benefit obligations (continued)

Amounts recognised in the statement of financial position

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

Present value of unfunded obligations	**7 716 000**	**3 260 933**

Net expense recognised in the statement of financial performance

The amounts recognised in the statement of financial performance is as follows:		
Current service cost	-	-
Interest cost	-	299 000
Actuarial (gain) recognised in the year	-	615 500
	-	**914 500**

Movements in the present value of the defined benefit obligation		
Opening balance	3 260 933	2 650 000
Inclusion of eligible employee	4 303 000	-
Interest cost	362 973	298 684
Actual employer benefit payments	(280 761)	(303 250)
Actuarial (gain) recognised in the year	69 855	615 499
Present value of fund obligation at the end of the year	**7 716 000**	**3 260 933**

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

Present value of unfunded defined benefit	
2024	7 716 000
2023	3 260 933
2022	2 650 000
2021	1 718 000
2020	1 909 000

Sensitivity analysis on the Accrued Liability (R Millions)

Assumption	Change	Total
Health care inflation	1	208 000
Health care inflation	(1)	173 000
Discount rate	1	189 000
Discount rate	(1)	189 000

Sensitivity analysis on Current-service and Interest Costs

Assumption	Change	Total	% change
Health care inflation	1	330 000	- %
Health care inflation	(1)	272 000	- %
Discount rate	1	297 000	- %
Discount rate	(1)	299 000	- %
Post retirement mortality	1	290 000	- %
Post retirement mortality	(1)	308 000	- %

14. Employee benefit obligations (continued)

Discount rate: GRAP25 defines the determination of the investment return assumption to be used as the rate that can be determined by reference to market yields (at the balance sheet date) on government bonds. The currency and term of the government bonds should be consistent with the currency and estimated term of the obligation.The methodology of setting the financial assumptions has been updated to be more duration-specific. At the previous valuation report, 30 June 2025 the duration of liabilities was 8.53 years. At this duration, the discount rate determined by using the Bond Exchange Zero Coupon Yield Curve as at 30 June 2025 is 11.63% per annum, and the yield on inflation-linked bonds of a similar term was about 5.13% per annum. This implies an underlying expectation of inflation of 5.71% per annum ([1 + 11.63%-0.5%] / [1 + 5.13%] - 1). The 0.5% deduction has been added as a risk premium to reflect the uncertainty inherent in the projection.We have assumed that healthcare cost inflation would exceed general inflation by 1.50% per annum, i.e. 7.21% per annum.However, it is the relative levels of the discount rate and healthcare cost inflation to one another that are important, rather than the nominal values. We have thus assumed a net discount factor of 4.13% per annum ([1 + 11.63%] / [1 + 7.21%] - 1).

Mortality Rates

PA (90) - 1 with a 1% mortality improvement per annum from the year 2010.

Continuation of Membership

With the appointment of ARCH Acturial Consulting for the year ending 30 June 2025.

The table below summarises the accrued liabilities and the plan assets for the current period and the previous four periods:

Liability History	**30/06/2025**	**30/06/2024**	**30/06/2023**	**30/06/2022**	**30/06/2021**
Accrued Liability	(7 716 000)	(3 261 250)	(2 650 000)	(1 718 000)	(1 718 000)
Surplus / (Deficit)	**7 716 000**	**3 261 250**	**2 650 000**	**1 718 000**	**1 718 000**

The table below summarises the experience adjustments for the current and previous four periods. Experience adjustments are the effects of differences between the previous actuarial assumptions and what has actually occurred:

Experience adjustment	**30/06/2025**	**30/06/2024**	**30/06/2023**	**30/06/2022**	**30/06/2021**
Liabilities: (Gain) / Loss	69 855	615 500	(2 132 438)	(1 852 431)	(2 132 438)
	69 855	**615 500**	**(2 132 438)**	**(1 852 431)**	**(2 132 438)**

Long-service awards benefits

The municipality operates a funded defined benefit plan for all its employees. Under the plan, a Long Service Award is payable after 10 years of continuous service and every 5 years thereafter to employees. The provision is an estimate of the long-service based on historical staff turnover. No other long-service benefits are provided to employees.

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

At year end 248 (2024: 213) employees were eligible for Long Services Awards.

The principal assumptions used for the purposes of the actuarial valuations were as follow:

	2025	2024
Discount rate	9,00 %	10,00 %
General Salary inflation	5,00 %	5,00 %
Net effective discount rate	4,00 %	4,00 %

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2025	2024

14. Employee benefit obligations (continued)

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

Present value of unfunded obligations	4 027 754	4 351 397

Amounts recognised in the statement of financial performance

The amounts recognised in the statement of financial performance are as follow:

Current service cost	506 546	537 951
Interest cost	414 669	460 695
Actuarial losses / (gains) recognised	(711 623)	(409 189)
Total expense included in employee related costs	**209 592**	**589 457**

Opening balance	4 351 397	4 061 000
Current service cost	506 546	537 951
Interest cost	414 669	460 695
Actual employer benefit payments	(533 235)	(299 060)
Actuarial loss/ (gain) recognised in the year	(711 623)	(409 189)
	4 027 754	**4 351 397**

Liability History	**30/06/2025**	**30/06/2024**	**30/06/2023**	**30/06/2022**	**30/06/2021**
Accrued Liability	(4 027 754)	(4 351 397)	(4 351 397)	(4 148 000)	(4 148 000)
Surplus / (Deficit)	**4 027 754**	**4 351 397**	**4 351 397**	**4 148 000**	**4 148 000**

The table below summarises the experience adjustments for the current and previous four periods. Experience adjustments are the effects of differences between the previous actuarial assumptions and what has actually occurred:

Experience adjustment	**30/06/2025**	**30/06/2024**	**30/06/2023**	**30/06/2022**	**30/06/2021**
Liabilities: (Gain) / Loss	(711 623)	(409 189)	(409 189)	329 000	329 000
	711 623	**409 189**	**409 189**	**(329 000)**	**(329 000)**

15. Payables from exchange transactions

Accrued bonus	2 854 449	2 640 010
Accrued leave pay	8 059 800	6 313 295
WIP Control	56 708 172	-
Workmens Compensation Fund Levy	5 659 105	3 155 892
Accrued salary expense	4 351 043	3 214 903
Retention	13 390 382	10 164 201
Unknown deposits	613 618	276 236
Payments received in advanced - contract in process	4 696 811	9 967 924
Motor registration	364 829	391 793
Prepaid received in advance	3 022 742	1 772 037
Service concession assets	(2 005)	25 675
Trade payables	126 110 052	87 924 324
	225 828 998	**125 846 290**

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2025	2024

15. Payables from exchange transactions (continued)

Fair value of trade and other payables

Trade payables	225 828 998	125 846 290
	225 828 998	**125 846 290**

The fair value of trade and other payables approximates their carrying amounts. Trade and other payables are normally settled on 30-day terms in accordance with the MFMA. No interest is charged for the first 30 days from the date of receipt of the invoice / statement. Thereafter interest is charged in accordance with the credit policies of the various individual creditors.

Refer to note 45 for prior period corrections made to Payables from exchange transactions.

Notes to the Unaudited Annual Financial Statements

Figures in Rand

16. Provisions

Reconciliation of provisions - 2025

	Opening Balance	Change in discount factor	Reduction due to re-measurement or settlement without cost to entity	Total
Rehabilitation of landfill site	54 645 120	(44 788 569)	956 085	10 812 636
	54 645 120	**(44 788 569)**	**956 085**	**10 812 636**

Reconciliation of provisions - 2024

	Opening Balance	Change in discount factor	Reduction due to re-measurement or settlement without cost to entity	Total
Rehabilitation of landfill site	49 531 414	1 315 870	3 797 836	54 645 120
	49 531 414	**1 315 870**	**3 797 836**	**54 645 120**

Non-current liabilities	9 805 155	47 598 023
Current liabilities	1 007 482	7 047 097
	10 812 637	**54 645 120**

Environmental rehabilitation provision

The provision is made in terms of the municipality's licensing stipulations on the landfill waste sites.

Figures in Rand	2025	2024

16. Provisions (continued)

Sundays Rivers Valley Local Municipality consists of three (3) towns (Kirkwood, Paterson and Sunland). Kirkwood, Paterson and Sunland are located in an area of agricultural significance and Kirkwood is the central business district of Sundays Rivers Valley Local Municipality. Landfill operations continue until all the available permitted airspace has been filled. Once this happens, the site close and capped with a layer of impermeable clay and a layer of the top soil. Grass and other suitable vegetation types are planted tostabilize the soil and improve the appearance. Environmental monitoring continues for a period of up to 30 years after the closure of the site. No appointment for the closure of the sites has been made, and therefore only rough estimates have been compiled without site visits with no detailed inspections or investigations. Basic information on the size and classification of each site was supplied.

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2025	2024

16. Provisions (continued)

Key cost parametres:

The discount rate was deduced from the average of the Zero-Coupon Yield Curve (Nominal Bond) over the entire durations applicable in the future. The annualised long term discount rate at 30 June 2025 was 9.70% p.a. The consumer price inflation of 5.10% p.a. was obtained from the differential between the averages of the Nominal Bond Yield Curve and the Real Bond Yield Curve (Zero Yield Curves).

Consumer price inflation (C) 2.80% (2024: 5.10%)

Discount rate (D) 9.70% (2024: 12.40%)

Net discount rate 6.90% (2024: 6.95%)

The movement on each of the landfill site's provisions is:

	Opening balance	Change inprovision	Finance cost	Total
Kirkwood	17 676 531	(11 094 360)	638 470	7 220 641
Paterson	13 524 686	(11 894 777)	158 101	1 788 010
Sunland	23 443 902	(21 799 431)	159 513	1 803 985
	54 645 120	(44 788 569)	956 085	10 812 636

17. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Small Town Revitalisation Grant	24 760	24 760
Integrated National Electrification Programme	823	-
Provincial Grant	176 291	-
Local Government Finacial Management Grant	2 672	2 672
Expanded Public Works Programme Integrated Grant	-	181 599
	204 546	**209 031**

Movement during the year

Balance at the beginning of the year	209 032	(4 634 175)
Additions during the year	(193 412 955)	(166 753 132)
Income recognition during the year	193 408 469	171 596 339
	204 546	**209 032**

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.

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

See reconciliation of grants from National/Provincial Government note 27

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

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2025	2024

18. Agency services

Vehicle Registration	1 926 017	2 954 906
	1 926 017	**2 954 906**

The municipality collects licence fees on behalf of the Department of Transport and receives a 19% agency fee. The amount received as commission was R1 926 017 (2025) and R2 954 906 (2024). Own revenue is also collected by the traffic office and disclosed under note 20 Licences and permits.

19. Interest income (Exchange transactions)

Interest income		
Bank accounts	1 852 904	1 654 727
Receivables from exchange transactions	23 332 469	13 334 540
	25 185 373	**14 989 267**

Total interest income, calculated using the effective interest rate, on financial instruments not at fair value through surplus or deficit amounted to R17 179 015 (2024: R14 989 267).

20. Interest income (Non-exchange transactions)

Receivables from non-exchange transactions	29 212 273	7 238 235
	29 212 273	**7 238 235**

21. Licences and permits

Licences and permits	1 560 207	988 845
	1 560 207	**988 845**

22. Rental of facilities and equipment

Facilities and equipment		
Rental of facilities	210 975	146 875
	210 975	**146 875**

23. Service charges

Sale of electricity	30 715 029	32 870 260
Sale of water	21 893 177	14 253 481
Sewerage and sanitation charges	4 147 662	3 267 971
Refuse removal	8 971 556	6 194 325
	65 727 424	**56 586 037**

The amounts disclosed above for revenue from service charges are in respect of services rendered which are billed to the consumers on a monthly basis according to the approved tariffs.

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2025	2024
24. Operational revenue		
Awards	-	728 261
Bad Debts Recovered	-	731
Building Plans	-	166 027
Cemetry and Burial	-	97 793
Clearance Certificates	-	17 002
Entrance fees	-	360
Hawker certificates	-	13 393
Insurance refunds	161 682	279 605
Sale of goods	304 378	-
Photocopies and Faxes	-	15 757
Prepaid meter sales	-	53 579
Refunds	-	8 672
Tender documentation	-	1 304
	466 060	**1 382 484**

The amounts disclosed above for Operational income are in respect of services rendered, other than described in notes: 21, 22 and 23 which are billed to or paid for by the users of the services as required according to approved tariffs.

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2025	2024

25. Property rates

Rates received

	2025	2024
Property rates	8 155 974	10 018 088
Commercial	502 160	386 404
State	8 124 629	7 642 463
Municipal	8 168 867	7 736 010
Small holdings and farms	32 194 366	18 541 620
Public Benefit Organisations	(4 154)	-
Public Service Infrastructure Properties	102 181	144 287
Vacant Land	125 542	48 241
	57 369 565	**44 517 113**

Valuations

	2025	2024
Residential	750 753 712	728 463 000
Commercial	569 887 660	509 995 000
Municipal	386 835 000	372 333 000
Small holdings and farms	7 773 719 356	7 310 366 777
Public benefit organisations	28 270 000	138 344 000
Public service infrastructure	280 212 250	30 124 000
Industrial	1 010 000	148 157 000
	9 790 687 978	**9 237 782 777**

Assessment Rates are levied on the value of land and improvements, which valuation is performed every five years. Interim valuations are processed on an annual basis to consider any changes in individual property values, due to amendments. The last general valuation came into effect on 1 July 2020.Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

Municipal valuation threshold value

On qualifying residential properties, property owners will receive a rebate up to a maximum value of R200 000, which amount includes a value of R15 000 as per Section 17(1)(h) of the Local Government: All residential property with a market value of less than the amount as annually determined by the Municipality, are exempted from paying property rates. The maximum amount is determined as R75 000.The impermissible rates of R15 000 contemplated in terms of Section 17(1)(h) of the Act and the R60 000 is a council reduction. The remaining R125 000 is aimed primarily at alleviating poverty and forms an important part of the Municipality's Indigent Policy.

Other rebates

Taking into account the effects of rates on PBO's performing a specific public benefit activity and if registered in terms of the Income Tax Act, 1962 (No. 58 of 1962) for tax reduction because of those activities, Public Benefit Organisations may apply for the exemption of property rates. Any other exclusions or exemptions have been granted in accordance with the Local Government: Municipal Property Rates Act, No. 6, 2004.

26. Fines

	2025	2024
Illegal Connections Fines	2 752	30 961
Law Enforcement Fines	113 990	639 650
Court Traffic Fines	32 910	-
	149 652	**670 611**

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2025	2024

27. Government grants and subsidies

Operating grants		
Equitable share	117 539 000	110 450 964
LGSETA Grant	217 988	147 789
Local Government Finacial Management Grant	3 800 000	3 100 000
Expanded Public Works Programme Integrated Grant	954 308	646 939
Library Subsidy	1 786 000	1 200 000
SBDM Water Subsidy	1 500 000	-
SBDM Fire Subsidy	1 409 000	-
	127 206 296	**115 545 692**
Capital grants		
Municipal Infrastructure Grant	39 032 000	27 920 000
Water Services Infrastructure Grant	20 676 000	24 538 000
Energy Efficiency and Demand Side Management Grant	4 000 000	-
Integrated National Electrification Programme	2 494 177	3 242 212
Provincial Grant	-	350 435
	66 202 177	**56 050 647**
	193 408 473	**171 596 339**

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	75 869 472	61 145 374
Unconditional grants received	117 539 000	110 450 964
	193 408 472	**171 596 338**

Equitable Share

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

Municipal Infrastructure Grant

Current-year receipts	39 032 000	27 920 000
Conditions met - transferred to revenue	(39 032 000)	(27 920 000)
	-	-

The grant is intended to provide specific capital finance for basic municipal infrastructure backlogs for poor households ,micro enterprises and social institutions servicing poor communities.

Figures in Rand	2025	2024

27. Government grants and subsidies (continued)

Water Services Infrastructure Grant

Balance unspent at beginning of year	-	1 391 964
Current-year receipts	20 676 000	24 538 000
Conditions met - transferred to revenue	(20 676 000)	(24 538 000)
Water Services Infrastructure Grant Rollover	-	(1 391 964)
	-	**-**

Facilitate the planning and implementation of various water and sanitation projects to accelerate backlog reduction and enhance the sustainability of services especially in rural municipalities.

Integrated National Electrification Programme

Balance unspent at beginning of year	-	3 242 211
Current-year receipts	2 495 000	-
Conditions met - transferred to revenue	(2 494 177)	(3 242 211)
	823	**-**

Conditions still to be met - remain liabilities see note 17

To address the electrification backlogs of all existing and planned residential dwellings and also covers the installation of relevant bulk infrasructure.

Local Government Finacial Management Grant

Balance unspent at beginning of year	2 672	2 672
Current-year receipts	3 800 000	3 100 000
Conditions met - transferred to revenue	(3 800 000)	(3 100 000)
	2 672	**2 672**

Conditions still to be met - remain liabilities see note 17

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

Expanded Public Works Programme Integrated Grant

Balance unspent at beginning of year	5 308	
Current-year receipts	949 000	867 599
Conditions met - transferred to revenue	(954 308)	(686 000)
	-	**181 599**

Conditions still to be met - remain liabilities see note 17

The grant is allocated to incentivise municipalities to increase job creation efforts in infrastructure, environment and culture programmes through the use of labour-intensive methods and the expansion of job creation in line with the Expanded Public Works Programme (EPWP) guidelines.

Library Subsidy

Current-year receipts	1 786 000	1 200 000
Conditions met - transferred to revenue	(1 786 000)	(1 200 000)

Figures in Rand	2025	2024

27. Government grants and subsidies (continued)

	-	-

Current-year receipts	4 000 000	-
Conditions met - transferred to revenue	(4 000 000)	-
	-	-

Small Town Revitalisation Grant

Balance unspent at beginning of year	24 760	24 760

Conditions still to be met - remain liabilities see note 17

The grant is allocated to municipalities to facilitate the development of startegies designed to enhance development and ensure improved economic performance ,as well as poverty reduction within small rural towns

Enviromental District Grant

Roads Infrastructure Grant

Balance unspent at beginning of year	176 291	-

Conditions still to be met - remain liabilities see note 17

The DPW Roads and SBDM grant was allocated to municipalities to facilitate the upgrading and retification of roads and stormwater. The funds are received on an ad hoc basis based on stage of completion

28. Bulk purchases

Electricity	35 411 737	28 362 540
Water	(8 873 505)	-
	26 538 232	**28 362 540**

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2025	2024

29. Contracted services

Outsourced Services		
Business and Advisory	12 527 335	18 553 561
Clearing and Grass Cutting Services	126 572	144 470
Burial Services	-	103 595
Illegal Dumping	139 100	97 900
Meter Management	16 787	67 654
Personnel and Labour	27 696	31 613
Professional Staff	-	5 000
Printing Services	21 135	564 290
Swimming Supervision	43 251	115 772
Transport Services	46 600	30 164
Drivers Licence Cards	259 831	219 304
Water Takers	205 676	964 600
Consultants and Professional Services		
Business and Advisory	2 196 137	992 487
Infrastructure and Planning	131 000	1 567
Laboratory Services	-	328 166
Legal Cost	4 847 851	1 761 648
Contractors		
Catering Services	693 766	817 307
Electrical	286 162	248 269
Employee Wellness	225 627	29 750
Maintenance of Buildings and Facilities	236 934	547 790
Maintenance of Equipment	278 137	68 559
Maintenance of Unspecified Assets	6 611 163	18 563 577
Pest Control and Fumigation	-	2 850
Transportation	440 750	515 464
Safeguard and Security	12 458 592	16 853 902
	41 820 102	**61 629 259**

30. Debt impairment

Consumer debtors - Debt impairment	-	39 747 616
	-	**39 747 616**

31. Bad debts written off

Bad debts written off	(2 757 418)	5 174 349
	(2 757 418)	**5 174 349**

32. Depreciation

Property, plant and equipment	38 444 514	42 889 988
Intangible assets	223 438	354 397
	38 667 952	**43 244 385**

Figures in Rand	2025	2024

33. Employee related cost

Senior Management Costs

Annual Remuneration	4 909 117	4 738 857
Car Allowance	861 971	864 926
Contributions to UIF, Medical and Pension Funds	11 341	11 300
Housing Allowance	192 000	192 000
Non-pensionable allowance	227 004	223 182
Phone allowance	120 000	120 000
	6 321 433	**6 150 265**

Municipal staff costs

Acting allowances	396 394	398 449
Bargaining council contributions	40 871	38 435
Basic salaries and wages	68 683 659	61 497 795
Bonus	5 184 501	4 625 165
Car allowance	6 263 275	5 936 505
Housing allowances	570 687	547 090
Leave pay-outs	2 231 261	1 119 971
Long-service awards	277 399	287 598
Medical aid	4 945 662	4 543 120
Nightshift allowance	62 608	80 549
Non-pensionable allowances	29 468	30 083
Overtime payments	5 075 278	4 386 316
Pension fund contributions	11 497 224	10 254 695
Standby allowance	1 531 924	1 114 969
Telephone allowance	915 978	768 404
UIF contributions	580 033	543 358
	108 286 222	**96 172 502**
Total Employee related cost	**114 607 655**	**102 322 763**

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2025	2024

33. Employee related cost (continued)

Remuneration of Municipal Manager

Annual Remuneration	1 264 790	1 276 747
Contributions to UIF, Medical and Pension Funds	2 268	2 259
Rural allowance	52 986	52 728
Phone allowance	24 000	24 000
Car allowance	123 970	126 925
	1 468 014	**1 482 659**

Remuneration of Chief Finance Officer

Annual Remuneration	963 581	958 712
Contributions to UIF, Medical and Pension Funds	2 268	2 259
Rural allowance	43 504	41 895
Phone allowance	24 000	24 000
Car allowance	180 000	180 000
	1 213 353	**1 206 866**

Remuneration of Director Community Services

Annual Remuneration	735 581	749 712
Contributions to UIF, Medical and Pension Funds	2 268	2 259
Rural allowance	43 504	42 593
Housing allowance	120 000	120 000
Phone allowance	24 000	24 000
Car allowance	288 000	288 000
	1 213 353	**1 226 564**

Remuneration of Director Corporate Services

Annual Remuneration	921 581	901 972
Contributions to UIF, Medical and Pension Funds	2 268	2 259
Rural allowance	43 504	43 187
Housing allowance	72 000	72 000
Phone allowance	24 000	24 000
Car allowance	150 000	150 000
	1 213 353	**1 193 418**

Remuneration of the Director Technical and Engineering Services

Annual Remuneration	1 023 581	1 013 712
Contributions to UIF, Medical and Pension Funds	2 268	2 259
Rural allowance	43 504	42 776
Phone allowance	24 000	24 000
Car allowance	120 000	120 000
	1 213 353	**1 202 747**

Notes to the Unaudited Annual Financial Statements

34. Finance costs

Figures in Rand	2025	2024
Finance leases	573 810	-
Interest on overdue accounts	7 866 311	6 691 255
Landfill site rehabilitation	1 733 727	4 493 172
	10 173 848	**11 184 427**

35. General expenses

Figures in Rand	2025	2024
Advertising, publicity and marketing	906 171	588 470
Assets less than the capitalisation threshold	50 166	119 501
Bank charges, facility and card fees	208 410	198 502
Commission paid	562 157	607 478
Communication	2 309 786	782 949
Management fees	35 000	97 160
Donations	-	178 952
External audit fees	4 203 222	5 841 076
External computer services	5 320 804	1 607 062
Fuel and oil	2 775 666	2 976 490
Hire charges	614 266	1 193 126
Insurance underwriting	1 459 041	1 087 486
Levies paid - water resource management charges	469 632	-
Licences	83 559	128 888
Municipal services	12 499 753	9 848 290
Parking fees	867	913
Postage and courier	-	6 282
Printing and stationery	12 365	195
Protective clothing	254 272	1 083 267
Registration fees	5 000	5 000
Signage	3 680	10 028
Staff welfare	1 208 587	1 127 611
Subscriptions and membership fees	1 211 974	1 152 800
System access and information fees	9 142	-
Title deed search fees	2 884	-
Training	-	51 810
Transport and freight	60 904	65 700
Travel and Subsistence	2 685 104	2 780 178
Vehicle tracking	58 882	-
Ward committees	748 530	878 700
Workmen's Compensation Fund	2 069 934	504 754
	39 829 758	**32 922 668**

36. Inventory consumed

	2025	2024
Consumables	3 434 951	2 453 339
Water	10 125 702	(773 921)
Materials and supplies	995 429	9 774 451
	14 556 082	**11 453 869**

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2025	2024

37. Remuneration of councillors

Mayor	1 046 482	928 350
Executive committee	1 592 966	1 791 929
Speaker	848 572	777 463
Councillors	4 082 298	3 421 403
Chief Whip	465 121	362 584
	8 035 439	**7 281 729**

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2025	2024

37. Remuneration of councillors (continued)

Mayor

Councillor remuneration	807 555	886 580
Telephone allowance	47 004	38 600
Travel allowance	191 746	-
Other allowance	177	3 170
	1 046 482	**928 350**

Executive Committee

Councillor remuneration	1 258 958	1 413 819
Telephone allowance	86 400	126 800
Travel allowance	120 000	120 000
Housing allowance	120 000	120 000
Other allowance	7 608	11 310
	1 592 966	**1 791 929**

Speaker

Councillor remuneration	559 442	488 368
Telephone allowance	43 200	42 000
Travel allowance	120 000	120 000
Housing allowance	120 000	120 000
Other allowance	5 929	7 095
	848 571	**777 463**

Councillors

Councillor remuneration	3 444 054	2 842 901
Telephone allowance	475 200	420 800
Travel allowance	60 000	60 000
Other allowance	43 044	37 700
Housing allowance	60 000	60 000
	4 082 298	**3 421 403**

Figures in Rand	2025	2024

37. Remuneration of councillors (continued)

Chief Whip

Basic salary	418 117	316 814
Cellphone allowance	43 200	42 000
Other allowance	3 804	3 770
	465 121	**362 584**

In-kind benefits

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

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.

Refer to note 44 for details breakdown of remuneration of councillors under the related parties note.

Notes to the Unaudited Annual Financial Statements

	2025	2024

38. Reversal of impairments/(Impairment loss)

	2025	2024
Impairments		
Property, plant and equipment An 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. Infrastructure assets - GRAP 26.(23) states: In assessing whether there is anyindication that an asset may be impaired, an entity shall consider, as a minimum, the following indications: (g) - Evidence is available from internal reporting that indicates that the economic performance of an asset is, or will be, worse than expected. Due to significant budget constraints, the municipality could not maintain the maintenance plan as required for the infrastructure assets. This lead to the value in use being lower than the economic value of the assets. Assets were therefore impaired to a condition grade lower based on physical assessment of these assets. Land - IGRAP 18 indicates that land is recognised based on control. Control of land is evidenced by the following criteria: (a) legal ownership; and/or (b) the right to direct access to land, and to restrict or deny the access of others to land. During the prior year it was identified that control over land has been lost. The most significant part of this was rural development for housing. As the land was not yet transferred to the legal new owners name, the land was impaired.	(6 889 880)	(6 643 125)
Other receivables from non-exchange revenue Describe the events and circumstances that led to the recognition or reversal of the impairment loss. The recoverable amount or [recoverable service amount] of the asset was based on its fair value less costs to sell or [its value in use.]	1 154 663	-

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2025	2024

38. Reversal of impairments/(Impairment loss) (continued)

	(5 735 217)	**(6 643 125)**
Reversal of impairments		
Property, plant and equipment Repairs and additions to the network assets resulted in previous conditions of assets to improve, thus a reversal of impairments.	-	8 882 749
Total impairment losses reversed	**(5 735 217)**	**2 239 624**

The main classes of assets affected by impairment losses are:

Buildings

Community

Infrastructure - Electrical network

Infrastructure - Roads network

Infrastructure - Solid waste network

Infrastructure - Road network

Infrastructure - Water network

Infrastructure - Electricity network

Computer equipment

Furniture and fixtures

Plant and machinery

The main classes of assets affected by reversals of impairment losses are:

Motor vehicles

The main events and circumstances that led to the recognition of these impairment losses are as follows:

Physical verification of movable and immovable assets was performed during the financial year, each assets condition was assessed and was graded accordingly. Should the asset be found to be in a very poor condition and not able to fulfill its service potential the asset was then impaired accordingly. Details of the verification condition assessments are recorded in the fixed asset register.

39. Fair value adjustments

Investment property	1 101 805	214 973
	1 101 805	**214 973**

40. Auditors' remuneration

Fees	4 203 222	5 841 076
	4 203 222	**5 841 076**

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2025	2024

41. Net cash flow generated from operating activities

Surplus/(deficit)	90 923 167	(39 307 163)
Adjustments for:		
Depreciation\	38 667 952	43 244 385
Loss on sale of assets and liabilities	(18 844 080)	(697 448)
Fair value adjustments	(1 101 805)	(214 973)
Finance costs - Finance leases	573 810	-
Impairment loss (reversal)	8 044 543	(2 239 624)
Debt impairment	-	39 747 616
Bad debts written off	(2 757 418)	5 174 349
Movements in retirement benefit assets and liabilities	5 554 353	901 647
Movements in provisions	(43 832 483)	5 113 706
Inventory losses or write-downs	(119 342)	-
Landfill site movement	-	(1 315 870)
Prior period adjustments	-	708 364
Changes in working capital:		
Inventories	144 784	220 461
Receivables from exchange transactions	(60 636 330)	(2 231 497)
Consumer debtors	2 757 418	(44 921 965)
Other receivables from non-exchange transactions	(39 373 299)	923 679
Payables from exchange transactions	167 164 760	42 721 791
VAT	(67 543 028)	(1 634 639)
Unspent conditional grants and receipts	(4 485)	(4 634 176)
Consumer deposits	(5 087)	3 751
	79 613 430	**41 562 394**

42. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Property, plant and equipment	8 052 866	36 838 668
	8 052 866	**36 838 668**
Total capital commitments		
Already contracted for but not provided for	8 052 866	36 838 668
	8 052 866	**36 838 668**

Total commitments

Total commitments		
Authorised capital expenditure	8 052 866	36 838 668
	8 052 866	**36 838 668**

This committed expenditure relates to property and will be financed by available bank facilities, retained surpluses, rights issue of shares, issue of debentures, mortgage facilities, existing cash resources, funds internally generated, etc. This commitments are also presented inclusive of VAT.

Refer to note 46 for prior period corrections made to commitments.

Revenue profit / partly capital profits	40 503 220	-

Figures in Rand	2025	2024

43. Contingencies

Contingent liabilities

Below is a list of possible liability claims where the outcome was unknown at 30 June 2024 with the maximum unforeseen liability for the Municipality:

	2025	2024
Agri Eastern Cape		
Eva Statoe	-	100 000
T J Mumbire	-	-
Bartopart Pty Ltd	-	171 921
Bongani William	-	-
Zama Zondo Construction (Road construction)	-	-
Mogoba Maphuthi & Ass	-	-
Thulani Ndlebe	-	-
N G Kerk	-	50 000
Camelsa	-	136 778
Jongosizwe Family Trust	-	1 736 451
Y Jacobs & Others	-	9 000 000
UJ Jansen & PJ Jansen	-	3 312 917
	-	1 600 000
	-	16 108 068

Agri Eastern Cape
Construction on 17 RDP houses on Groentuin Farm - Active
Eva Statoe
Personal Injury - Settled
T J Mumbire
Unlawful appointment type of court process - Active
Bartopart Pty Ltd
Contract Emsengeni Taxi Loop - Settled
Bongani William
Vehicle accident
Zama Zondo Construction (Road construction)
Road construction - Settled
Mogoba Maphuthi & Ass
Contract Small town revitalization programme – Project 2 Moses Mabida - Active
Thulani Ndlebe
Unfair discrimination - Dormant
N G Kerk
Damages to office - Active
Camelsa
Unpaid invoices - IT Services - Active
Jongosizwe Family Trust
Jongosizwe Family Trust Claim for sewerage spill resulting in loss of profit
Y Jacobs & Others
Electrocution of minor - Active
UJ Jansen & PJ Jansen
Motor vehicle accident - Active

Figures in Rand	2025	2024

44. Related parties

Nature of related party relationships

Related party transactions

	2025	2024
Otania Trading Proprietary Limited K2020/473266 (South Africa)	-	94 435
	-	34 760

None of the members of the municipality's management have significant influence over the financial or operating policies of the municipality. No business transactions took place between the municipality and key management personnel and their close family members, unless specifically disclosed. All members of the municipality's management and their close family members receive and pay for services on the same terms and conditions as other ratepayers and residents. All transactions are at arm's length and no bad debt expenses have been recognised in respect of amounts owed by related parties.

Loans granted to related parties

In terms of the MFMA, the municipality may not grant loans to its councillors, management, staff and public with effect from 01 July 2004.

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2025	2024

44. Related parties (continued)

Remuneration of Councillors and Management

Management class: Councillors

2025

Name	**Basic Salary**	**Allowances**	**Total**
Mayor	-	-	-
Cllr. S Lucas	807 555	238 926	1 046 482
Speaker	-	-	-
Cllr. SC Nodonti	559 442	289 12	848 571
Executive committee members	-	-	-
Cllr. MC Payi	509 479	287 004	796 483
Cllr. K Smith	749 479	47 004	796 483
Councillors	-	-	-
Cllr. NP Ncambele	418 116	47 004	465 120
Cllr LE Baka	401 834	47 004	448 838
Cllr N Baxana	316 222	47 004	363 226
Cllr M Bosman	316 222	47 004	363 226
Cllr B Dyantyi	316 222	47 004	363 226
Cllr SH Hendricks	316 222	47 004	363 226
Cllr H Jagers	316 222	47 004	363 226
Cllr XJ Jonas	196 222	168 204	364 426
Cllr N Langbooi	316 222	47 004	363 226
Cllr A Ndawo	316 222	47 004	363 226
Cllr Qusheka	316 222	47 004	363 226
Cllr H Bayini	316 222	47 004	363 226
	6 488 125	**1 547 311**	**8 035 437**

Notes to the Unaudited Annual Financial Statements

44. Related parties (continued)

2024

Name	Basic Salary	Allowances	Total
Mayor	-	-	-
Cllr. S Lucas	886 580	41 770	928 350
Speaker	-	-	-
Cllr. SC Nodonti	588 368	289 095	877 463
Executive committee members	-	-	-
Cllr. H Bayini	288 126	45 770	333 896
Cllr. MC Payi	542 846	285 770	828 616
Cllr. K Smith	682 845	46 570	729 415
Councillors	-	-	-
Cllr. NP Ncambele	396 477	45 770	442 247
Cllr. LE Baka	369 762	45 770	415 532
Cllr. N Baxana	288 126	45 770	333 896
Cllr. M Bosman	288 126	46 570	334 696
Cllr. B Dyantyi	288 126	45 770	333 896
Cllr. SH Hendriks	288 126	45 770	333 896
Cllr. H Jagers	288 126	45 770	333 896
Cllr. XJ Jonas	218 126	165 770	383 896
Cllr. N Langbooi	288 126	45 770	333 896
Cllr. A Ndawo	288 126	45 770	333 896
Cllr. Z Qusheka	288 126	45 770	333 896
	6 278 138	**1 333 245**	**7 611 383**

Refer to note 37 for remuneration of councillors.

44. Related parties (continued)

Management class: Senior Managers

2025

Name	Basic salary	Allowances	Contributions to UIF,Medical and Pension Funds	Total
Municipal Manager	1 264 790	200 957	2 268	1 468 015
Chief Financial Officer	963 581	247 504	2 268	1 213 354
Director Community Service	735 581	475 504	2 268	1 213 354
Director Corporate Service	921 581	289 504	2 268	1 213 354
Director Technical and engineering services	1 023 581	187 504	2 268	1 213 354
	4 909 114	**1 400 973**	**11 340**	**6 321 431**

2024

Name	Basic salary	Allowances	Contributions to UIF,Medical and Pension Funds	Total
Municipal Manager's	1 276 747	203 654	16 809	1 497 212
Chief Financial Officer	958 712	245 895	13 770	1 218 378
Director Community Service	749 712	474 593	61 656	1 285 961
Director Corporate Service	901 972	289 187	123 407	1 314 567
Director Technical and engineering services	1 013 712	186 776	82 223	1 282 712
	4 900 855	**1 400 105**	**297 865**	**6 598 830**

Refer to note 33 for employee related costs.

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2025	2024

45. Prior-year adjustments

2024

	Note	As previously reported	Correction of error	Change in accounting policy	Re-classification	Restated
Assets						
Current Assets						
Inventories	5	308 870	-	-	-	308 870
Receivables from exchange transactions		9 304 548	6 346 053	-	-	15 650 601
Receivables from non-exchange transactions		7 211 309	2 244 942	-	-	9 456 251
VAT receivable		1 445 722	(953 374)	-	-	492 348
Cash and cash equivalents		7 100 644	-	-	-	7 100 644
Non-current Assets						
Investment property		40 204 539	-	-	-	40 204 539
Property, plant and equipment		942 425 547	-	-	-	942 425 547
Intangible assets		-	-	-	-	-
Heritage assets		322 483	-	-	-	322 483
Total Assets		**1 008 391 356**	**7 569 927**	**-**	**-**	**1 015 961 283**
Liabilities						
Current Liabilities						
Finance lease obligation		-	-	-	-	-
Payables from exchange transactions		130 437 638	(7 240 981)	-	-	123 196 657
Consumer deposits		83 988	-	-	-	83 988
Employee benefit obligation		901 647	(87 651)	-	-	813 996
Unspent conditional grants and receipts		-	209 031	-	-	209 031
Provisions - CL		3 797 836	5 889 271	-	-	9 687 107
Non-current Liabilities						
Employee benefit obligation		6 711 000	87 651	-	-	6 798 651
Provisions - NCL		50 847 284	(3 249 261)	-	-	47 598 023
Total Liabilities		**192 779 393**	**(4 391 940)**	**-**	**-**	**188 387 453**
Total Net Assets		**815 611 963**	**11 961 867**	**-**	**-**	**827 573 830**
Accumulated surplus		815 611 963	11 961 867	-	-	827 573 830

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2025	2024

45. Prior-year adjustments (continued)

Statement of financial performance

2024

	Note	As previously reported	Correction of error	Change in accounting policy	Re-classification	Restated
Revenue from exchange transactions						
Service charges		55 728 227	857 810	-	-	56 586 037
Rental of facilities and equipment		146 875	-	-	-	146 875
Other income/ Operational revenue		1 382 484	-	-	-	1 382 484
Interest received - external investment		14 989 267	-	-	-	14 989 267
Agency Services		2 954 90				2 954 90
Licences & Permits		988 845	-	-	-	988 845
		76 190 604	**857 810**	-	-	**77 048 414**
Property rates		44 517 113	-	-	-	44 517 113
Taxation revenue - Interest		7 238 235	-	-	-	7 238 235
Licences & Permits		-	-	-	-	-
Government grants & subsidies		171 596 339	-	-	-	171 596 339
Fines, Penalties and Forfeits		367 761	302 850	-	-	670 611
		223 719 44	**302 85**		-	**224 022 29**
Total Revenue		299 910 052	1 160 660	-	-	301 070 712
Expenditure						
Employee related costs		(100 565 359)	(1 757 408)	-	-	(102 322 767)
Remuneration of councillors		(7 281 729)	-	-	-	(7 281 729)
Depreciation and amortisation		(42 889 988)	-	-	-	(42 889 988)
Finance costs		(11 184 427)	-	-	-	(11 184 427)
Debt Impairment		(39 747 616)	-	-	-	(39 747 616)
Bulk purchases		(28 362 540)	-	-	-	(28 362 540)
Bad debts written off		(5 062 733)	(111 616)	-	-	(5 174 349)
Inventory consumed		(7 660 127)	-	-	-	(7 660 127)
Contracted services		(61 629 259)	-	-	-	(61 629 259)
General Expenses		(36 716 409)	-	-	-	(36 716 409)
		(341 100 187)	(1 869 024)	-	-	(342 969 211)
Operating Surplus/ (Deficit)		(41 190 135)	(708 364)	-	-	(41 898 499)
Fair value adjustments		214 973	-	-	-	214 973
Reversal of impairments (Impairment loss)		2 239 624	-	-	-	2 239 624
Gain or loss on disposal of assets and liabilities		(197 629)	-	-	-	(197 629)
Actuarial gains		(206 311)	-	-	-	(206 311)
		2 050 657	-	-	-	2 050 657
Surplus / (Deficit) For The Year		**(39 139 478)**	**(708 364)**	-	-	**(39 847 842)**

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45. Prior-year adjustments (continued)

Cash flow statement

2024

	Note	As previously reported	Correction of error	Change in accounting policy	Re-classification	Restated
Cash flow from operating activities						
Taxation Revenue		41 203 750	-	-	-	41 203 750
Sale of goods and services		38 937 762	-	-	-	38 937 762
Grants		166 962 162	-	-	-	166 962 162
Interest income		1 654 727	-	-	-	1 654 727
Employee costs		(105 056 147)	-	-	-	(105 056 147)
Suppliers		(95 448 602)	-	-	-	(95 448 602)
Finance costs		(6 691 255)	-	-	-	(6 691 255)
Net cash from operating activities		**41 562 397**	-	-	-	**41 562 397**
Cash flow from investing activities						
Purchase of property, plant and equipment		(52 925 998)	-	-	-	(52 925 998)
Disposal of property, plant and equipment		13 005 489	-	-	-	13 005 489
Proceeds from sale of financial assets		(19 166)	-	-	-	(19 166)
Net cash from investing activities		**(39 939 675)**	-	-	-	**(39 939 675)**
Cash flow from financing activities						
Finance lease payments		-	-	-	-	-
Net cash from financing activities		-	-	-	-	-
Total cash movement for the year		**1 622 722**	-	-	-	**1 622 722**
Cash and cash equivalents at the beginning of the year		5 477 924	-	-	-	5 477 924

Errors

The following prior period errors were identified and corrected during the year:

Figures in Rand	2025	2024

45. Prior-year adjustments (continued)

Property, plant and equipment:

All assets was physically verified during the year and all conditions were updated for the current year. The new register was accounted for accordingly. All completed WIP projects was re-unbundled and correctly transferred to PPE per phase of completion based on supporting completion certificates.

Affected line items		
Accumulated surplus (deficit)		209 193 743
Gain or loss on disposal of assets and liabilities		75 053
Payables from exchange transactions		439 646
Property, plant and equipment		(197 571 556)
VAT receivable		(48 813)
General Expenses		1 075 689
Contracted Services		(7 327 476)
Reversal of impairments (Impairment loss)		(27 544 659)
Depreciation and amortisation		21 708 372
		(2)

Intangible assets:

Intangible assets were reassessed and confirmed to not meet the definition and was derecognised.

Affected line items		
Accumulated surplus (deficit)		7 365 336
Intangible assets		(4 843 139)
Depreciation and amortisation		(2 522 197)
		(1)

Debt Impairment:

Management did not apply GRAP 104 correctly. Management have now corrected to ensure discounting is correctly applied to the impairment provision.

Affected line items		
Accumulated surplus (deficit)		(4 015 721)
Receivables from exchange transactions		(7 350 403)
Receivables from non-exchange transactions		(5 329 877)
VAT receivable		(456 921)
General Expenses		8 536 394
Debt Impairment		8 616 529
		1

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2025	2024

45. Prior-year adjustments (continued)

Payables from exchange transactions:

A total population revisit was done and all trade creditors were reconciled per creditor. All corrections were passed.

Affected line items	
Accumulated surplus (deficit)	304 110 823
Cash and cash equivalents	1 149 568
Finance costs	(9 553 388)
Finance lease obligation	(568 677)
Inventories	(154 694)
Payables from exchange transactions	(283 176 194)
Property, plant and equipment	8 375
Receivables from exchange transactions	1 245
VAT receivable	(3 807 524)
General Expenses	(8 009 532)
	(6)

Receivables from exchange transactions:

Correction of Prepaid sales received in advance.

Affected line items	
Accumulated surplus (deficit)	5 566 339
Other financial assets	23 836
Payables from exchange transactions	(1 787 308)
Receivables from exchange transactions	71 973
VAT receivable	(224 205)
General Expenses	176 917
Service charges	(3 827 553)
	(4)

Agency services:

Agency fees for the month of July 2022 until January 2023, the calculations of the agency fees were calculated based on the vehicle license fees and then add motor vehicle registration and manual fees, and not taking 19% for all fees, as documented on the SLA.

Affected line items	
Agency services	861 040
Payables from exchange transactions	(282 601)
VAT receivable	(578 439)
	-

Leave Accrual:

The total population was revisited and all discrepancies were corrected.

Affected line items	
Payables from exchange transactions	(317 557)
Employee related costs	317 557
	-

Figures in Rand	2025	2024

45. Prior-year adjustments (continued)
Inventory consumed:

Water inventory was accounted for in terms of Circular 98 as water purchased are to be accounted for under Inventory. Bulk purchases was reclassified as Inventory consumed.

Affected line items	
Accumulated surplus (deficit)	(111 709)
Inventories	321 365
General Expenses	(234 885)
Bulk purchases	(8 531 903)
Inventory consumed	8 557 133
	(1)

Unspent conditional grants and receipts:

Unconditional Grant received from DEDEAT for GMA was reclassified to Public contributions and donations

Affected line items	
Unspent conditional grants and receipts	286 870
Government grants & subsidies	(286 870)
	-

Investment property:

All Land and Investment properties was verified against the valuation roll, properties was identified that was not included inthe prior year register. Additional properties was identified that had to be removed as the properties transferred fromowners and did not meet the criteria of Land or Investment properties.

Affected line items	
Accumulated surplus (deficit)	(22 531 308)
Fair value adjustments	(308 343)
Gain or loss on disposal of assets and liabilities	4 873
Investment property	15 424 655
Property, plant and equipment	7 410 123
	1

Cash and cash equivalents

Correction of allocation of unallocated deposits and SARS transaction that was unpaid in prior year and paid in durent year.

Affected line items	
Accumulated surplus (deficit)	(4 278)
Cash and cash equivalents	1 149 568
Payables from exchange transactions	(1 145 289)
	-

45. Prior-year adjustments (continued)

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2025	2024

46. Comparative figures

Certain comparative figures have been reclassified.

The effects of the restatement are as follows:

Distribution losses *Correction of the accounting of Circular 98.*	5 477 512	(101 728)	5 375 784
Commitments *Correction of prior year disclosure error identified during audit not corrected.*	26 503 456	23 093 344	49 596 800
Contingent liabilities *New legal confirmations obtained and amounts updated accordingly.*	21 731 280	8 200 000	29 931 280
Irregular expenditure *Additional irregular expenditure identified relating to 2022/23.*	519 490 325	97 444 029	616 934 354
Fruitless and wasteful expenditure *Correction on interest and penalties.*	18 071 973	(7 538)	18 064 435
PAYE and UIF *New disclosure due to 100% recalculation done on employee cost.*	-	1 083 567	1 083 567
VAT *Correction of prior year disclosure error identified as well as opening balance error.*	11 985 773	(11 985 773)	-
Councillors' arrear consumer accounts *Correction of prior year disclosure error identified.*	142 673	25 459	168 132
Segment information *Corrections of prior period errors affected the Surplus of the year that has been previously reported.*	5 424 398	(22 438 963)	(17 014 565)

47. Risk management

Financial risk management

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

The municipality's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance. The municipality uses derivative financial instruments to hedge certain risk exposures. Risk management is carried out by a central treasury department (entity treasury) under policies approved by the accounting officer. Municipality treasury identifies, evaluates and hedges financial risks in close co-operation with the municipality's operating units. The accounting officer provide written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

The Treasury function reports periodically to the municipality's finance committee, that monitors risks and policies implemented to mitigate risk exposures.

Liquidity risk

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

Ultimate responsibility for liquidity risk management rests with the Council, which has built an appropriate liquidity risk management framework for the management of the municipality's short, medium and long-term funding and liquidity management requirements. The municipality manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

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

At 30 June 2025	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables	225 829 000	-	-	-

At 30 June 2024	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables	125 846 294	-	-	-

Figures in Rand	2025	2024

47. Risk management (continued)

Credit risk

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

Potential concentrations of credit rate risk consist mainly of investments, loans and receivables, trade receivables, other receivables, short-term investment deposits and cash and cash equivalents.

The municipality limits its counterparty exposures from its money market investment operations by only dealing with well-established financial institutions of high credit standing. The credit exposure to any single counterparty is managed by setting transaction/ exposure limits, which are included in the municipality's Investment Policy.

Trade receivables comprise of a large number of ratepayers, dispersed across different industries and geographical areas. Ongoing credit evaluations are performed on the financial condition of these customers. Trade receivables are presented net of an allowance for impairment and where appropriate, credit limits are adjusted.

Credit risk pertaining to trade and other receivables is considered to be moderate due the diversified nature of debtors and immaterial nature of individual balances. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practice this is difficult to apply.

In the case of customers whose accounts become in arrears, it is endeavoured to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

Non-current Receivables and Other Receivables are collectively evaluated annually at reporting date for impairment or discounting. A report on the various categories of customers is drafted to substantiate such evaluation and subsequent impairment / discount, where applicable.

The municipality only deposits with major banks with high quality credit standing.

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

Financial instrument	2025	2024
Receivables from exchange transactions	76 296 553	9 304 547
Receivables from non-exchange transactions	47 602 852	6 877 551
Bank balances	9 183 994	7 100 644

The method for determining the credit quality of the different financial instruments is disclosed in their individual notes.

Consumer deposits and guarantees held in lieu of service accounts are disclosed in note 13.

Market risk

Interest rate risk

The municipality is exposed to interest rate risk due to the movements in long-term and short term interest rates.

Interest rate risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes.

The municipality's policy is to minimise interest rate cash flow risk exposures on long-term financing. Longer-term borrowings and finance leases are therefore usually at fixed rates.

This risk is managed on an ongoing basis.

Figures in Rand	2025	2024

47. Risk management (continued)

Price risk

The effect of any price risk in the foreseeable future is regarded as minimal given the fact that amounts receivable from the municipality's customers are levied in terms of the relevant statutes. It is not anticipated that given the nature of the municipality's business that changes in market prices will have a material impact on the trading results of the municipality.

There has been no change, since the previous financial year, to the municipality's exposure to market risks or the manner in which it manages and measures the risk.

48. Going concern

We draw attention to the fact that at 30 June 2023, the municipality had an accumulated surplus/(deficit) of R 843638892 and that the municipality's current liabilities exceed its current assets by R -93944747.3700001

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

The municipality is experiencing some financial difficulties, indicators are as follows:

1. Suppliers are not paid within the legislative 30 days.

2. Employee benefit obligations are unfunded; refer note 14

3. High levels of distribution losses; refer note 54

4. Slow collection and low recoverability of outstanding consumer accounts; refer to notes 6 and 7.

5. Unfavourable financial ratios.

In addition, the municipality owed key suppliers:Eskom Holdings SOC R 6,711,174 (2023: R7,827,316) and; Department water and sanitation R 48,400,268 (2023: R 37,974,093) as at 30 June 2024.

The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality. There is material uncertainty that the municipality can operate as a going concern if additional funding cannot be procured. The ability of the municipality to continue as a going concern is dependent on several factors:

1. Circular 124 – Eskom write-off agreement application.

2. Circular 123 – Budgeting process and improved tariff adjustments to improve service delivery collections.

3. Valuation roll implementation from 2020/21, this will improve property rates billing for next 5 years supplementary roll implemented every quarter.

4. Additional supplementary valuation rolls were implemented during the financial year to improve property rates billing and enhance cashflow.

49. Events after the reporting date

The municipality have not identified any material category of non-adjusting events after the reporting date.

50. Unauthorised, Irregular and Fruitless and Wasteful Expenditure

Unauthorised expenditure	439 576 476	410 634 522
Irregular expenditure	404 193 226	689 111 762
Fruitless and wasteful expenditure	20 933 294	24 737 794
Closing balance	**864 702 996**	**1 124 484 078**

Figures in Rand	2025	2024

51. Unauthorised expenditure

	2025	2024
Opening balance as previously reported	372 665 287	319 381 440
Add: Unauthorised expenditure - current	66 911 188	91 253 082
Closing balance	**439 576 475**	**410 634 522**

Unauthorised expenditure is disclosed exclusive of VAT.

	2025	2024
Non-cash	36 985 887	36 985 888
Cash	54 267 194	54 267 195
	91 253 081	**91 253 082**

Unauthorised expenditure: Budget overspending – per municipal department:

	2025	2024
Vote 3 - FINANCE	72 203 844	72 203 844
Vote 4 - Community Services	10 954 949	10 954 950
Vote 5 - Technical Services	8 094 288	8 094 289
	91 253 081	**91 253 082**

52. Fruitless and wasteful expenditure

	2025	2024
Opening balance as previously reported	18 298 665	18 298 665
Add: Fruitless and wasteful expenditure identified - current	7 872 291	7 338 174
Less: Amount recovered - current	-	10 692
Less: Amount written off - prior period	(5 237 662)	-
Closing balance	**20 933 294**	**25 647 531**

Fruitless and wasteful expenditure is presented inclusive of VAT

Figures in Rand		2025	2024

52. Fruitless and wasteful expenditure (continued)

Details of fruitless and wasteful expenditure

	Disciplinary steps taken/criminal proceedings		
Arena		27 724	32 888
Auditor General		194 304	339 715
Avis Rental		583	-
Eskom Holdings		2 659 495	997 170
Lower Sundays River Water Association		30 436	16 607
Nothemba Ntlantsana		184 250	-
SARS		698 426	141 995
TD Potgieter		228 000	-
telkom		4 197	9 018
Water and Sanitation National		3 411 593	5 188 243
Unknown		-	289
FNB		-	30
1075 (Employee number)		-	24 954
1285 (Employee number)		-	22 275
Tinashe Mumbire		-	562 152
COEGA DEVELOPMENT COOPERATION		-	935
JOUBERT GALPIN AND SEARLE		-	1 649
LEZMIN 2126		-	247
Compensation fund		433 279	-
		7 872 287	**7 338 167**

No write offs of amounts were proposed to council or approved by council for the prior period under review.

Amount recovered

Investigations will be conducted in the following financial reporting period to determine whether any amounts are recoverable or not.

53. Irregular expenditure

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

	Disciplinary steps taken/criminal proceedings		
Appointed the services without implementing PPR 2022 which states when appointing anything above R2 000.00 to R30 000.00 you need to use preferencial point system which is BBBEE and locality		-	4 115 782
Deviation procedures not adhered to		-	3 269 330
Expenditure exceeds tender amount		-	12 679 218
Local content evaluation not done		-	53 209
No formal three qoutationsNo competitive bidding process followed and no motivation for deviation attached		-	57 752 622
No CSD attached		-	13 008
No declaration of interest form attached		-	644 115
No extension of contract in place even though the contracts have expired.		-	2 530 712
No formal three qoutations		-	1 756 629
Non-compliance with Section 112 of the MFMA, Schedule 3 and Regulation 17 of CIDB regulations of 2004		-	5 117 048
Payments made exceeds the contract price		-	1 093 942
Reason not provided for not getting 3 written quotes		-	105 761
		-	**89 131 376**

Figures in Rand	2025	2024

53. Irregular expenditure (continued)

Disciplinary steps taken/criminal proceedings

Based of the above, no disciplinary steps or criminal proceedings were taken during the reporting period under review.

54. Material Losses

	2025	2024
Electricity distributed losses		
Units purchased (kWh)	20 262 097	15 555 050
Units lost during distribution (kWh)	5 795 351	2 518 962
Percentage lost during distribution	29%	16%
Loss Amount	11 880 471	4 584 511

These losses are due to technical losses on the distribution system (transformers, cables, overhead lines), faulty meters, theft and vandalism.

	2025	2024
Water distributed losses		
Mega litres purified	4 265	4 624
Mega litres lost during distribution	2 491	3 032
Percentage lost during distribution	58%	66%
Loss Amount	6 177 455	5 151 600

These losses are due to defective meters, losses on water network (breakage in pipelines and pumps, leaking valves, etc.), evaporation, theft, vandalism and damages due to blind excavations.

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2025	2024

55. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

	2025	2024
Opening balance	2 573 294	2 527 333
Current year subscription / fee	1 173 842	1 067 434
Amount paid - current year	(300 000)	-
	3 447 136	**3 594 767**

Material losses

	2025	2024
Electricity distribution losses	11 880 471	4 584 511
Water distribution losses	6 177 455	5 151 601
	18 057 926	**9 736 112**

Audit fees

	2025	2024
Opening balance	4 464 904	1 213 653
Current year subscription / fee	3 981 985	7 056 953
Amount paid - current year	(8 293 595)	(3 805 701)
	153 294	**4 464 905**

PAYE and UIF

	2025	2024
Opening balance	1 083 566	1 083 567
Current year subscription	11 360 904	11 360 905
Amount paid - current year	(11 135 157)	(11 135 157)
	1 309 313	**1 309 314**

Pension and Medical Aid Deductions

	2025	2024
Current year subscription / fee	23 233 742	23 233 742
Amount paid - current year	(20 615 992)	(20 615 993)
	2 617 750	**2 617 750**

VAT

	2025	2024
Current year subscription	(17 539 194)	(17 943 206)
Amount received - current year	17 539 194	17 943 206
	-	-

VAT output payables and VAT input receivables are shown in note 61.

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

Figures in Rand	2025	2024

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

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2025:(Councillors marked with * has payment arrangements in place.)

30 June 2025

	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Cllr. M Bosman	6 283	10 921	17 204
Cllr. K Smith	30 808	77 255	108 063
Cllr. SH Hendricks	1 433	2 425	3 858
Cllr. N Langbooi	1 162	29 122	30 284
Cllr. LE Baka	1 335	15 175	16 510
Cllr. B Dyantyi	1 118	27 909	29 027
Cllr. N Baxana	542	6 330	6 872
Cllr. NP Ncambele	542	13 111	13 653
Cllr. S Lucas (Mayor)	542	15 804	16 346
	43 765	**198 052**	**241 817**

30 June 2024

	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Cllr. LE Baka	1 077	9 138	10 215
Cllr. N Baxana	517	4 720	5 237
Cllr. M Bosman	-	6 641	6 641
Cllr. B Dyantyi	1 067	21 240	22 307
Cllr. SH Hendricks	911	1 945	2 856
Cllr. XJ Jonas	517	56 951	57 468
Cllr. N Langbooi	1 109	22 175	23 284
Cllr. NP Ncambele	-	79 663	79 663
Cllr. SC Nodonti	-	100 217	100 217
Cllr. MC Payi	-	100 000	100 000
Cllr. Z Qusheka	-	1 450	1 450
Cllr. K Smith	24 833	42 504	67 337
	30 031	**446 644**	**476 675**

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

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

30 June 2025	Highest outstanding amount	Aging (in days)
Cllr. M Bosman	2 358	6 641
Cllr. K Smith	11 231	38 330
Cllr. SH Hendricks	477	1 150
Cllr. N Langbooi	20 037	15 618
Cllr. LE Baka	8 779	5 220
Cllr. B Dyantyi	19 376	50 000
Cllr. N Baxana	3 503	100 000
Cllr. NP Ncambele	79 663	1 450
Cllr. S Lucas (Mayor)	10 273	15 076
Cllr. SC Nodonti	100 000	2 526
Cllr. MC Payi	62 500	100 000
Cllr. XJ Jonas	50 000	79 663
	368 197	**415 675**

30 June 2024	Highest outstanding amount	Aging (in days)
Cllr. F Adams	-	21 051
Cllr. LE Baka	5 220	19 890
Cllr. N Baxana	2 526	4 750
Cllr. M Bosman	6 641	9 306
Cllr. B Dyantyi	15 075	16 356
Cllr. SH Hendricks	1 150	25 459
Cllr. XJ Jonas	50 000	6 762
Cllr. N Langbooi	15 618	17 075
Cllr. NP Ncambele	79 663	-
Cllr. A Ndawo	-	13 719
Cllr. SC Nodonti	100 000	217
Cllr. MC Payi	100 000	-
Cllr. Z Qusheka	1 450	1 450
Cllr. SH Rune	-	27 280
Cllr. K Smith	38 329	3 837
	415 672	**167 152**

Non-compliance with the Municipal Finance Management Act

In terms of section 65 (2)(e) of the Municipal Finance Management Act (Act 56 of 2003), all money owing by the municipality be paid within 30 days of receiving the relevant invoice or statement. Due to cash flow constraints, the municipality, could not settle all money owing within the prescribed period.

In terms of section 126 (1)(a) of the Municipal Finance Management Act (Act 56 of 2003), the accounting officer of a municipality must prepare the annual financial statements within 2 months after the end of the financial year.

Figures in Rand	2025	2024

56. Deviation from supply chain management regulations

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

All deviations considered by the accounting officer are processed in terms of the SCM regulations and the municipality's SCM policy. This process entails being assessed by the SCM Bid Adjudication Committee in terms of the stipulated criteria for emergency procurements and circumstances where it is impractical or not possible to follow the official procedure.

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

In terms of section 36(2) of the Supply Chain Management Policy approved by Council it is stipulated that bids where the formal procurement processes could not be followed, must be noted in the annual financial statements.

SCM paragraph reference		2025	2024
36 (1)(a) i	Dispense with the official procurement processes in an emergency	5 261 933	2 626 117
36 (1)(a) ii	Dispense with official procurement processes if such goods or services are produced or available from a single source or sole provider.	2 062 688	1 147 302
36 (1)(a) v	Dispense with official procurement processes in any other exceptional case where it is impractical or impossible to follow the official procurement processes.	763 335	1 062 098
36 (1)(a) vi		117 259	-
Total deviations		**8 205 215**	**4 835 517**

57. Segment information

General information

Identification of segments

For management purposes, the municipality is organised and operates in seven key functional segments. To this end, management monitors the operating results of these segments for the purpose of making decisions about resource allocations and assessment of performance. Revenues and expenditures relating to these segments are allocated at a transactional level.

The five key functional segments comprise of:

• Community Services

• Corporate Services

• Executive & Council

• Finance

• Technical Services

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

Management does not monitor performance geographically as it does not at present have reliable separate financial information for decision making purposes. Processes have been put in place to generate this information at a transaction level and in the most cost effective manner.

Aggregated segments

The municipality does not aggregate any other municipal activities into a general reportable segment.

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**
Community Services	Community and social services, sports recreation and public safety.
Corporate Services	Administrative functions in human resources, legal services or compliance, communications and finance
Executive & Council	Municipal Governance and Administration.
Finance	Administration and financial services.
Technical Services	Energy sources, Water management, Waste water managemet and waste management.

Notes to the Unaudited Annual Financial Statements

Figures in Rand

57. Segment information (continued)

Segment surplus or deficit, assets and liabilities

2025

	Water Distribution	Solid Waste Removal	Water Treatment	Electricity	Roads	Sewerage	Community Services	Total
Revenue								
Revenue from exchange transactions								
Agency services	-	-	-	-	-	-	(1 926 017)	(1 926 017)
Licences and permits	-	-	-	-	-	-	(1 828 123)	(1 828 123)
Operational revenue	-	-	-	(35 529)	-	-	(114 804)	(150 333)
Rendering of services	(26 040 838)	(8 971 555)	-	(32 196 916)	-	-	-	(67 209 309)
Rental of facilities and equipment	-	-	-	-	-	-	(61 326)	(61 326)
Revenue from non-exchange transactions								
Taxation revenue	-	-	-	-	-	-	-	-
Interest income	(8 012 713)	(4 183 027)	-	(1 176 626)	-	(1 941 206)	-	(15 313 572)
Fines	-	-	-	(2 752)	-	-	(146 900)	(149 652)
Government grants & subsidies	(42 809 881)	(14 712 298)	-	(31 918 926)	-	(13 355 395)	(4 149 307)	(106 945 807)
Total segment revenue	**(76 863 433)**	**(27 866 880)**	**-**	**(65 330 749)**	**-**	**(15 296 601)**	**(8 226 477)**	**(193 584 139)**
Total revenue								**(193 584 139)**
Expenditure								
Bad debt written off	177 745	32 965	-	224 876	-	24 342	-	459 928
Bulk Electricity	-	-	-	35 411 736	-	-	-	35 411 736
Contracted services	1 885 071	1 109 918	-	855 401	-	1 848 653	13 343 133	19 042 176
Debt Impairment	-	-	-	-	-	-	(545 448)	(545 448)
Depreciation and amortisation	5 998 373	91 679	-	2 745 135	13 201 909	6 123 081	2 243 284	30 403 461
Employee cost	16 682 220	4 515 362	-	5 265 006	4 828 094	6 362 090	27 793 263	65 446 035
Finance cost	-	1 733 727	-	-	-	-	-	1 733 727
Inventory Consumed	12 833 478	39 938	-	92 106	308 333	49 740	166 685	13 490 280
General	2 369 266	164 685	-	11 024 035	244 394	489 577	708 630	15 000 587
Total segment expenditure	**39 946 153**	**7 688 274**	**-**	**55 618 295**	**18 582 730**	**14 897 483**	**43 709 547**	**180 442 482**

Notes to the Unaudited Annual Financial Statements

Figures in Rand

	Water Distribution	Solid Waste Removal	Water Treatment	Electricity	Roads	Sewerage	Community Services	Total
57. Segment information (continued)								
Fair value adjustments	-	(214 973)	-	-	-	-		(214 973)
Impairments	(388 099)	(136 784)	(416 401)	2 108 852	(3 407 192)	-		(2 239 625)
Gain or loss on disposal of assets and liabilities	-	364 360	-	(166 731)	-	-		197 628
Actuarial gains/losses	-	206 311	-	-	-	-		206 311
	(388 099)	218 913	(416 401)	2 108 852	(3 407 192)	-		(2 050 659)
Surplus (deficit) for the year								**15 192 316**
Assets								
Current assets								
Cash and cash equivalents	-	(53 827)	773 067	6 381 403	-	-	-	7 100 643
Inventories	-	(5 947)	(261 369)	576 442	-	-	-	309 126
Receivables from exchange transactions	(37 373 272)	86 483	63 794 940	95 456 967	(112 660 571)	-	-	9 304 547
Receivables from non-exchange transactions	-	-	16 968 532	(9 354 173)	-	-	-	7 614 359
VAT receivable / payable	-	-	-	1 445 722	-	-	-	1 445 722
Other financial assets	-	-	-	60 148	7 546	-	-	67 694
Non-current assets								
Heritage assets	-	-	-	322 483	-	-	-	322 483
Investment property	-	-	-	40 204 538	-	-	-	40 204 538
Property, plant and equipment	33 929 944	(5 935 893)	-	899 739 429	14 692 071	-	-	942 425 551
Total segment assets	**(3 443 328)**	**(5 909 184)**	**81 275 170**	**1 034 832 959**	**(97 960 954)**	-	**-**	**1 008 794 663**
Total assets as per Statement of Financial Position								**1 008 794 663**

Notes to the Unaudited Annual Financial Statements

Figures in Rand

57. Segment information (continued)

	Water Distribution	Solid Waste Removal	Water Treatment	Electricity	Roads	Sewerage	Community Services	Total
Liabilities								
Current liabilities								
Consumer deposits	-	-	-	(83 988)	-	-	-	(83 988)
Payables from exchange transactions	-	(7 270 166)	(212 521 784)	64 227 249	25 127 061	-	-	(130 437 640)
Provisions	-	-	-	(3 797 836)	-	-	-	(3 797 836)
Retirement benefit obligation	-	-	-	(813 997)	-	-	-	(813 997)
Non-current liabilities								
Employee benefit obligation	-	-	-	(6 798 334)	-	-	-	(6 798 334)
Provisions	-	-	-	(50 847 284)	-	-	-	(50 847 284)
Total segment liabilities	**-**	**(7 270 166)**	**(212 521 784)**	**1 885 809**	**25 127 061**	**-**	**-**	**(192 779 080)**
Unallocated liabilities 3								15 000 589
Total liabilities as per Statement of financial Position								**(177 778 491)**

Notes to the Unaudited Annual Financial Statements

Figures in Rand

57. Segment information (continued)

2024

						Total
Revenue						
Revenue from exchange transactions						
Agency services	(1 929 009)	-	-	-	-	(1 929 009)
Interest received - investment	(2 657 594)	-	-	(1 472 810)	(7 088 283)	(11 218 687)
Licences and permits	(1 167 276)	-	-	-	-	(1 167 276)
Operational revenue	(124 810)	-	(15 916)	(416 168)	(163 734)	(720 628)
Rendering of services	(6 121 038)	-	-	-	(41 556 961)	(47 677 999)
Rental of facilities and equipment	(65 768)	-	-	-	-	(65 768)
Revenue from non-exchange transactions	-	-	-	-	-	-
Taxation revenue						
Property rates	-	-	3 910 609	(53 130 632)	-	(49 220 023)
Interest income	-	-	-	(8 931 372)	-	(8 931 372)
Transfer revenue	-	-	-	-	-	-
Fines	(1 082 299)	-	-	-	(50 049)	(1 132 348)
Government grants & subsidies	(26 270 582)	(138 263)	-	(13 343 345)	(145 385 652)	(185 137 842)
Total segment revenue	**(39 418 378)**	**(138 263)**	**3 894 693**	**(77 294 327)**	**(194 244 679)**	**(307 200 952)**
Total revenue						**(307 200 952)**

Notes to the Unaudited Annual Financial Statements

Figures in Rand

57. Segment information (continued)

						Total
Expenditure						
Bad debts written off	-	-	-	14 356 240	-	14 356 240
Bulk purchases	-	-	-	-	22 453 722	22 453 722
Contracted Services	11 340 234	3 128 850	5 515 154	12 304 709	2 527 906	34 816 853
Debt Impairment	1 047 712	-	-	26 289 910	-	27 337 622
Depreciation and amortisation	1 110 223	1 754 922	-	5 145 341	28 787 362	36 797 848
Employee costs	28 046 038	13 565 345	7 275 503	13 930 779	27 149 364	89 967 029
Finance costs	3 887 852	-	-	2 790 720	-	6 678 572
General	1 278 921	6 812 133	3 774 000	12 442 500	12 491 489	36 799 043
Inventory consumed	-	-	-	-	8 557 133	8 557 133
Remuneration of councillors	-	40	7 276 234	-	-	7 276 274
Transfers and Subsidies	-	-	10 000	-	-	10 000
Total segment expenditure	**46 710 980**	**25 261 290**	**23 850 891**	**87 260 199**	**101 966 976**	**285 050 336**
Fair value adjustments	-	(756 004)	-	-	-	(756 004)
Impairments	(1 841 118)	(735 177)	1 311 686	(1 901 250)	(4 770 579)	(7 936 439)
Inventories losses/write-downs	-	-	-	(101 248)	-	(101 248)
Gain or loss on disposal of assets and liabilities	-	39 963	-	-	-	39 963
Actuarial gains/losses	-	206 409	-	-	-	206 409
	(1 841 118)	(1 244 809)	1 311 686	(2 002 499)	(4 770 579)	(8 547 319)
Surplus (deficit) for the year						**30 697 935**

Notes to the Unaudited Annual Financial Statements

Figures in Rand

57. Segment information (continued)

						Total
Assets						
Current assets						
Cash and cash equivalents	-	(61 306)	32 621	5 506 607	-	5 477 922
Inventories	-	(2 393)	(153 231)	684 956	-	529 332
Other financial assets	-	-	-	36 609	11 918	48 527
Receivables from exchange transactions	(29 645 293)	2 951	48 726 178	79 394 470	(91 405 254)	7 073 052
Receivables from non-exchange transactions	-	-	14 599 876	(6 586 925)	-	8 012 951
Non-current assets						
Heritage assets	-	-	-	322 483	-	322 483
Intangible assets	-	-	-	(9)	-	(9)
Investment property	-	-	-	39 989 565	-	39 989 565
Property, plant and equipment	22 146 955	(5 793 934)	-	871 957 559	53 726 580	942 037 160
Total segment assets	**(7 498 338)**	**(5 854 682)**	**63 205 444**	**991 305 315**	**(37 666 756)**	**1 003 490 983**
Total assets as per Statement of financial Position						1 003 490 995
Total assets as per Statement of financial Position						**2 006 981 978**
Liabilities						
Current liabilities	-	-	-	-	-	-
Consumer deposits	-	-	-	(80 237)	-	(80 237)
Payables from exchange transactions	-	(10 523 658)	(92 439 649)	(4 860 755)	20 108 215	(87 715 847)
Provisions	-	-	-	(3 249 261)	-	(3 249 261)
Retirement benefit obligation	-	-	-	(852 709)	-	(852 709)
Unspent conditional grants and receipts		-	-		(4 634 176)	(4 634 176)
VAT receivable / payable	-	-	-	(188 916)	-	(188 916)
Non-current liabilities						
Employee benefit obligation	-	-	-	(5 858 291)	-	(5 858 291)
Provisions	-	-	-	(46 282 153)	-	(46 282 153)
Total segment liabilities	**-**	**(10 523 658)**	**(92 439 649)**	**(61 372 322)**	**15 474 039**	**(148 861 590)**
Total liabilities as per Statement of financial Position						**(148 861 590)**

Notes to the Unaudited Annual Financial Statements

57. Segment information (continued)

Measurement of segment surplus or deficit, assets and liabilities

The accounting policies of the segments are the same as those described in the summary of significant accounting policies.

Information about geographical areas

58. Budget differences

Material differences between budget and actual amounts

The budget has been prepared on the accrual basis of accounting in accordance with the prescripts of the Municipal budget regulations as well as MFMA budget circulars. In accordance with the Municipal budget regulations, the classification basis the municipality presents its budget is per economic as well as per functional classification (per Vote (Department) and GFS classification). It should be noted that minor budget differences between the basis the budget is prepared (accrual basis and prescripts of NT guidance) and actual financial results (accrual basis in accordance with GRAP) exists, mainly related to technical GRAP adjustments required. These differences are not material and as the basis of preparation is the same (accrual basis) no restatements have been made to the financial information compared to the budgeted amounts, but where found to be material is explained below:

Explanation of variances between approved and final budget amounts

The materiality framework of the municipality informs the determining base ranges. The framework outlines all principles and guiding practices to allow management to enforce a consistent application of the framework's guidelines. With regard to reporting, the understandability and transparency to users of the financial statements was a determining factor when deciding on the base %. The determining base was if the line item in the Statement of financial position or Statement of financial performance has more than a 10% deviation between the Final Budgeted amount and the Actual reported balance.

The variances identified in the Budget Statement is as follows:

Reference No.	Description	Actual amount over/(under) budget	Variance percentage	Explanation
Note 58.1	Agency services	(886 325)	-31%	More customers rented the municipal facilities than anticipated
Note 58.2	Licences and permits	(205 476)	-11%	Higher inflow of customers making motor registration than anticipated during budgeting stage
Note 58.3	Other income - (rollup)	(477 733)	-50%	Closure of the traffic testing ground resulted in lower than anticipated revenue from Licence and Permits
Note 58.5	Gains on disposal of assets	(5 614 250)	-%	During budgeting no sale of assets was envisaged resulting in variance depicted
Note 58.7	Fines, Penalties and Forfeits	(284 884)	-65%	No reasons needed
Note 58.8	Depreciation and amortisation	27 214 618	-%	No reasons needed
Note 58.9	Impairment loss/ Reversal of impairments	6 127 482	-%	Higher interest expenses charged for overdue accounts
Note 58.10	Finance costs	(7 514 106)	282%	Receivables from exchange transactions increased thus the increase in debt impairment
Note 58.11	Lease rentals on operating lease	460 069	-%	Prior period error that resulted in a greater amount in the previous year
Note 58.12	Bad debts written off	2 757 417	-%	More project expenses acquired than initiallyanticipated at budgeted stage
Note 58.14	Contracted Services	(10 439 766)	33%	Unplanned expenses incurred resulted in higher variance than anticipated
Note 58.15	Loss on disposal of assets	(5 614 250)	-%	Fair value adjustment done by expert and report included in the AFS
Note 58.16	General Expenses	15 614 980	-28%	Inventory on hand is being used first. Inventory on hand at year-end lower than anticipated during the budgeting process
Note 58.17	Fair value adjustments	1 101 805	-%	Debt impairment (Non-cash item) not budgeted or accounted for during the budgeting process
Note 58.19	Inventories	(4 420 432)	-103%	Correction of prior period error resulting in significant changes
Note 58.20	Receivables from exchange transactions	(54 025 407)	242%	Cash on hand at year-end higher than anticipated during the budgeting process

58. Budget differences (continued)

Note 58.21	Receivables from non-exchange transactions	(31 825 258)	200%	100% population test performed and significant changes incorporated in the AFS
Note 58.22	VAT receivable	33 799 656	-26%	Accounting for the movement between WIP and PPE
Note 58.23	Cash and cash equivalents	34 151 548	-78%	Correction of prior period error resulting in significant changes
Note 58.24	Investment property	(70 888 171)	176%	Correction of prior period error resulting in significant changes
Note 58.25	Property, plant and equipment	103 975 154	-10%	Correction of prior period error resulting in significant changes
Note 58.27	Payables from exchange transactions	62 341 915	24%	Management did not anticipated to have no Unspent conditional grants left at year-end
Note 58.28	VAT payable	(33 890 587)	-26%	Provisions is only calculated after year-end by experts
Note 58.29	Employee benefit obligation	215 353	23%	Provisions is only calculated after year-end by experts
Note 58.30	Unspent conditional grants and receipts	204 546	-%	Provisions is only calculated after year-end by experts
Note 58.31	Provisions	(6 039 614)	-85%	Deficit of previous financial years not accounted for
Note 58.32	Employee benefit obligation	5 339 000	79%	STATE REASON WHY DIFFERENCE
Note 58.33	Provisions	(37 792 868)	-79%	STATE REASON WHY DIFFERENCE
Note 58.34	Reserves	(30 747 265)	-3%	STATE REASON WHY DIFFERENCE

Changes from the approved budget to the final budget

The changes between the approved and final budget are a consequence of reallocations within the approved budget parameters. For details on these changes please refer to pages to in the annual report.

The changes between the approved and final budget are a consequence of changes in the overall budget parameters. For details on these changes please refer to pages to in the annual report

59. Accounting by principals and agents

The municipality is a party to a principal-agent arrangement(s).

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

Municipality as Agent / Principle	Other Party in agreement	Purpose of Arrangement	Description of Arrangement	Significant Terms and Conditions of Arrangement
Agent	Provincial Department of Transport	Motor Vehicle registration	The Municipality undertakes to handle Motor vehicle license issuing on behalf of the Department of Transport and collects a commission of 19% plus VAT.	The municipality collect motor registration fees on behalf of Provincial Administration. Payment is made weekly based on the e-Natis reports Agency fees to the value of 19% plus VAT is withhold from the payment to the Province

Municipality as agent

Resources held on behalf of the principal(s), but recognised in the municipalities own financial statements

The resources regarding the Licensing Department remain their own and do not form part of the Municipality's financial statements.

Revenue recognised

The aggregate amount of revenue that the municipality recognised as compensation for the transactions carried out on behalf of the principal is R3 519 134 (2023: R3 943 751)

		2025	2024
Motor Vehicle registration - Dept of Transport	18	(1 926 017)	(2 954 906)
Drivers Licence applications - Dept of Transport	21	(1 560 207)	(988 845)
Court Fees - Dept of Justice	26	(32 910)	-
		(3 519 134)	(3 943 751)

60. BBBEE Performance

Information on compliance with the B-BBEE Act is included in the annual report under the section titled B-BBEE Compliance Performance Information.