KOUGA

local municipality

Good Governance through Service Excellence

Kouga Local Municipality
(Demarcation code EC108)
Annual Financial Statements
for the year ended 30 June 2025

Table of Contents

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

General Information

Legal form of entity	Municipality in terms of section 1 of the Local Government: Municipal Structures Act (Act 117 of 1998) read with section 155 (1) of the Constitution of the republic of South Africa (Act 108 of 1996)
Nature of business and principal activities	The objective of the municipality is to provide - democratic and accountable government for local communities, - the provision of services (electricity, water, sanitation and refuse) to communities in a sustainable manner, - to promote social and economic development, - and to promote a safe and healthy environment to encourage the involvement of communities and community organisations in the matters of local government.

Executive mayor and chairperson of mayoral commitee

Portfolio	**Councillor**
Executive mayor and chairperson of mayoral committee	H Borman
Deputy Executive Mayor and MMC (Planning and Development)	T Jantjies
Speaker	L Maree
MMC (Corporate and Communication Services)	M Nicholls
MMC (Finance and Economic Development)	S Ruth
MMC (Civil and Water Services)	R Foley
MMC (Electro and Mechanical Service)	J Alexander
MMC (Community and Safety Services)	D Benson

General Information

Council members

Ward	Surname	Initials
1	Ntshota	N
2	Murray	H
3	Gertenbach	W
4	Alexander	J
5	Nicholls	M
6	Ndzelani	K
7	Mbuqu	E
8	Foley	R
9	August	C
10	Mbandana	M
11	Haystek	F
12	Maree	L
13	Zana	V
14	Yali	M
15	Jantjies	T
Proportional	Bornman	H
Proportional	Williams	B
Proportional	van Niekerk	M
Proportional	Benson	D
Proportional	Ruth	S
Proportional	Dhludhlu	B
Proportional	Stuurman	G
Proportional	Gunuza	V
Proportional	Ntengwane	N
Proportional	Valgee	M
Proportional	Oliphant	P
Proportional	Nkilishane	L
Proportional	Petersen	W
Proportional	van der Linde	W
Proportional	Pietersen	C

Accounting Officer	Mr. C. du Plessis
Chief Financial Officer (CFO)	Mr. R Lorgat
Telephone	(042) 200 2200
Fax	(042) 293 4204
Demarcation code	EC108

Abbreviations

GRAP	Generally Recognised Accounting Practice
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant
MMC	Member of Mayoral Committee
MPAC	Municipal Public Accounts Committee
MPRA	Municipal Property Rates Act
SALGA	South African Local Government Association
SCM	Supply Chain Management
MSA	Municipal Structures Act
MSA	Municipal Systems Act
DBSA	Development Bank of South Africa

Accounting Officer's Report

The Accounting Officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report.

It is the responsibility of the Accounting Officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements were prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) as well as relevant interpretations, guidelines and directives issued by the Accounting Standards Board.

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

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

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

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

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

The Accounting Officer would like to bring the following material matters to your attention:

The Accounting Officer certifies that the salaries, allowances and benefits of councillors as disclosed in note 32 to these annual financial statements are within the upper limits of the framework envisaged in section 219 of the Constitution of the Republic of South Africa, read with the Remuneration of Public Office Bearers Act, Act 20 of 1998 and the Minister of Provincial and Local Government’s determination in accordance with the Act.

The external auditors, being the Auditor-General South Africa, are responsible for independently reviewing and reporting on the municipality's annual financial statements.

The annual financial statements set out on pages 6 to 112, in terms of Section 126(1) of the Municipal Finance Management Act (Act 56 of 2003), which have been prepared on the going concern basis and which the Accounting Officer has signed on behalf of the municipality on 31 August 2025:

Mr. C. du Plessis
Accounting Officer

Statement of Financial Position as at 30 June 2025

Figures in Rand	Note(s)	2025	2024 Restated*
Assets			
Current Assets			
Cash and cash equivalents	3	180,581,612	143,658,806
Trade and other receivables from exchange transactions	4	91,402,477	72,492,490
Receivables from non-exchange transactions	5	79,492,418	28,411,195
Inventory	6	24,825,449	21,144,062
Operating leases	7	116,730	105,634
Total Current Assets		**376,418,686**	**265,812,187**
Non-Current Assets			
Investment property	8	246,426,548	250,793,547
Property, plant and equipment	9	2,165,606,200	2,061,837,238
Intangible assets	10	212,023	418,609
Total Non-Current Assets		**2,412,244,771**	**2,313,049,394**
Total Assets		**2,788,663,457**	**2,578,861,581**
Liabilities			
Current Liabilities			
Borrowings	11	10,606,061	-
Lease liabilities	12	19,262,597	11,144,269
Employee benefits	13	37,988,860	53,430,159
Consumer deposits	14	34,504,675	31,271,958
Trade and other payables from exchange transactions	15	237,246,551	169,001,977
Trade and other payables from non-exchange transactions	16	20,943,737	38,790,886
Provisions	17	1,200,001	1,000,001
Total Current Liabilities		**361,752,482**	**304,639,250**
Non-Current Liabilities			
Borrowings	11	87,310,606	-
Lease liabilities	12	31,749,651	12,231,114
Employee benefits	13	128,578,052	111,627,299
Provisions	17	120,813,557	119,432,937
Total Non-Current Liabilities		**368,451,866**	**243,291,350**
Total Liabilities		**730,204,348**	**547,930,600**
Net Assets		**2,058,459,109**	**2,030,930,981**
Community Wealth / Equity			
Reserves and funds	18	2,186,308	5,759,077
Accumulated surplus		2,056,272,782	2,025,171,913
Total Community Wealth / Equity		**2,058,459,090**	**2,030,930,990**

* See Note 60

Statement of Financial Performance

Figures in Rand	Note(s)	2025	2024 Restated*
Revenue			
Exchange Revenue			
Services charges – Electricity	19	400,468,081	369,018,381
Services charges – Waste management	19	58,681,221	57,487,680
Services charges – Waste water management	19	66,111,105	56,020,100
Services charges – Water management	19	104,736,801	102,794,542
Sales of goods and rendering of services	20	6,687,449	5,941,348
Agency services	21	6,044,675	3,615,485
Interests earned from bank and investments	22	13,689,019	12,962,398
Rental from fixed assets	23	4,068,055	3,549,568
Interest earned from receivables	26	22,366,468	21,854,451
Licences or permits	28	2,137,152	2,368,147
Operational revenue	30	8,061,428	12,015,874
Total Exchange Revenue		**693,051,454**	**647,627,974**
Non-Exchange Revenue			
Availability charges – Electricity	24	9,887,025	10,761,239
Availability charges – Water management	24	6,226,421	7,078,081
Availability charges – Waste water management	24	3,127,465	3,613,032
Property rates by usage	25	298,334,223	280,202,653
Fines, penalties and forfeits	27	96,015,607	41,581,546
Licences or permits	28	6,848,637	7,421,091
Transfers and subsidies – Operational	29	205,382,362	198,629,694
Transfers and subsidies – Capital	29	124,313,072	103,139,503
Interest earned from receivables	26	3,213,783	5,519,180
Increase/(Decrease) in net-realisable value	31	(470,288)	691,432
Total Non-Exchange Revenue		**752,878,307**	**658,637,451**
Total Revenue		**1,445,929,761**	**1,306,265,425**
Expenditure			
Employee related cost	32	418,730,857	405,168,338
Remuneration of councillors	33	15,442,571	14,850,031
Bulk purchases	34	427,467,442	351,702,171
Inventory consumed	35	94,015,955	96,946,879
Debt impairment /(Reversal of Impairment)	36	(68,469,677)	87,368,874
Depreciation and amortisation	37	113,663,405	99,790,265
Impairment loss / (reversal) of impairment	38	1,634,993	1,678,698
Finance costs	39	13,824,817	10,037,689
Contracted services	40	92,976,050	93,876,470
Transfers and subsidies	41	446,891	920,000
Irrecoverable debts written off	42	173,925,340	62,859,860
Operating leases	43	7,382,644	7,529,614
Operational cost	44	86,179,164	74,824,543
Inventory Water Losses	46	21,279,366	10,915,129
Contribution to provision	45	306,612	(52,760)
Loss on disposal of fixed and intangible assets	47	14,360,902	1,768,784
(Gains)/Loss on Remeasurements on Employee benefits	48	5,005,040	(6,627,000)
Total Expenditure		**1,418,172,372**	**1,313,557,585**
Surplus (deficit) for the year		**27,757,389**	**(7,292,160)**

* See Note 60

Statement of Changes in Net Assets

	Capital replacement reserve	Accumulated surplus	Total net assets
Opening balance as previously reported as at 1 July 2022	-	2,101,108,321	2,101,108,321
Adjustments			
Correction of errors	-	(62,868,108)	(62,868,108)
Balance at 01 July 2023 as restated*	**-**	**2,038,240,213**	**2,038,240,213**
Surplus for the year	-	(7,292,160)	(7,292,160)
Increase in Capital replacement reserve	5,759,077	(5,759,077)	-
Total changes	5,759,077	(13,051,237)	(7,292,160)
Restated* Balance at 01 July 2024	**5,759,077**	**2,025,171,914**	**2,030,930,991**
Surplus for the year	-	27,757,389	27,757,389
Transfers to / from accumulated surplus for the year	-	(2)	(2)
Transfer of contribution to the capital replacement reserve from accumulated surplus	(3,572,769)	3,572,769	-
Total changes	(3,572,769)	31,330,156	27,757,387
Adjustments			
Prior period correction of errors posted in current year	-	(229,288)	(229,288)
Balance at 30 June 2025	**2,186,308**	**2,056,272,782**	**2,058,459,090**
Note(s)	18		

* See Note 60

Cash Flow Statement

Figures in Rand	Note(s)	2025	2024 Restated*
Cash flows from operating activities			
Receipts			
Taxation		341,140,591	328,531,292
Sale of goods and rendering of services		578,524,845	552,786,357
Grants		306,925,483	295,865,027
Interest received for operating activities - Bank and Investments		13,689,019	12,962,398
		1,240,279,938	1,190,145,074
Payments			
Employee costs		(452,966,716)	(423,983,347)
Suppliers		(649,867,326)	(616,445,776)
Finance costs		-	(3,994)
		(1,102,834,042)	(1,040,433,117)
Net cash from(used) operating activities	49	**137,445,896**	**149,711,957**
Cash flows from investing activities			
Purchase of property, plant and equipment		(168,948,878)	(93,160,599)
Net cash flows from investing activities		**(168,948,878)**	**(93,160,599)**
Cash flows from financing activities			
Proceeds in long term loans		100,000,000	-
Finance lease payments		(22,888,380)	(12,168,691)
Interest paid related to financing activities		(8,685,832)	(5,658,872)
Net cash flows from financing activities		**68,425,788**	**(17,827,563)**
Net increase/(decrease) in cash		**36,922,806**	**38,723,795**
Cash and cash equivalents at year begin		143,658,806	104,935,011
		180,581,612	**143,658,806**

* See Note 60

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

Figures in Rand	Original budget	*Budget adjustments	Final adjustments budget	Final budget	Actual outcome	Variance	Actual outcome as % of final budget	Actual outcome as % of origional budget
2025								
Financial performance								
Property rates	297,076,441	1,232,568	298,309,009	298,309,009	298,334,223	25,214	100.01 %	100.42 %
Services charges	599,522,136	102,254,533	701,776,669	701,776,669	649,238,117	(52,538,552)	92.51 %	108.29 %
Investment revenue	13,997,883	1,500,000	15,497,883	15,497,883	13,689,019	(1,808,864)	88.33 %	97.79 %
Transfer and subsidies - Operational	202,152,808	8,567,634	210,720,442	210,720,442	205,382,362	(5,338,080)	97.47 %	101.60 %
Other own revenue	279,871,524	(144,089,436)	135,782,088	135,782,088	154,972,964	19,190,876	114.13 %	55.37 %
Total Revenue (excl. capital transfers and contributions)	**1,392,620,792**	**(30,534,701)**	**1,362,086,091**	**1,362,086,091**	**1,321,616,685**	**(40,469,406)**	**97.03 %**	**94.90 %**
Employee costs	(471,742,544)	(7,967,703)	(479,710,247)	(479,710,247)	(418,730,857)	60,979,390	87.29 %	88.76 %
Remuneration of councillors	(15,594,271)	-	(15,594,271)	(15,594,271)	(15,442,571)	151,700	99.03 %	99.03 %
Depreciation and amortisation	(117,798,047)	-	(117,798,047)	(117,798,047)	(113,663,408)	4,134,639	96.49 %	96.49 %
Finance charges	(17,403,856)	4,402,148	(13,001,708)	(13,001,708)	(13,824,817)	(823,109)	106.33 %	79.44 %
Inventory consumed and bulk purchases	(495,317,658)	(23,275,112)	(518,592,770)	(518,592,770)	(521,483,397)	(2,890,627)	100.56 %	105.28 %
Transfers and subsidies	(400,000)	-	(400,000)	(400,000)	(446,891)	(46,891)	111.72 %	111.72 %
Other expenditure	(387,217,339)	72,548,060	(314,669,279)	(314,669,279)	(334,580,429)	(19,911,150)	106.33 %	86.41 %
Total Expenditure	**(1,505,473,715)**	**45,707,393**	**(1,459,766,322)**	**(1,459,766,322)**	**(1,418,172,370)**	**41,593,952**	**97.15 %**	**94.20 %**
Deficit	**(112,852,923)**	**15,172,692**	**(97,680,231)**	**(97,680,231)**	**(96,555,685)**	**1,124,546**	**98.85 %**	**85.56 %**
Transfers and subsidies - capital (monetary allocations)	133,815,880	44,099,927	177,915,807	177,915,807	124,313,073	(53,602,734)	69.87 %	92.90 %
Surplus for the year	**20,962,957**	**59,272,619**	**80,235,576**	**80,235,576**	**27,757,388**	**(52,478,188)**	**34.59 %**	**132.41 %**
Capital expenditure and funds sources								
Capital expenditure	150,361,636	109,392,163	259,753,799	259,753,799	340,639,092	80,885,293	131.14 %	226.55 %
Transfers recognised – capital	116,361,636	41,028,972	157,390,608	157,390,608	174,580,718	17,190,110	110.92 %	150.03 %
Borrowings	34,000,000	38,745,008	72,745,008	72,745,008	121,167,322	48,422,314	166.56 %	356.37 %

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

Figures in Rand	Original budget	*Budget adjustments	Final adjustments budget	Final budget	Actual outcome	Variance	Actual outcome as % of final budget	Actual outcome as % of origional budget
Internally generated funds	-	29,618,183	29,618,183	29,618,183	44,891,051	15,272,868	151.57 %	- %
	150,361,636	**109,392,163**	**259,753,799**	**259,753,799**	**340,639,091**	**80,885,292**	**131.14 %**	**226.55 %**
Financial position								
Total current assets	213,837,437	103,353,423	317,190,860	317,190,860	378,763,004	61,572,144	119.41 %	177.13 %
Total non-current assets	2,369,947,890	84,835,771	2,454,783,661	2,454,783,661	2,412,244,771	(42,538,890)	98.27 %	101.78 %
Total current liabilities	(225,392,131)	(57,338,872)	(282,731,003)	(282,731,003)	364,096,800	646,827,803	(128.78)%	(161.54)%
Total non-current liabilities	(270,953,051)	(96,022,414)	(366,975,465)	(366,975,465)	368,451,866	735,427,331	(100.40)%	(135.98)%
Community wealth/ Equity	2,087,440,145	34,827,908	2,122,268,053	2,122,268,053	2,058,459,089	(63,808,964)	96.99 %	98.61 %
Cash flow								
Net cash from/(used) operating activities	138,815,212	35,940,323	174,755,535	174,755,535	137,445,896	(37,309,639)	78.65 %	99.01 %
Net cash from/(used) investing activities	(116,361,636)	(92,386,285)	(208,747,921)	(208,747,921)	(168,948,878)	39,799,043	80.93 %	145.19 %
Net cash from/(used) financing activities	(22,477,602)	107,213,152	84,735,550	84,735,550	68,425,788	(16,309,762)	80.75 %	(304.42)%
Cash/cash equivalents at the year end:	(24,026)	50,767,190	50,743,164	50,743,164	180,581,612	129,838,448	355.87 %	(751,609.14)%

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

Figures in Rand	Original budget	*Budget adjustments	Final adjustments budget	Final budget	Actual outcome	Variance	Actual outcome as % of final budget	Actual outcome as % of origional budget

Financial Performance: Explanation of Variances between Approved and Actuals

Reasons for variance greater than **10%** between Approved Budget and Actual Amounts on the various items disclosed in the Statement of Financial performance are explained below:"

Investment revenue

- Interest earned from investments is influenced by the investment portfolio which was lower than anticipated towards the end of the financial period.

Other own revenue

- The other revenue relates to various sources of operating revenue such as staff recovery, insurance refunds and skills development levy refunds.The operational revenue is largely influenced by Augmentation fees amounting to R 2,186 million, recognised during this reporting period, against no budget provision, as well as the Sale of Property amounting to R3,297 million recognised during this reporting period, against no budget provision.

Employee related costs

- Underspending relates to funded vacancies that were not filled during the period under review.

Transfers and subsidies - Expenditure

- Relates to Grants-in-Aid given by the municipality to various non-profit organisations, in line with the Council approved Grants-in-Aid Policy.

Transfers and subsidies - Revenue

- Refers to grant receipts for Department of Human Settlement grants and Municipal Disaster grants not fully recognised due the the projects not being completed by the end of the financial period, rollovers were applied for by the transferring department.

Internally generated funds

-The variance relates to the underspending of internally funded capital projects not fully spent.

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

Figures in Rand	Original budget	*Budget adjustments	Final adjustments budget	Final budget	Actual outcome	Variance	Actual outcome as % of final budget	Actual outcome as % of origional budget

Current assets

- The increase is largely due to the increase in the Accounts receivable being higher than expected.

Current Liabilities

- The increase in the current liabilites is influenced by the increase in the payables of approximately R67 million when compared to the final Budget.

Net cash from (used) operating

The varaince relates to a slight under collection of revenue as well expected revenue from projects that were not yet complete

Net cash from (used) investing

The net cash from investing activities is influenced by the capital expenditure which was not fully spent by the end of the financial year

Net cash from (used) financing

The cash from financing activities variance was influenced by the extent of loans and finance leases secured in the financial year.

Accounting Policies

Basis of preparation

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

The annual financial statements were prepared on the accrual basis of accounting and incorporate the historical cost conventions as the basis of measurement, except where specified otherwise.

1. Summary of significant accounting policies

These standards, interpretations and guidelines issued by the Accounting Standards Board are indicated as follows:

Reference	Description
GRAP Framework	Framework for the Preparation and Presentation of Financial Statements
GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors
GRAP 4	The Effects of Changes in Foreign Exchange Rates
GRAP 5	Borrowing Costs
GRAP 6	Consolidated and Separate Financial Statements
GRAP 7	Investment in Associates
GRAP 8	Investment in Joint Ventures
GRAP 9	Revenue from Exchange Transactions
GRAP 10	Financial Reporting in Hyperinflationary Economies
GRAP 11	Construction Contracts
GRAP 12	Inventories
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GRAP 14	Events After the Reporting Date
GRAP 16	Investment Property
GRAP 17	Property, Plant and Equipment
GRAP 18	Segment Reporting
GRAP 19	Provisions, Contingent Liabilities and Contingent Assets
GRAP 20	Related Party Disclosures (Revised)
GRAP 21	Impairment of Non-cash-generating Assets
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GRAP 25	Employee Benefits
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GRAP 27	Agriculture
GRAP 31	Intangible Assets
GRAP 32	Service Concession Arrangements: Grantor
GRAP 100	Discontinued Operations
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IGRAP 4	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
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IGRAP 6	Loyalty Programmes
IGRAP 7	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
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IGRAP 10	Assets Received from Customers
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IGRAP 14	Evaluating the Substance of Transactions Involving the Legal Form of a Lease
IGRAP 15	Revenue – Barter Transactions Involving Advertising Services

Accounting Policies

. Additional content (continued)

IGRAP 16	Intangible Assets – Website Costs
IGRAP 17	Service Concession Arrangements where Grantor Controls Significant Residual Interest
IGRAP 18	Recognition and Derecogntion of Land
IGRAP 19	Liabilities to Pay Levies
IGRAP 20	Accounting for Adjustments to Revenue
IGRAP 21	The Effect of Past Decisions on Materiality
Directive 1	Deletion of Transitional Provisions in Standards of GRAP
Directive 3	Amended Transitional Provisions for High Capacity Municipalities
Directive 4	Amended Transitional Provisions for Medium and Low Capacity Municipalities
Directive 5	GRAP Reporting Framework
Directive 7	The Application of Deemed Cost
Directive 11	Changes in Measurement Bases following Initial Adoption of Standards of GRAP
Guideline	Accounting for Arrangements Undertaken i.t.o the National Housing Programme
Guideline	Accounting for Landfill Sites
Guideline	The Application of Materiality to Financial Statements

The cash flow statement is prepared using the direct method, whereby major classes of gross cash receipts and gross cash payments are disclosed.

Accounting policies for material transactions, events or conditions not covered by the above GRAP standards have been developed in accordance with GRAP 3. Where required, accounting policies were developed for standards of GRAP that have been issued by the Accounting Standards Board, but for which an effective date have not been determined by the Minister of Finance.

1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality and all values are rounded to the nearest hundred.

1.2 Going concern assumption

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

1.3 Offsetting

Financial assets and liabilities are offset and the net amount reported on the Statement of financial position only when there is a legally enforceable right to set off the recognised amount, and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

1.4 Comparative of actual information to budgeted information

The annual budget figures have been prepared in accordance with the Municipal Budget and Reporting Regulations, 2009. A comparative of actual to budged amounts are reported in a separate additional financial statement, called the Statement of comparison of budget and actual amounts. Explanatory comment is provided in the notes to the statement giving motivations for over- or under spending on line items where it is found to be material. The budgeted figures are those approved by the Council at the beginning and during the year following a period of consultation with the public as part of the Integrated Development Plan. The budget is prepared and approved on an accrual basis by nature classification. The approved budget covers the period from 01 July 2024 to 30 June 2025.

In general, a difference of 10% or more is considered material, although the surrounding circumstances are taken into account if it could influence the decisions or assessments of the users of the annual financial statements in determining whether a difference between the budgeted and actual amount is material.

1.5 Current year comparatives

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

Accounting Policies

1.5 Current year comparatives (continued)

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

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

1.6 Significant judgements and estimates

In the application of the municipality's accounting policies, which are described below, management is required to make judgement, estimates and assumption that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. The estimates and associated assumptions are based on historical experiences and other factors that are considered too reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

These estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

1.6 Significant judgements and estimates (continued)

1.6.1 Judgements

The following are the critical judgements, apart from those involving estimations, that the management have made in the process of applying the municipality's Accounting Policies and that have the most significant effect on the amounts recognised in the annual financial statements:

Materiality

Materiality is judged by reference to the size and nature of the item. The deciding factor is whether the omission or misstatement could, individually or collectively, influence the decisions that users make on the basis of these annual financial statements.

In preparation of the annual financial statements materiality has been considered in:
- Deciding what to report in the annual financial statements and how to present it.
- Assessing the effect of omissions, misstatements and errors on the annual financial statements.

In assessing whether an item, transaction or event is material, specific thresholds for specific items, transactions and events, or aggregations thereof has been developed. These thresholds are used to make decisions about the reporting of information (i.e. how to recognise, measure, present and disclose items, transactions and events), and used as a margin of error or framework within which to assess misstatements and errors.

The municipality has also considered whether certain transactions or balances may be qualitatively material based on the inherent characteristics thereof, even though the transaction or balance is quantitatively immaterial, if:
- The item, transaction or event relates to legal or regulatory requirements.
- Related party transactions.
- The regularity or frequency with which an item, transaction or event occurs.
- The item, transaction or event results in the reversal of a trend.
- The item, transaction or event is likely to result in a change in accounting policy.
- The commencement of a new function, or the reduction or cessation of an existing function.
- The degree of estimation or judgement that is needed to determine the value of an item, transaction or event.
- An item, transaction or event that affects the going concern assumption of the municipality.

Lease classification – municipality as lessor

The municipality has entered into commercial property leases on its investment property portfolio. The municipality has determined that it retains all the significant risks and rewards of ownership of these properties, and so accounts for them as operating leases.

Lease classification – municipality as lessee

The municipality has entered into a number of leases for office equipment. In determining whether a lease agreement is a finance lease or an operating lease requires judgement as to whether the agreement transfers substantially all the risks and rewards of ownership to the municipality.

Judgement is required on various aspects that include, but are not limited to, the fair value of the leased asset, the economic life of the leased asset, whether or not to include renewal options in the lease term, and determining an appropriate discount rate to calculate the present value of the minimum lease payments. The municipality has exercised its judgement on the appropriate classification of equipment leases, and has determined a number of lease arrangements are finance leases.

Classification of property as held for strategic purposes

The municipality classifies vacant land that is earmarked for future development in terms of the municipality's Spatial Development Framework, as property, plant and equipment, rather than investment property.

Criteria for the classification of properties as investment property rather than property, plant and equipment, when classification is difficult

All properties held to earn market-related rentals or for capital appreciation or both and that are not for administrative purposes and that will not be sold in the ordinary course of operations are classified as investment property.

Land held for currently undetermined future use

Accounting Policies

1.6 Significant judgements and estimates (continued)

Leased properties that are held to provide a social (community) service or that are necessary for employees to perform their job functions, but which also generates rental revenue are not seen as investment property. The rental revenue generated is incidental to the purposes for which the property is held.

Determination of repairs and maintainenance costs

Repairs and maintenance is based on management's own judgement of costs incurred in cost centres responsible for the maintenance and repair of municipality owned assets. This includes internal charges (inter departmental charges) such as internal transport costs, charged out to the different departments.

Componentisation of infrastructure assets

All infrastructure assets, acquired before the adoption of GRAP where the acquisition cost could not be obtained, with significant components relating to different useful lives are unbundled into their components in order to depreciate all major components over the expected useful lives. The cost of each component is estimated based on the current market replacement cost of each component, depreciated for age and condition and recalculated to deemed cost at the acquisition date if known or to the date of initially adopting the Standards of GRAP. All infrastructure assets acquired after the adoption of GRAP with significant components relating to different useful lives are unbundled into their components based on the actual expenditure incurred.

1.6 Significant judgements and estimates (continued)

1.6.2 Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below:

Pension and other post-employment benefits

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

Classification of financial assets and liabilities

The classification of financial assets and liabilities, into categories, is based on judgement by management. The Accounting Policy on Financial Instruments describes the factors and criteria considered by the management of the municipality in the classification of financial assets and liabilities.

In making the above-mentioned judgement, management considered the definition and recognition criteria for the classification of financial instruments as set out in GRAP 104: Financial Instruments.

Impairment of financial assets

The Accounting Policy on Financial Instruments describes the process followed to determine the value by which financial assets should be impaired. In making the estimation of the impairment, the management of the municipality considers the detailed criteria of impairment of financial assets as set out in GRAP 104: Financial Instruments and used its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of the reporting period. The management of the municipality is satisfied that the impairment of financial assets recorded during the year is appropriate.

The calculation in respect of the impairment of service debtors (receivables from exchange and non-exchange transactions) is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors.

The calculation in respect of the impairment of fine receivables (receivables from non-exchange transactions) is based on an assessment of the past payment history of fines per category.

- Impairment of Trade Receivables:

The calculation in respect of the impairment of Debtors is based on an assessment of the extent to which Debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This is performed per service-identifiable categories across all classes of debtors. z
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- Impairment of Traffic Fines

Assessing and recognising impairment of Receivables for Traffic Fines is an event that takes place subsequent to the initial recognition of revenue charged. The municipality assesses the probability of collecting revenue when accounts fall into arrears. Such an assessment is not to be made at the time of initial recognition.

Review of useful lives of property, plant and equipment and intangible assets

The useful lives of assets are based on management's estimation. Management considers whether there is any indication that expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. These include changes in the composition, condition and nature of the asset, its susceptibility and adaptability to changes in technology and processes, the nature of the processes and environment in which the asset is deployed availability of funding to replace the asset and changes in the market in relation to the asset, as well as planned repairs and maintenance including refurbishments.

Impairment of property, plant and equipment, intangible assets, heritage assets and inventory

1.6 Significant judgements and estimates (continued)

The Accounting Policies on impairment of cash and non-cash generating assets as well as inventory describes the conditions under which non-financial assets are tested for potential impairment losses by the management of the municipality. Significant estimates and judgements are made relating to the impairment of property, plant and equipment, intangible assets and heritage assets and the write down of Inventories to the lowest of Cost and Net Realisable Values (NRV).

In making the above-mentioned estimates and judgement, management considers the subsequent measurement criteria and indicators of potential impairment losses as set out in GRAP 21: Impairment of Cash generating Assets and GRAP 26: Impairment of non-cash generating assets.

Provisions and contingent liabilities

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

Assumptions were used in determining the provision for rehabilitation of landfill sites. Provision is made for the estimated cost to be incurred on the long-term environmental obligations, comprising expenditure on pollution control and closure over the estimated life of the landfill. The provision is based on the advice and judgment of qualified engineers. The estimates are discounted at a pre-tax discount rate that reflect current market assessments of the time value of money. The increase in the rehabilitation provision due to passage of time is recognised as finance cost in the Statement of financial performance.

Revenue recognition

The Accounting Policies on Revenue from Exchange Transactions and Revenue from Non-exchange Transactions describes the conditions under which revenue will be recorded by the management of the municipality. In making their judgement, the management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue from Non-exchange Transactions.

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

Also of importance is the estimation process involved in initially measuring revenue at the fair value thereof. In regard to revenue from non-exchange transactions - significant estimations were made to the initial recognition and measurement of revenue on fines, on the estimated reductions on initial recognition and measurement. Based on past experience, of the amount of revenue the municipality is entitled to collect was calculated as -% of the value of the fines issued, whereas it was estimated that -% of the value of the fines issued were impaired. The management of the municipality is satisfied that recognition of the revenue in the current year is appropriate.

Budget information

Management assumes deviations between budget and actual amounts to be material when a deviation of more than 10% exists. All material differences are explained in the notes to the annual financial statements.

1.7 Cash and cash equivalents

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash and are subject to an insignificant risk of change in value. Cash and cash equivalents are carried at amortised cost. Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are carried at amortised cost.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts.

1.8 Inventory

Inventory consist of consumables and materials and supplies, which are valued at the lower of cost, determined on the first in first out basis, and net realisable value, except for items which are valued at the tariffs charged. Where it is held for distribution or consumption at no charge or for a nominal amount, inventories are valued at the lower of cost and current replacement value.

1.8 Inventory (continued)

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

Redundant and slow moving inventory are identified and written down to their estimated net realisable values estimated by management. Inventories are written down according to their age, condition and utility. Differences arising on the measurement of such inventory at the lower of cost and net realisable value are recognised In the Statement of financial performance in the year in which they arise. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

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

Consumable stores

Subsequently, Inventories sold are valued at the lower of cost and net realisable value. The cost is determined using the Weighted Average Method.

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.

1.9 Investment property

Investment property includes property held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations. Investment property also includes land held for an undetermined future use.

Initial recognition

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

Where the classification of an investment property is based on management's judgement, the following criteria have been applied to distinguish investment properties from owner-occupied property or property held for resale:

- All properties held to earn market-related rentals or for capital appreciation or both and that are not used for administrative purposes and that will not be sold within the next 12 months are classified as investment properties;
- Land held for a currently undetermined future use;
- A building owned (or held by under a finance lease) and leased out under one or more operating leases;
- Leased properties that are held to provide a social (community) service or that are necessary for employees to perform their job functions, but which also generates rental revenue are not seen as investment properties. The rental revenue generated is incidental to the purposes for which the property is held;
- A building that is vacant but is held to be leased out under one or more operating leases;
- Property that is being constructed or developed for future use as investment property.

Repairs and Maintenance are expenses incurred through servicing equipment or repairing of existing assets. These expenses are not recognised in the carrying value of the asset, but directly recognised in Surplus or Deficit and measured at cost against the attributing segments of the Municipal Standard Chart of Accounts (mSCOA).

Accounting Policies

1.9 Investment property (continued)

Subsequent measurement – cost model

Subsequent to initial recognition, investment properties are measured using the cost model and are depreciated over a 5 - 50 year period. All useful lives of investment properties are reviewed annually on an indicator basis.

Derecognition/Disposal

Investment properties are derecognised (eliminated from the Statement of financial position) on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal. The gain or loss arising on the disposal of an investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of financial performance.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property (property, plant and equipment), the deemed cost for subsequent accounting is the fair value [or carrying amount if cost model is used] at the date of change in use. If owner-occupied property becomes an investment property, the municipality accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

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.

1.10 Property, plant and equipment

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

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

Accounting Policies

1.10 Property, plant and equipment (continued)

Initial recognition and measurement

Property, plant and equipment are initially recognised at cost on its acquisition date. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

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

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

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

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

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.

Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the municipality and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequent measurement – cost model

Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the municipality and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequently all property, plant and equipment, excluding land and buildings, are measured at cost, less accumulated depreciation and accumulated impairment losses.

Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up is included in surplus or deficit when the compensation becomes receivable.

Where items of property, plant and equipment have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified except where the impairment reverses a previous revaluation.

1.10 Property, plant and equipment (continued)

Depreciation

Land is not depreciated as it is regarded as having an unlimited life. Depreciation on assets other than land is calculated using the straight line method, to allocate their cost or revalued amounts less their residual values over the estimated useful lives of the assets. The depreciation method used reflects the pattern in which the assets' future economic benefits or service potential are expected to be consumed by the municipality. 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 rates are based on the following estimated useful lives:

• Land	Indefinite
• Other assets - Buildings	30
• Electrical infrastructure	15 - 30
• Roads infrastructure	10 - 30
• Sanitation infrastructure	10 - 20
• Solid waste infrastructure	10 - 20
• Storm water infrastructure	20
• Water Supply infrastructure	15 - 20
• Community Assets - Facilities	30
• Community assets - Recreational Facilities	15 - 20
• Landfill site	
• Computer equipment	3 - 7
• Furniture and office equipment	10
• Machinery and Equipment	2 - 7
• Transport assets	7 - 15

The estimated useful life, residual values and depreciation method are assessed at each reporting date on an indicator basis.

The useful lives, residual values and depreciation method are reviewed annually at the end of the financial year where there is any indication that the municipality's expectations about the residual amount and the useful life of an asset has changed since the preceding reporting date. Any adjustments arising from the annual review are applied prospectively.

Depreciation of an asset commences when the asset is ready for its intended use. Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets, or, where shorter, the term of the relevant lease. The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Incomplete construction work is stated at historical cost. Depreciation only commences when the asset is ready for use.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets, or, where shorter,the term of the relevant lease if there is no reasonable certainty that the municipality will obtain ownership by the end of the lease term..

Derecognition

The carrying amount of an item of property, plant and equipment is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. Gains are not classified as revenue.

Gains or losses are calculated as the difference between the carrying values of assets.

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.

Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up is included in surplus or surplus when the compensation becomes receivable.

Accounting Policies

1.10 Property, plant and equipment (continued)

Site rehabilitation and restoration costs

Where the municipality has an obligation to rehabilitate and restore items of property, plant and equipment such obligations are referred to as "rehabilitation provisions". The cost of an item of property, plant and equipment includes the initial estimate of the costs of rehabilitation and restoring the site on which it is located, the obligation for which the municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period.

As 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.

1.11 Intangible assets

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

Initial recognition and measurement

Intangible assets are initially recognised at cost. The cost of an intangible assets is the purchase price and other costs attributable to bring the intangible assets to the location and condition necessary for it to be capable of operating in the manner intended by the municipality, or where an intangible assets is acquired at no cost, or for a nominal cost, the cost shall be its fair value as at the date of acquisition. Trade discounts and rebates are deducted in arriving at the cost.

Intangible assets acquired separately or internally generated are reported at cost less accumulated amortisation and accumulated impairment losses.

Repairs and Maintenance are expenses incurred through servicing equipment or repairing of existing assets. These expenses are not recognised in the carrying value of the asset, but directly recognised in Surplus or Deficit and measured at cost against the attributing segments of the Municipal Standard Chart of Accounts (mSCOA).

Subsequent measurement

Amortisation is calculated on cost, using the straight-line method, over the useful lives of the assets, which is estimated to be between 3 to 5 years upon initial recognition. Where intangible assets are deemed to have an indefinite useful life, such intangible assets are not amortised.

Intangible assets are annually tested for impairment and the estimated useful life, residual values and amortisation method are reviewed annually at the end of the financial year. Any adjustments arising from the annual review are applied prospectively.

Derecognition

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible assets is determined as the difference between the net disposals proceeds and the carrying value and is recognised in the Statement of financial performance.

1.12 Borrowing costs

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

Borrowing costs are recognised as an expense in the Statement of financial performance in the period in which they are incurred.

1.12 Borrowing costs (continued)

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised to the cost of the asset. All other borrowing costs are recognised as an expense in the period in which it is incurred. The capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation is disclosed in the notes below.

1.13 Impairment of property, plant and equipment, investment property, intangible assets

The municipality classifies all assets held with the primary objective of generating a commercial return as cash-generating assets. A commercial return means that the return charged by the entity is commensurate with the risk associated with holding the asset and the asset is intended to generate positive cash inflows. All other assets are classified as non-cash-generating assets.

Impairment of cash-generating assets

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

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

The best evidence of fair value less cost to sell is the price in a binding sale agreement in an arm's length transaction, adjusted for the incremental cost that would be directly attributable to the disposal of the asset.

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

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

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

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 had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

Impairment of non-cash-generating assets

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

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.

The recoverable service amount is the higher of a non-cash generating asset's fair value less costs to sell and its value in use. The value in use for a non-cash generating asset is the present value of the asset's remaining service potential.

Accounting Policies

1.13 Impairment of property, plant and equipment, investment property, intangible assets (continued)

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

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

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

A municipality assesses at each reporting date date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

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 had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

1.14 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. Financial instruments are classified into three categories namely, financial instruments at fair value, financial instruments at amortised cost or financial instruments at cost. The municipality determines the classification of its financial instruments at initial recognition.

The municipality has various types of financial instruments and these can be broadly categorised as either financial assets or financial liabilities.

A financial instrument is recognised if the municipality becomes a party to the contractual provisions of the instrument.

1.14.1 Classification of financial instruments

Financial assets

A financial asset is any asset that is a cash or contractual right to receive cash. In accordance with GRAP 104 the Financial Assets, the municipality classifies financial assets at amortised cost. Financial assets at amortised cost relates to a non-derivative financial asset with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months, which are classified as non-current assets.

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The municipality has the following types of financial assets as reflected on the face of the Statement of financial position or in the notes thereto:

Type of financial asset	Classification in terms of GRAP 104
Finance lease receivables	Financial assets at amortised cost
Long-term receivables	Financial assets at amortised cost
Current portion of long-term receivables	Financial assets at amortised cost
Consumer debtors	Financial assets at amortised cost
Bank balances and cash	Financial assets at amortised cost
Investments in stock	Financial assets at amortised cost

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

Financial liabilities

1.14 Financial instruments (continued)

A financial liability is a contractual obligation to deliver cash or another financial asset to another entity.

The municipality classifies all financial liabilities at amortised cost.

The municipality has the following types of financial liabilities as reflected on the face of the Statement of financial position or in the notes thereto:

Type of financial liability	Classification in terms of GRAP 104
Borrowings	Financial liability at amortised cost
Lease liabilities	Financial liability at amortised cost
Consumer Deposits	Financial liability at amortised cost
Payables from exchange transactions	Financial liability at amortised cost

1.14.2 Initial and subsequent measurement

Initial recognition and measurement

A financial instruments is recognised, when the municipality becomes a party to the contractual provisions of the instrument, and are initially measured at fair value. In the case of a financial instruments not subsequently measured at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial instruments are added or deducted from the fair value, as appropriate on initial recognition.

Subsequent measurement – Financial assets

Financial assets consist of cash and cash equivalents, deposits, receivables and investments.

Receivables are subsequently measured at amortised cost using the effective interest rate method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

A provision for impairment of receivables is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. Changes in the carrying amount of the provision is recognised in the Statement of financial performance. When a receivable is considered uncollectible, it is written off against the provision. Any gains or losses arising from the change in fair value of investments measured at fair value are recognised in the Statement of financial performance.

Financial Assets are assessed for indicators of impairment at the end of each reporting period. Financial Assets are impaired where there is objective evidence of impairment of Financial Assets (such as the probability of insolvency or significant financial difficulties of the debtor). If there is such evidence the recoverable amount is estimated and an impairment loss is recognised through the use of an allowance account.

Financial assets at amortised cost are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial assets. Subsequently, these assets are measured at amortised cost using the Effective Interest Method less any impairment, with interest recognised on an effective yield basis.

Subsequent measurement – Financial liabilities

Financial liabilities consist of payables, interest bearing loans and bank overdrafts. These liabilities are subsequently measured at amortised cost, using the effective interest rate method. Finance costs are expensed in the Statement of financial performance in the period in which they are incurred.

Financial liabilities classified at amortised cost and are initially measured at fair value, net of transaction costs. Trade and other payables, interest bearing debt including finance lease liabilities, non-interest bearing debt and bank borrowings are subsequently measured at amortised cost using the effective interest rate method. Interest expense is recognised in the Statement of financial performance by applying the effective interest rate.

Prepayments are carried at cost less any accumulated impairment losses.

1.14 Financial instruments (continued)

1.14.3 Impairment of financial assets

Receivables from exchange transactions

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

Other debtors

Other debtors are reviewed individually considering payment histories and disputes about certain amounts. Provision for impairment is made accordingly.

1.14.4 Derecognition

Financial assets

The municipality derecognises financial assets only when the contractual rights to the cash flows from the asset expires or it transfers the financial assets and substantially all the risks and rewards of ownership of the asset to another entity, except when Council approves the write-off of financial assets due to non-recoverability.

If the municipality neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the municipality recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the municipality retains substantially all the risks and rewards of ownership of a transferred financial assets, the municipality continues to recognise the financial assets and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities

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

The municipality recognises the difference between the carrying amount of the 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, in Surplus or Deficit

1.15 Provisions

Provisions are recognised when the municipality has a present (legal or constructive) obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made.

The best estimate of the expenditure required to settle the present obligation is the amount that an entity would rationally pay to settle the obligation at the reporting date or to transfer it to a third party at that time and are determined by the judgment of the management of the municipality, supplemented by experience of similar transactions and, in some cases, reports from independent experts. The evidence considered includes any additional evidence provided by events after the reporting date. Uncertainties surrounding the amount to be recognised as a provision are dealt with by various means according to the circumstances, where the provision being measured involves a large population of items; the obligation is estimated by weighting all possible outcomes by their associated probabilities.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision. An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it - this unavoidable cost resulting from the contract is the amount of the provision to be recognised.

Accounting Policies

1.15 Provisions (continued)

Provisions are reviewed at reporting date and the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. When the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in the Statement of financial performance as a finance cost as it occurs.

Environmental rehabilitation provisions

Estimated long-term environmental provisions, comprising rehabilitation and landfill site closure, are based on the municipality's policy, taking into account current technological, environmental and regulatory requirements. The provision for rehabilitation is recognised as and when the environmental liability arises. To the extent that the obligations relate to the asset, they are capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset are charged to the Statement of financial performance.

1.16 Employee benefits

The municipality provides short term benefits, long term benefits and retirement benefits for its employees and councillors.

Short-term employee benefits

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

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

The municipality recognises the expected cost of performance bonuses only when the municipality has a present legal or constructive obligation to make such payment and a reliable estimate can be made.

Leave pay

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total accrued leave days at year end and is shown as an accrual in the Statement of financial position.

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

Accumulated leave is vesting.

Bonus provisions

The municipality recognises the expected cost of bonuses as a provision only when the municipality has a present legal or constructive obligation to make such payment and a reliable estimate can be made at reporting date.

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

Post-employment benefits: Defined benefit plans

A defined benefit plan is a plan that defines an amount of benefit that an employee will receive on retirement.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and unrecognised actuarial gains and losses, reduced by unrecognised past service costs. The plan is unfunded. The defined benefit obligation is calculated using the projected unit credit method, incorporating actuarial assumptions and a discount rate based on the government bond rate. Valuations of these obligations are carried out by independent qualified actuaries regularly, as may be required for fair presentation.

Actuarial gains or losses recognised immediately in the Statement of financial performance.

Accounting Policies

1.16 Employee benefits (continued)

Long-service allowance

The municipality has an obligation to provide Long-service Allowance Benefits to all of its employees. According to the rules of the Long-service Allowance Scheme, which the municipality instituted and operates, an employee (who is on the current Conditions of Service), is entitled to a cash allowance, calculated in terms of the rules of the scheme, after 10, 15, 20, 25 and 30 years of continued service. The municipality's liability is based on an actuarial valuation. The projected unit credit method has been used to value the liabilities. Actuarial gains and losses on the long-term incentives are accounted for through the Statement of financial performance.

1.17 Leases

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

Municipality as lessee

Property, plant and equipment subject to finance lease agreements are capitalised at their cash cost equivalent. Corresponding liabilities are included in the Statement of financial position as Finance Lease Obligations. The cost of the item of property, plant and equipment is depreciated at appropriate rates on the straight-line basis over its estimated useful life. Lease payments are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on the straight-line basis over the term of the relevant lease.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Municipality as lessor

Amounts due from lessees under finance leases or instalment sale agreements are recorded as receivables at the amount of the municipality's net investment in the leases. Finance lease or instalment sale income is allocated to accounting periods so as to reflect a constant periodic rate of return on the municipality's net investment outstanding in respect of the leases or instalment sale agreements.

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

The municipality recognises operating lease rentals as an expense in Surplus or Deficit on a Straight-line Basis over the term of the relevant lease. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability. Any lease incentives are included as part of the net consideration agreed.

1.18 Statutory receivables

1.18.1 Identification

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

The municipality has the following major categories under the ambit of statutory receivables:

- VAT receivable due to/from SARS
- Property Rates debtors
- Traffic fine debtors
  Availability charges

1.18.2 Recognition

The municipality recognises statutory receivables as follows:

- if the transaction is an exchange transaction, using the policy on Revenue from exchange transactions;

1.18 Statutory receivables (continued)

- 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.

1.18.3 Measurement

The municipality initially measures statutory receivables at their transaction amount.

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.

1.18.4 Impairment

Statutory receivables, other than those measured at fair value, are assessed for indicators of impairment at the end of each reporting period. Statutory receivables are impaired where there is objective evidence of impairment of Statutory receivables (such as the probability of insolvency or significant financial difficulties of the debtor). If there is such evidence the recoverable amount is estimated and an impairment loss is recognised in accordance with GRAP 108.

A provision for impairment of receivables is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset’s carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate.

According to GRAP 108, the assessment for impairment needs to be made for each individual financial asset separately or for groups of statutory receivables with similar credit risks. The following methodology was followed to make a provision for bad debts for the year under review:

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

Traffic fine debtors are reviewed collectively considering payment histories and disputes about certain amounts. Provision for impairment is made accordingly.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the Statement of financial performance.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the Statement of financial performance to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

1.18.5 Derecognition

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

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

Accounting Policies

1.18 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.

1.19 Revenue

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

Recognition and measurement

The municipality recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the municipality and when specific criteria have been met for each of the municipalities' activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The municipality bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. Furthermore services rendered are recognised by reference to the stage of completion of the transaction at the reporting date.

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, stock rotation, price protection, rebates and other similar allowances.

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

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

1.19 Revenue (continued)

1.19.1 Revenue from exchange transactions

Service charges

Service charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption, based on the consumption history, are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced, except at year-end when estimates of consumption up to year-end are recorded as revenue without it being invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month.

Service charges from sewerage and sanitation are based on the type of service and the number of sewer connections on all developed property, using the tariffs approved by Council and are levied monthly.

In circumstances where services cannot readily be measured and quantified, a flat rate service charge is levied monthly on such properties.

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.

Interest earned and rentals received

Interest and rentals are recognised on a time proportion basis that takes into account the effective yield on the investment. Interest may be transferred from the Accumulated surplus/ (deficit) to the Housing development fund or the Insurance reserve.

Traffic charges

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

Income from agency services

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.

Housing rental and instalments

Finance income from the sale of housing by way of instalment sale agreements or finance leases is recognised on a time proportion basis.

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 buyer 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.

Accounting Policies

1.19 Revenue (continued)

1.19.2 Revenue from non-exchange transactions

Rates and taxes

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis with reference to the principal amount receivable and effective interest rate applicable. A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers and are deducted from revenue.

Fines

Fines constitute both spot fines and camera fines. Fines are recognised when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset. It is measured at the best estimate, based on past experience, of the amount of revenue the municipality is entitled to collect.

Subsequent to initial recognition and measurement, the municipality assess the collectability of the revenue and recognises a separate impairment loss where appropriate.

Donations and contributions

Donations and funding are 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.

Transfers and subsidies

Unconditional grants

Equitable share allocations are recognised in revenue at the start 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.

Services received in-kind

Services in kind are recognised at its fair value when it is significant to the operations and/or service delivery objectives and when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably. If the services in-kind are not significant to the operations and/or service delivery objectives and/or do not satisfy the criteria for recognition, only the nature and type of services in-kind received during the reporting period is disclosed.

Revenue from recovery of unauthorised, irregular, fruitless and wasteful expenditure

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act 56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain. Such revenue is based on legislated procedures.

Accounting Policies

1.19 Revenue (continued)

Revenue recognition of unclaimed deposits

Unclaimed deposits older than three (3) years are recognised as revenue.

1.20 Transfers and subsidies – non-exchange expenditure

The municipality transfers money to individuals, organisations and other sectors of government from time to time. These transfers are recognised in the annual financial statements as expenses in the period that the events giving rise to the transfer occurred.

1.21 Related parties and related party transactions

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Management is regarded as a related party and comprises the councillors, Executive Mayor, Mayoral Committee members, Municipal Manager, executive directors and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

Close members of the family of a individual are those family members who may be expected to influence or be influenced by that individual in their dealings with the municipality. An individual is considered to be a close member of the family of another individual if they are married or live together in a relationship similar to a marriage; or if they are separated by no more than two degrees of natural or legal consanguinity or affinity.

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

In the case of permanent employees acting in management positions, only the remuneration received additionally for acting in that position is disclosed.

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

Only transactions with related parties not at arm’s length or not in the ordinary course of business are disclosed.

The municipality operates in an economic environment currently dominated by entities directly or indirectly owned by the South African government. As a result of the Constitutional independence of all three spheres of government in South Africa, only parties within the same sphere of government will be considered to be related parties. Only transactions with such parties which are not at arm's length and not on normal commercial terms are disclosed.

1.22 Events after reporting date

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

1.23 Segment Reporting

The municipality is assessed to have reportable segments as per the requirements of GRAP 18. In order to assess that the segments could be aggregated, the following factors were considered in applying its judgement:

For management purposes the municipality is broadly organised into business units based on the nature of operations and the services they provide.

No individually material operating segments have been aggregated to form the above reportable operating segments.

The municipality does not monitor segments geographically..

Accounting Policies

1.24 Material losses

he MFMA requires the disclosure of material losses incurred during the year under review. The disclosure is provided in order to comply to the legislative requirements governing Municipalities and Municipal Entities.

Due to their significance, the complete calculation of water and electricity losses is provided, including the opening balance, purchases, sales and closing balance where applicable. The unit rate is the rate per the last purchase as inventory is measured based on the First-In-First-Out Method as defined by GRAP 12 (Inventories).

The self-insurance reserve is based on recognised insurance industry principles. To determine the level of capacity required, an agreed methodology has been adopted and is consistently applied annually based on the following methodology:

1.25 Commitments

Commitments are disclosed for:

Approved and contracted commitments, where the expenditure has been approved and the contract has been awarded at the reporting date, where disclosure is required by a specific standard of GRAP;

Approved but not yet contracted commitments, where the expenditure has been approved and the contract has yet to be awarded or is awaiting finalisation at the reporting date;

Items are classified as commitments where the Municipality commits itself to future transactions that will normally result in the outflow of resources;

Contracts that are entered into before the reporting date, but goods and services have not yet been received are disclosed in the disclosure Notes to the Annual Financial Statements; and

Other commitments for contracts that are non-cancellable or only cancellable at significant cost, should relate to something other than the business of the municipality.

1.26 Principal-agent arrangements

The municipality is party to a principal-agent arrangement for Department of Transport. In terms of the arrangement the municipality is the agent and is responsible for collect monies on their behalf..

Identification

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

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

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

Identifying whether an entity is a principal or an agent

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

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

Binding arrangement

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

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

1.26 Principal-agent arrangements (continued)

Assessing which entity benefits from the transactions with third parties

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

The municipality is an agent when, in relation to transactions with third parties, all three of the following criteria are present:
- It does not have the power to determine the significant terms and conditions of the transaction.
- It does not have the ability to use all, or substantially all, of the resources that result from the transaction for its own benefit.
- It is not exposed to variability in the results of the transaction.

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

Recognition

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

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.

1.27 Value Added Tax

Value added taxation

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

VAT is an indirect tax based on consumption of goods and services in the economy. Revenue is raised for the government by requiring certain traders or vendors to register and to charge VAT on taxable supplies of goods or services. The essential characteristics of VAT are:

• it is charged at each stage of the production and distribution process;

• the taxable person (vendor) may deduct the tax paid during the preceding stages; and

• the burden of the tax is on the final consumer.

The municipality renders goods and services to consumers, it is responsible to collect taxes from its consumers for the goods and services provided. The municipality (VAT vendor) is a deemed debtor to the national government when collecting and remitting VAT.

The municipality is registered to declare VAT transactions on the cash basis to SARS. The municipality is liable to account for VAT at the standard rate (15%) in terms of section 7 (1) (a) of the VAT Act in respect of the supply of goods or services, except where the supplies are specifically zero-rated in terms of section 11, exempted in terms of section 12 of the VAT Act or is out of scope for VAT purposes. The municipality accounts for VAT on a monthly basis and VAT is settled between the VAT vendor and SARS, based on the cash collected by the municipality and the cash paid by the municipality. VAT Receivable due/from SARS:

In accordance with GRAP 108, the VAT Receivable to/from SARS is considered to be a statutory arrangement, as this is based on legislation, being the VAT Act.

Taking into account that the VAT due/from to the national government by the municipality (VAT vendor) results in a deemed debtor-creditor relationship, it is therefore considered to be a receivable or payable from exchange transaction.

VAT Accrual:
In accordance with GRAP, the municipality recognises transactions on an accrual basis of accounting. Therefore, the transaction between the municipality and customer includes the provision of goods or services in cash or credit; and the levying and/or collection of VAT by the municipality from the customer.

Similarly, the transaction between the municipality and the supplier includes the supply of goods or services in cash or credit; and the obligation to recognise VAT by the supplier to the municipality from the customer.

The VAT accrual accounts therefore does not represent amounts to be received or paid to SARS, but rather amounts that are associated with transactions that are yet to be settled. As a result, the accrual transactions are considered to be contractual in nature, and therefore do not meet the definition of a statutory arrangement. As there is no transaction to “settle” with a specific counterparty at this point, the municipality considers the offsetting of the amounts as inappropriate, and has separately disclosed these transactions in the notes to the annual financial statements.

Input VAT Accrual represents amounts that are yet to be claimed from SARS, subject to settlement of the outstanding creditors by the municipality. This therefore shall be disclosed as a receivable from exchange transaction in accordance with GRAP 9.

Output VAT Accrual represents amounts that are yet to be paid to SARS, subject to collection from outstanding debtors of the municipality. This shall be accounted for as a trade and other payables in accordance with GRAP 19.

1.28 Unauthorised expenditure

Section 1 of the Municipal Finance Management Act (Act 56 of 2003) (MFMA), defines Unauthorised expenditure as follows:
- Overspending of the total amount appropriated in the municipality’s approved budget;
- Overspending of the total amount appropriated for a vote in the approved budget;
- Expenditure from a vote unrelated to the department or functional area covered by the vote;
- Expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose;

1.28 Unauthorised expenditure (continued)

- Spending of an allocation referred to in the above paragraphs of the definition of "allocation" otherwise than in accordance with any conditions of the allocation; or
- A grant by the municipality otherwise than in accordance with this Act.

Section 1 of the Municipal Finance Management Act (Act 56 of 2003) (MFMA) also defines a Vote as:

- One of the main segments into which a budget of a municipality is divided for the appropriation of money for the different departments or functional areas of the municipality; and
- Which specifies the total amount that is appropriated for the purposes of the department or functional area concerned.

The municipality uses the Municipal Standard Chart of Accounts (mSCOA) Functions and Sub-functions, previously the Government Finance Statistics (GFS) functions, as well as departments as the main groupings of segments of the municipality's budget segments within the municipality are grouped per department to facilitate greater accountability and budget implementation by the respective Executive Directors as well as per mSCOA classification to facilitate comparisons on a higher level.

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.

1.29 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act 56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the municipality's supply chain management policy.

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

1.30 Fruitless and wasteful expenditure

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

1.31 Change in 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 shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

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

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

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

1.32 Contingent assets and contingent liabilities

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

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

Accounting Policies

1.32 Contingent assets and contingent liabilities (continued)

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in the notes to the municipality.

1.33 Consumer Deposits

Consumer deposits are a partial security for a future payment of an account. All consumers are therefore required to pay a deposit equal to two months consumption of electricity and water services. Deposits are considered a liability as the deposit is only refunded once the service is terminated. No interest is paid on deposits.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

2. New standards and interpretations

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

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

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 2023: Improvements to the Standards of GRAP 2023	To be determined	Unlikely there will be a material impact
• GRAP 1 (amended): Presentation of Financial Statements (Going Concern)	To be determined	Unlikely there will be a material impact
• GRAP 103 (amended): Heritage Assets	To be determined	Unlikely there will be a material impact
• GRAP 105(as revised): Transfer of Functions Between Entities Under Common Control	To be determined	Unlikely there will be a material impact
• GRAP 106 (as revised): Transfer of Functions Between Entities Not Under Common Control	To be determined	Unlikely there will be a material impact
• GRAP 107 (as revised): Mergers	To be determined	Unlikely there will be a material impact
• iGRAP 22: Foreign Currency Transactions and Advance Consideration	01 April 2025	Unlikely there will be a material impact
• GRAP 104 (as revised): Financial Instruments	01 April 2025	Unlikely there will be a material impact

Revised GRAP 104: Financial Instruments

The Accounting Standards Board issued the revised Standard of GRAP 104 on Financial Instruments, which becomes effective for financial periods beginning on or after 1 April 2025. The municipality has assessed the expected impact of the revised standard and concluded that it will not have a material effect on the financial statements.

This assessment is based on the following considerations:

1.The municipality's financial instruments are simple and primarily measured at amortised cost, consisting mainly of cash and cash equivalents, trade and other receivables, and trade and other payables.
2. The revised classification and measurement requirements are aligned with the municipality's current accounting policies, and no reclassification of financial assets or liabilities is expected.
3.The revised standard introduces the expected-credit-loss (ECL) model; however, the municipality already applies a historical loss-rate approach that is consistent with the simplified lifetime ECL model permitted in the revised GRAP 104.
4.The municipality does not hold complex instruments such as derivatives, investments measured at fair value, financial guarantees, loan commitments, or instruments with embedded derivatives that would require significant additional measurement or disclosure.
5.Risk disclosures required by the revised standard are already addressed through the municipality's existing credit risk, liquidity risk and interest rate risk disclosures, and no significant expansion in disclosure is expected.

Based on the above, the municipality expects that the adoption of the revised Standard will not result in material adjustments to the recognition, measurement, or disclosure of financial instruments

3. Cash and cash equivalents

3.1 Cash and cash equivalents

The cash and cash equivalents consist of the following:

	2025	2024
Call deposits and investments		
Deposit taking institutions	161,091,856	117,412,305

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

3. Cash and cash equivalents (continued)

Cash at bank		
Bank account	19,489,335	26,246,080
Cash on hand	421	421
Total cash and cash equivalents	**180,581,612**	**143,658,806**

The municipality maintains short-term deposit with registered banks in compliance with the MFMA. Investments are held in call accounts and fixed deposits with maturities under three months and six months.

The interest rates earned ranged from 6% to 8% in the current year and (2024: 7,00 % to 9,00 %).

For the purposes of the cash flow statement, bank balances, cash and cash equivalents include cash-on-hand, cash in banks and investments less than 12 months.

The fair value of bank balances, cash and cash equivalents was determined after considering the standard terms and conditions of agreements entered into between the municipality and financial institutions.

Call deposits and investments by financial institution

Institution	**Account number**	**Account type**		
Standard Bank	588563250001	Call deposit account	2,375,115	26,516,585
ABSA	4088960791	Call deposit account	14,570,023	21,186,208
Standard Bank	588563250002	Call deposit account	19,959,962	-
ABSA	9379302548	Call deposit account	1,953,468	-
ABSA	9379304142	Call deposit account	1,062,844	-
NEDBANK	03/7881184779/000001	Call deposit account	4,636,436	-
RMB - MIG 2	CDS-X021904708	Call deposit account	-	3,123,054
RMB - MIG 3	CDS-X021904710	Call deposit account	-	54
RMB - General Housing	CDS-X021904715	Call deposit account	-	35,415
RMB - General	CDS-X021904716	Call deposit account	-	19,577,290
INVESTEC	1400138616500	Call deposit account	358,269	19,595,267
INVESTEC	1400138616501	Call deposit account	9,242,568	3,176,214
First National Bank	63149181983	Call deposit account	5,496,196	-
First National Bank	63162540497	Call deposit account	14,150,998	-
First National Bank	63149188658	Call deposit account	20,000,000	-
ABSA	9078617359	Call deposit account	20,375,609	1,609,158
NEDBANK	37881037199/40	Call deposit account	6,910,368	22,593,060
NEDBANK	37881037199/41	Fixed term deposit account	20,000,000	-
INVESTEC	1400138616451	Fixed term deposit account	20,000,000	-
Total investments			**161,091,856**	**117,412,305**

Notes to the Annual Financial Statements

Figures in Rand		2025	2024

3. Cash and cash equivalents (continued)

3.2 Bank accounts

The municipality has the following bank accounts:

First National Bank Limited	Account Type - Cheque Account Branch: Account Number 52540020791	800,206	10,314,022
First National Bank Limited	Account Type - Cheque Account Branch: Account Number 52540033504	9,157,718	8,553,426
First National Bank Limited	Account Type - Cheque Account Branch: Account Number 62682103591	-	3,833
First National Bank Limited	Account Type - Cheque Account Branch: Account Number 63022194441	513,734	7,374,799
ABSA Bank Limited	Account Type - Branch: Account Number 4114176490	935,409	-
First National Bank Limited	Account Type - Branch: Account Number 4114176482	5,899,110	-
ABSA Bank Limited	Account Type - Branch: Account Number 4114114771	2,052,904	-
ABSA Bank Limited	Account Type - Branch: Account Number 4114176474	130,253	-
Total		**19,489,334**	**26,246,080**

Figures in Rand		2025	2024

3. Cash and cash equivalents (continued)

3.3 The municipality had the following Bank accounts:

2025

	Cash book	Bank statement
First National Bank Limited - Account Number: 52540020791	800,206	800,206
First National Bank Limited - Account Number: 52540033504	9,157,718	9,157,718
First National Bank Limited - Account Number: 63022194441	513,734	513,734
ABSA Bank Limited - Account Number: 4114114771	2,052,904	2,052,904
ABSA Bank Limited - Account Number: 4114176490	935,409	935,409
ABSA Bank Limited - Account Number: 4114176482	5,899,110	5,899,110
ABSA Bank Limited - Account Number: 4114176474	130,253	130,253
	19,489,334	**19,489,334**

2024

	Cash book	Bank statement
First National Bank Limited Cheque Account Branch: Account Number 52540020791	10,314,022	10,314,022
First National Bank Limited Cheque Account Branch: Account Number 52540033504	8,553,426	8,553,426
First National Bank Limited Cheque Account Branch: Account Number 6268213591	3,833	3,833
First National Bank Limited Cheque Account Branch: Account Number 63022194441	7,374,799	7,374,799
	26,246,080	**26,246,080**

2023	Cash Book	Bank Statement
First National Bank Limited -Cheque Account Branch: Account Number 5254002079	15,413,737	15,413,737
First National Bank Limited -Cheque Account Branch: Account Number 52540033504	3,874,471	3,874,471
First National Bank Limited-Cheque Account Branch: Account Number 6268213591	779	779
First National Bank Limited -Cheque Account Branch: Account Number 63022194441	2,311,338	2,311,338
	21,600,325	**21,600,325**

4. Trade and other receivables from exchange transactions

Prepayments and advances	4.1	5,254,815	4,299,141
Trading service and customer service debtors	4.2	86,147,662	68,193,349
Total		**91,402,477**	**72,492,490**
Current assets		91,402,477	72,492,490

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

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

4.1 Prepayments and advances

	2025			2024		
	Gross	Impairment	Total	Gross	Impairment	Total
Insurance	421,409	-	**421,409**	-	-	**-**
Recoveries from Staff	191,443	(191,443)	**-**	191,443	(191,443)	**-**
Annual Licence Fees	4,833,406	-	**4,833,406**	4,299,141	-	**4,299,141**
Total	**5,446,258**	**(191,443)**	**5,254,815**	**4,490,584**	**(191,443)**	**4,299,141**

4.1.1 Credit quality of prepayments and advances

The Municipality deems outstanding debt less than 90 days to be receivables that are not considered for impairment, on the following basis:

The Municipality has a stringent customer care, credit control and debt collection policy which is actively implemented by the Municipality.

This includes monitoring of debtors accounts, implementation of physical disconnections where necessary, as well as incentive payment programmes.

Therefore the Municipality views debt outstanding for less than 90 days being a fair reflection of the credit quality.

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

4.2 Trading service and customer service debtors

	2025			2024		
	Gross	Impairment	Total	Gross	Impairment	Total
Electricity	60,006,302	(29,947,143)	**30,059,159**	73,155,926	(40,710,537)	**32,445,389**
Waste management	61,818,655	(56,270,018)	**5,548,637**	103,836,482	(102,214,349)	**1,622,133**
Waste water management	39,627,013	(36,697,829)	**2,929,184**	60,647,127	(58,964,457)	**1,682,670**
Water	112,990,803	(100,087,666)	**12,903,137**	173,183,348	(159,736,287)	**13,447,061**
VAT Receivable - Due from SARS	9,286,671	-	**9,286,671**	2,597,684	-	**2,597,684**
Land sale debtors	6,411,059	-	**6,411,059**	3,962,205	-	**3,962,205**
Input VAT Accrual on Outstanding Creditors	15,876,038	-	**15,876,038**	11,237,866	-	**11,237,866**
Property rental debtors	28,997	-	**28,997**	28,997	-	**28,997**
Control, Clearing and Interface Accounts	3,028,690	-	**3,028,690**	425,481	-	**425,481**
Service charges	6,653,609	(6,577,519)	**76,090**	7,157,308	(6,413,445)	**743,863**
Total	**315,727,837**	**(229,580,175)**	**86,147,662**	**436,232,424**	**(368,039,075)**	**68,193,349**

Contractual receivables

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

	2025			2024		
	Gross	**Impairment**	**Total**	**Gross**	**Impairment**	**Total**
Electricity	60,006,302	(29,947,143)	**30,059,159**	73,155,926	(40,710,537)	**32,445,389**
Waste management	61,818,655	(56,270,018)	**5,548,637**	103,836,482	(102,214,349)	**1,622,133**
Waste water management	39,627,013	(36,697,829)	**2,929,184**	60,647,127	(58,964,457)	**1,682,670**
Water	112,990,803	(100,087,666)	**12,903,137**	173,183,348	(159,736,287)	**13,447,061**
Land sale debtors	6,411,059	-	**6,411,059**	3,962,205	-	**3,962,205**
Input VAT Accrual on Outstanding Creditors	15,876,038	-	**15,876,038**	11,237,866	-	**11,237,866**
Property rental debtors	28,997	-	**28,997**	28,997	-	**28,997**
Control, Clearing and Interface Accounts	3,028,690	-	**3,028,690**	425,481	-	**425,481**
Service charges	6,653,609	(6,577,519)	**76,090**	7,157,308	(6,413,445)	**743,863**
Total	**306,441,166**	**(229,580,175)**	**76,860,991**	**433,634,740**	**(368,039,075)**	**65,595,665**

Statutory receivables

	2025		2024	
	Gross	**Total**	**Gross**	**Total**
VAT Receivable - Due from SARS	9,286,671	**9,286,671**	2,597,684	**2,597,684**

The average credit period for trading service and customer service debtors is 30 days. No interest is charged on trade receivables for the first 30 days from the date of the invoice. Thereafter interest is charged at the prime rate per annum on the outstanding balance. The municipality strictly enforces its approved credit control policy to ensure the recovery of trading service and customer service debtors.

4.2.1 Ageing of trading service and customer service debtors

2025

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

		Not due	Past due				
	Total	**Current**	**30 days**	**60 days**	**90 days**	**120 days**	**120+ days**
Ageing by debt type							
Contractual receivables							
Electricity	**60,006,302**	19,741,966	25,934,636	4,276,003	2,447,013	1,834,225	5,772,459
Waste management	**61,818,655**	6,088,295	5,188,918	2,096,435	1,781,883	1,555,903	45,107,221
Waste water management	**39,627,013**	4,281,432	5,981,815	2,535,385	1,873,754	1,706,153	23,248,474
Water	**112,990,803**	21,398,434	11,163,130	7,951,088	6,187,976	4,763,405	61,526,770
Land sale debtors	**6,411,059**	6,411,059	-	-	-	-	-
Input VAT Accrual on Outstanding Creditors	**15,876,038**	15,876,038	-	-	-	-	-
Property rental debtors	**28,997**	28,997	-	-	-	-	-
Prepayments	**3,028,690**	3,028,690	-	-	-	-	-
Service charges	**6,653,609**	33,905	256,040	17,502	44,747	4,592	6,296,823
Total ageing for contractual receivables	**306,441,166**	**76,888,816**	**48,524,539**	**16,876,413**	**12,335,373**	**9,864,278**	**141,951,747**
Statutory receivables							
VAT Receivable - Due from SARS	**9,286,671**	9,286,671	-	-	-	-	-

2024

		Not due	Past due				
	Total	**Current**	**30 days**	**60 days**	**90 days**	**120 days**	**120+ days**
Ageing by debt type							

Notes to the Annual Financial Statements

Figures in Rand

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

Contractual receivables							
Electricity	**73,155,926**	24,944,896	23,060,256	4,887,924	2,498,676	1,893,022	15,871,152
Property rental debtors	**28,997**	28,997	-	-	-	-	-
Service charges	**7,157,308**	9,181	359,827	12,821	1,752	19,543	6,754,184
Waste management	**103,836,482**	1,005,874	5,690,476	2,287,826	1,868,787	1,667,399	91,316,120
Waste water management	**60,647,127**	582,026	5,552,549	2,010,659	1,533,032	1,326,684	49,642,177
Water	**173,183,348**	12,897,021	1,005,534	4,873,360	4,727,311	3,680,924	145,999,198
Input VAT Accrual on Outstanding Creditors	**11,237,866**	11,237,866	-	-	-	-	-
Land sale debtors	**3,962,205**	3,962,205	-	-	-	-	-
Prepayments	**425,481**	425,481	-	-	-	-	-
Total ageing for contractual receivables	**433,634,740**	**55,093,547**	**35,668,642**	**14,072,590**	**10,629,558**	**8,587,572**	**309,582,831**

Statutory receivables							
VAT Receivable - Due from SARS	**2,597,684**	2,597,684	-	-	-	-	-

4.2.2 Basis used to access and test whether a receivable is impaired

The municipality calculates impairment of receivables based on historical collection rates. Where evidence indicates that no recoveries are expected, a 100% less collection rate is applied, resulting in full impairment of that category of receivables

No customer service debtors were pledged as security

Trading services and customer service debtors older than 30 days are considered Past due and not impaired and amount to R29 976 710.60 (2024: R32 078 199.37)

5. Receivables from non-exchange transactions

Customer service debtors	5.1	42,018,706	7,125,636
Other receivables	5.2	37,473,712	21,285,559
Total		**79,492,418**	**28,411,195**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

5. Receivables from non-exchange transactions (continued)

5.1 Customer service debtors

	2025			2024		
	Gross	Impairment	Total	Gross	Impairment	Total
Electricity	18,582,207	(5,188,417)	**13,393,790**	9,159,425	(7,567,421)	**1,592,004**
Waste water management	5,832,660	(2,518,221)	**3,314,439**	2,913,510	(2,832,679)	**80,831**
Water	13,377,207	(6,294,144)	**7,083,063**	6,526,592	(6,439,351)	**87,241**
Property rates by usage	79,911,965	(61,684,551)	**18,227,414**	76,159,323	(70,793,763)	**5,365,560**
Total	**117,704,039**	**(75,685,333)**	**42,018,706**	**94,758,850**	**(87,633,214)**	**7,125,636**

Property rates by usage

	2025			2024		
	Gross	Impairment	Total	Gross	Impairment	Total
Agricultural Properties	7,566,001	(7,210,011)	**355,990**	6,617,036	(6,573,789)	**43,247**
Business and Commercial Properties	7,136,028	(5,014,077)	**2,121,951**	6,832,568	(6,204,738)	**627,830**
Industrial Properties	1,514,651	(1,251,478)	**263,173**	1,108,214	(907,898)	**200,316**
Mining Properties	1,334,961	(545,333)	**789,628**	1,506,412	(1,266,065)	**240,347**
Public Benefit Organisations	198,069	(193,988)	**4,081**	83,099	(82,422)	**677**
Public Service Infrastructure Properties	402	(401)	**1**	434	(434)	**-**
Public Service Purposes Properties	3,761,278	(3,761,277)	**1**	3,178,020	(3,178,019)	**1**
Residential Properties	45,189,427	(31,793,726)	**13,395,701**	44,210,341	(40,223,489)	**3,986,852**
Vacant Land	13,211,148	(11,914,260)	**1,296,888**	12,623,199	(12,356,909)	**266,290**
Total	**79,911,965**	**(61,684,551)**	**18,227,414**	**76,159,323**	**(70,793,763)**	**5,365,560**

Statutory receivables

	2025			2024		
	Gross	Impairment	Total	Gross	Impairment	Total
Electricity	18,582,207	(5,188,417)	**13,393,790**	9,159,425	(7,567,421)	**1,592,004**
Waste water management	5,832,660	(2,518,221)	**3,314,439**	2,913,510	(2,832,679)	**80,831**
Water	13,377,207	(6,294,144)	**7,083,063**	6,526,592	(6,439,351)	**87,241**
Property rates by usage	79,911,965	(61,684,551)	**18,227,414**	76,159,323	(70,793,763)	**5,365,560**
Total	**117,704,039**	**(75,685,333)**	**42,018,706**	**94,758,850**	**(87,633,214)**	**7,125,636**

5. Receivables from non-exchange transactions (continued)

5.1.1 Ageing of customer service debtors

2025

		Not due			Past due		
	Total	**Current**	**30 days**	**60 days**	**90 days**	**120 days**	**120+ days**
Electricity	**18,582,207**	524,467	260,814	230,787	205,305	17,360,834	-
Waste water management	**5,832,660**	179,724	84,608	76,361	64,292	5,427,675	-
Water	**13,377,207**	331,199	193,717	153,956	135,846	12,562,489	-
Property rates by usage	**79,911,965**	4,685,575	15,126,529	3,684,601	2,658,459	1,915,300	51,841,501
Total	**117,704,039**	**5,720,965**	**15,665,668**	**4,145,705**	**3,063,902**	**37,266,298**	**51,841,501**

Property rates by usage

		Not due			Past due		
	Total	**Current**	**30 days**	**60 days**	**90 days**	**120 days**	**120+ days**
Agricultural Properties	**7,566,001**	-	256,499	150,140	117,052	114,059	6,928,251
Business and Commercial Properties	**7,136,028**	262,538	1,804,813	338,674	190,863	168,007	4,371,133
Industrial Properties	**1,514,651**	2,784	307,210	74,908	66,757	57,706	1,005,286
Mining Properties	**1,334,961**	77,462	645,102	158,649	79,752	47,134	326,862
Public Benefit Organisations	**198,069**	9,320	3,240	5,344	260	262	179,643
Public Service Infrastructure Properties	**402**	-	-	-	-	-	402
Public Service Purposes Properties	**3,761,278**	-	95,012	42,240	39,650	37,774	3,546,602
Residential Properties	**45,189,427**	4,126,717	10,999,108	2,457,567	1,692,759	1,137,169	24,776,107
Vacant Land	**13,211,148**	206,752	1,015,544	457,480	471,366	353,187	10,706,819
Total	**79,911,965**	**4,685,573**	**15,126,528**	**3,685,002**	**2,658,459**	**1,915,298**	**51,841,105**

2024

5. Receivables from non-exchange transactions (continued)

		Not due	Past due				
	Total	**Current**	**30 days**	**60 days**	**90 days**	**120 days**	**120+ days**
Electricity	**9,159,425**	544,332	266,911	238,986	203,173	7,906,023	-
Waste water management	**2,913,510**	200,638	94,912	87,847	69,477	2,460,636	-
Water	**6,526,592**	357,210	183,608	156,009	139,800	5,689,965	-
Property rates by usage	**76,159,323**	1,532,560	15,230,712	4,096,338	2,998,506	2,112,148	50,189,059
Total	**94,758,850**	**2,634,740**	**15,776,143**	**4,579,180**	**3,410,956**	**18,168,772**	**50,189,059**

Property rates by usage

		Not due	Past due				
	Total	**Current**	**30 days**	**60 days**	**90 days**	**120 days**	**120+ days**
Agricultural Properties	**6,617,036**	728	288,219	162,803	162,339	112,156	5,890,791
Business and Commercial Properties	**6,832,568**	103,228	1,780,940	409,802	255,189	194,591	4,088,818
Industrial Properties	**1,108,214**	-	30,712	76,050	75,711	47,793	877,948
Mining Properties	**1,506,412**	8,863	688,527	188,634	101,849	63,729	454,810
Public Benefit Organisations	**83,099**	-	501	347	350	354	81,547
Public Service Infrastructure Properties	**434**	-	-	-	-	-	434
Public Service Purposes Properties	**3,178,020**	-	40,813	51,832	25,325	28,934	3,031,116
Residential Properties	**44,210,341**	1,203,328	11,060,964	2,685,095	1,906,277	1,240,834	26,113,843
Vacant Land	**12,623,199**	216,414	1,065,036	521,776	471,465	423,757	9,924,751
Total	**76,159,323**	**1,532,561**	**14,955,712**	**4,096,339**	**2,998,505**	**2,112,148**	**50,464,058**

5.1.2 Customer service debtors pledged as security

No customer service debtors were pledged as security.

Customer service debtors older than 30 days are considered Past due and not impaired and amount to R3 617 233 (2024: R112 464)

5. Receivables from non-exchange transactions (continued)

5.1.3 Credit quality of customer service debtors

The credit quality of Other Receivables (Fines and Acrued Income) from non-exchange transactions that are neither past nor due nor impaired can be assessed by reference to historical information about counterparty default rates.

5.2 Other receivables

	2025			2024		
	Gross	**Impairment**	**Total**	**Gross**	**Impairment**	**Total**
Grant debtors	11,156,858	-	**11,156,858**	3,378,394	-	**3,378,394**
Fines	130,255,414	(103,938,560)	**26,316,854**	134,664,313	(116,757,148)	**17,907,165**
Total	**141,412,272**	**(103,938,560)**	**37,473,712**	**138,042,707**	**(116,757,148)**	**21,285,559**

5.2.1 Other receivables pledged as security

No Other receivables pledged as security.

Basis used to access and test whether a statutory receivable is impaired.

The municipality calculates impairment of receivables based on historical collection rates. Where evidence indicates that no recoveries are expected, a 100% less collection rate is applied, resulting in full impairment of that category of receivables.

5.2.2 Credit quality of other receivables

The Municipality deems outstanding debt less than 30 days to be receivables that are not considered for impairment, on the following basis:

The Municipality has a stringent customer care, credit control and debt collection policy which is actively implemented by the Municipality.

This includes monitoring of debtors accounts, implementation of physical disconnections where necessary, as well as incentive payment programmes.

Therefore the Municipality views debt outstanding for less than 30 days being a fair reflection of the credit quality.

Figures in Rand		2025	2024

6. Inventory

Materials and supplies		24,136,369	20,785,011
Water	6.1	689,080	359,051
Total Inventories		**24,825,449**	**21,144,062**

Water inventory includes expenditure for purification costs incurred that were capitalisedas as per the GRAP 12 requirements, namely: Depreciation,Material and Supplies (chemicals) and employee cost.

6.1 Water

Summary

Opening balance	359,051	1,193,536
System input volume	62,384,295	41,248,553
Authorised consumption	(40,774,903)	(31,167,909)
Water losses	(21,450,094)	(10,347,674)
Data transfer and management errors	170,729	(567,455)
Closing balance	**689,078**	**359,051**

	2025			2024		
	Volume	**Unit Value**	**Total 2025**	**Volume**	**Unit Value**	**Total 2024**
	kl pa	**R**		**kl pa**	**R**	
Opening balance	65,926	359,051	**359,053**	170,117	1,193,537	**1,193,536**
System input volume						
Bulk Purchases	2,496,992	51,397,159	**51,397,159**	4,792,305	34,940,714	**34,940,714**
Natural Sources	5,417,082	10,987,137	**10,987,136**	2,830,447	6,307,839	**6,307,839**
Total system input volume (SIV)	**7,914,074**	**62,384,296**	**62,384,295**	**7,622,752**	**41,248,553**	**41,248,553**
Water sold (Sales)	(5,185,948)	(40,774,902)	**(40,604,174)**	(5,722,796)	(31,167,909)	**(31,735,364)**
Data Transfer and management errors	21,714	170,729	**-**	(104,191)	(567,455)	**-**
Non-revenue water made up of:						
Physical losses (estimate)	(2,100,657)	(872,298)	**(4,869,221)**	(1,462,965)	(7,967,707)	**(2,379,967)**
Commercial losses	(627,469)	(1,451,243)	**(16,580,873)**	(436,990)	2,379,967	**(7,967,707)**
Closing balance	**87,640**	**19,815,633**	**689,080**	**65,927**	**5,118,986**	**359,051**

Notes to the Annual Financial Statements

Figures in Rand		2025	2024

7. Operating leases

Operating leases		116,730	105,634

7.1 Operating Lease Receivables

Operating Leases are recognised on the straight-line basis as per the requirement of GRAP 13. In respect of Non-cancellable Operating Leases the following assets have been recognised:			
Balance at beginning of the year		105,634	109,349
Operating Lease Revenue effected		11,096	(3,715)
		116,730	**105,634**

The Municipality as Lessor : Operating Leases relate to Property owned by the municipality with lease terms of between 1 to 99 years, with an option to extend.

All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the property at the expiry of the lease period.

7.2 Amounts receivable under Operating Leases

At the Reporting Date the following minimum lease payments were receivable under Non-cancellable Operating Leases for Property, Plant and Equipment, which are receivable as follows:			
Not Later than 1 year		202,691	406,032
Later than one year and not later than 5 years		798,802	981,521
Later than 5 years		306,593	-
		1,308,086	**1,387,553**

8. Investment property

8.1 Reconciliation of carrying value

Opening carrying value			
Cost		250,793,547	251,673,471
Carrying value of disposals / transfers			
Cost		(3,240,000)	(879,924)
Impairment loss / reversal of impairment loss	37	(1,126,999)	-
Closing carrying value		**246,426,548**	**250,793,547**

Cost		247,553,547	250,793,547
Accumulated depreciation and impairment losses		(1,126,999)	-

The municipality has not depreciated its assets, due to the residual value of the investment property assets equalling the cost of the assets, as assessed at the end of the financial year

The prior year comparatives have been restated, please refer to note 60 for more detail information .

8. Investment property (continued)

Criteria used to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of business is set out in the accounting policy note of investment property.

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Rental income from nvestment properties amounted to R658,405

Repairs and maintainance expenditure relating to investment property amounted to R2 280 879 for current financial year and R 225 881.43 for prior financial year.

8.2 Investment property pledged as security

No Investment property had been pledged as security for any liabilities of the municipality.

9. Property, plant and equipment

9.1 Reconciliation summary

	2025			2024		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	248,625,638	-	**248,625,638**	234,173,638	-	**234,173,638**
Transport Assets	157,775,984	(59,108,795)	**98,667,189**	115,106,543	(52,806,466)	**62,300,077**
Electrical Infrastructure	313,349,867	(100,995,426)	**212,354,441**	277,304,978	(92,531,249)	**184,773,729**
Water Supply Infrastructure	597,967,959	(191,196,000)	**406,771,959**	564,797,729	(170,815,669)	**393,982,060**
Sanitation Infrastructure	714,162,068	(260,958,951)	**453,203,117**	666,900,138	(231,007,414)	**435,892,724**
Solid Waste Infrastructure	67,329,078	(60,733,939)	**6,595,139**	73,259,019	(59,559,524)	**13,699,495**
Machinery and Equipment	17,287,199	(10,923,510)	**6,363,689**	16,610,468	(9,614,306)	**6,996,162**
Furniture and Office Equipment	28,424,539	(23,065,395)	**5,359,144**	29,239,351	(23,360,709)	**5,878,642**
Computer Equipment	13,366,330	(9,522,538)	**3,843,792**	11,937,522	(8,136,305)	**3,801,217**
Roads Infrastructure	1,048,273,409	(474,917,426)	**573,355,983**	1,030,243,445	(462,331,482)	**567,911,963**
Storm water Infrastructure	77,068,670	(25,519,919)	**51,548,751**	76,123,660	(23,970,157)	**52,153,503**
Community Assets	62,391,223	(10,100,460)	**52,290,763**	62,865,274	(10,557,109)	**52,308,165**
Other assets						
Operational Buildings	53,921,522	(7,294,927)	**46,626,595**	54,819,522	(6,853,659)	**47,965,863**
Total	**3,399,943,486**	**(1,234,337,286)**	**2,165,606,200**	**3,213,381,287**	**(1,151,544,049)**	**2,061,837,238**

9. Property, plant and equipment (continued)

9.2 Reconciliation of carrying value

2025

	Opening balance	Additions	Disposals	Transfers received	Transfers made	Decommissioning-Restoration and Similar Liabilities	Depreciation	Impairment loss/ reversal	Total
Land	234,173,638	-	(548,000)	15,000,000	-	-	-	-	**248,625,638**
Transport Assets	62,300,076	49,603,107	(666,899)	-	-	-	(12,569,095)	-	**98,667,189**
Electrical Infrastructure	184,773,727	36,398,205	(193,845)	-	-	-	(8,385,210)	(238,436)	**212,354,441**
Water Supply Infrastructure	393,982,062	37,426,779	(1,042,944)	23,008,078	(23,008,077)	-	(23,591,882)	(2,057)	**406,771,959**
Sanitation Infrastructure	435,892,724	47,261,930	-	20,329,263	(20,329,263)	-	(29,909,168)	(42,369)	**453,203,117**
Solid Waste Infrastructure	13,699,495	-	-	-	-	(5,929,941)	(1,174,415)	-	**6,595,139**
Machinery and Equipment	6,996,163	918,440	(53,421)	-	-	-	(1,497,493)	-	**6,363,689**
Furniture and Office Equipment	5,878,643	1,253,404	(216,505)	-	-	-	(1,556,398)	-	**5,359,144**
Computer Equipment	3,801,220	1,704,785	(132,480)	-	-	-	(1,529,733)	-	**3,843,792**
Roads Infrastructure	567,911,963	42,847,162	(6,224,971)	24,691,976	(24,691,977)	-	(30,953,038)	(225,132)	**573,355,983**
Storm water Infrastructure	52,153,502	945,010	-	446,513	(446,513)	-	(1,549,761)	-	**51,548,751**
Community Assets	52,308,165	1,112,949	-	102,894	(102,894)	-	(1,130,351)	-	**52,290,763**
Other assets									
Operational Buildings	47,965,863	-	(715,000)	-	-	-	(624,268)	-	**46,626,595**
Total	**2,061,837,241**	**219,471,771**	**(9,794,065)**	**83,578,724**	**(68,578,724)**	**(5,929,941)**	**(114,470,812)**	**(507,994)**	**2,165,606,200**

Construction work-in-progress

9. Property, plant and equipment (continued)

	Opening balance	Capital expenditure	Impairment of assets	Transfers made	Total
Electrical Infrastructure	10,302,891	35,292,559	-	-	**45,595,450**
Water Supply Infrastructure	28,342,763	37,426,779	-	(23,008,077)	**42,761,465**
Sanitation Infrastructure	35,225,149	47,032,253	-	(20,329,263)	**61,928,139**
Roads Infrastructure	23,144,122	42,847,162	-	(24,691,977)	**41,299,307**
Storm water Infrastructure	10,432	945,010	-	(446,513)	**508,929**
Community Assets	1,265,241	1,112,949	-	(102,894)	**2,275,296**
Total	**98,290,598**	**164,656,712**	**-**	**(68,578,724)**	**194,368,586**

2024

	Opening balance	Additions	Disposals	Transfers received	Transfers made	Decommissioning-Restoration and Similar Liabilities	Depreciation	Impairment loss/ reversal	Total
Land	216,596,877	240,000	(663,239)	18,000,000	-	-	-	-	**234,173,638**
Transport Assets	67,196,856	4,367,795	(33,175)	-	-	-	(9,210,198)	(21,201)	**62,300,077**
Electrical Infrastructure	186,934,757	5,663,463	-	8,970,274	(8,970,273)	-	(7,186,053)	(638,439)	**184,773,729**
Water Supply Infrastructure	393,775,108	21,196,987	-	24,056,950	(24,056,951)	-	(20,533,862)	(456,172)	**393,982,060**
Sanitation Infrastructure	434,851,708	22,798,431	-	-	-	-	(21,464,625)	(292,790)	**435,892,724**
Solid Waste Infrastructure	21,078,042	-	-	-	-	(3,769,142)	(3,609,405)	-	**13,699,495**
Machinery and Equipment	7,570,010	1,038,447	(11,351)	-	-	-	(1,580,224)	(20,720)	**6,996,162**
Furniture and Office Equipment	6,773,326	975,149	(105,384)	-	-	-	(1,699,573)	(64,876)	**5,878,642**
Computer Equipment	3,636,508	1,638,212	(33,568)	-	-	-	(1,421,729)	(18,206)	**3,801,217**
Roads Infrastructure	570,753,470	28,252,070	(42,144)	5,643,928	(5,643,928)	-	(30,885,139)	(166,294)	**567,911,963**
Storm water Infrastructure	53,661,078	307,599	-	297,167	(297,167)	-	(1,815,174)	-	**52,153,503**
Community Assets	46,415,656	6,562,143	-	9,399,056	(9,399,056)	-	(669,637)	3	**52,308,165**
Other assets									
Operational Buildings	48,451,502	120,303	-	-	-	-	(605,942)	-	**47,965,863**
Total	**2,057,694,898**	**93,160,599**	**(888,861)**	**66,367,375**	**(48,367,375)**	**(3,769,142)**	**(100,681,561)**	**(1,678,695)**	**2,061,837,238**

9. Property, plant and equipment (continued)

Construction work-in-progress

	Opening balance	Capital expenditure	Impairment of assets	Transfers made	Total
Electrical Infrastructure	13,528,955	5,744,209	-	(8,970,273)	**10,302,891**
Water Supply Infrastructure	31,202,727	21,196,987	-	(24,056,951)	**28,342,763**
Sanitation Infrastructure	12,574,941	22,650,208	-	-	**35,225,149**
Roads Infrastructure	535,980	28,252,070	-	(5,643,928)	**23,144,122**
Storm water Infrastructure	-	307,599	-	(297,167)	**10,432**
Community Assets	4,102,150	6,562,143	3	(9,399,056)	**1,265,240**
Total	**61,944,753**	**84,713,216**	**3**	**(48,367,375)**	**98,290,597**

9.3 Property, plant and equipment pledged as security

No Assets pleadged as security.

9.4 Maintenance of property, plant and equipment

The following maintenance cost was incurred:

9. Property, plant and equipment (continued)

	2025			2024		
	Preventative maintenance	Corrective maintenance	Total	Preventative maintenance	Corrective maintenance	Total
Transport Assets	136,598	11,405,039	**11,541,637**	10,320,826	-	**10,320,826**
Electrical Infrastructure	3,382,245	8,396,697	**11,778,942**	2,464,941	6,904,868	**9,369,809**
Water Supply Infrastructure	1,051,486	2,596,490	**3,647,976**	2,369,417	2,644,947	**5,014,364**
Sanitation Infrastructure	1,812,036	10,447,142	**12,259,178**	533,031	12,330,308	**12,863,339**
Machinery and Equipment	419,113	175,511	**594,624**	516,857	141,915	**658,772**
Coastal Infrastructure	-	1,220,137	**1,220,137**	-	-	**-**
Roads Infrastructure	893,929	4,447,354	**5,341,283**	1,796,320	4,571,054	**6,367,374**
Storm water Infrastructure	-	207,142	**207,142**	130,060	599,906	**729,966**
Community Assets	4,581,391	-	**4,581,391**	3,264,197	-	**3,264,197**
Other assets						
Operational Buildings	2,372,938	-	**2,372,938**	3,266,948	450,634	**3,717,582**
Total	**14,649,736**	**38,895,512**	**53,545,248**	**24,662,597**	**27,643,632**	**52,306,229**

10. Intangible assets

10.1 Reconciliation of carrying value

2025

		Computer software	Total
Opening carrying value as at 01 July 2024			
Cost		2,134,112	2,134,112
Accumulated depreciation and impairment		(1,715,503)	(1,715,503)
		418,609	**418,609**
Amortisation	37	(206,547)	(206,547)
Carrying value of disposals / transfers			
Cost		(4,350)	(4,350)
Accumulated depreciation and impairment		4,311	4,311
		(39)	**(39)**
Closing carrying value as at 30 June 2025		**212,023**	**212,023**
Cost		2,129,762	2,129,762
Accumulated amortisation and impairment		(1,917,739)	(1,917,739)
		212,023	**212,023**

Figures in Rand		2025	2024

10. Intangible assets (continued)

2024

		Computer software	Total
Opening carrying value as at 01 July 2023			
Cost		2,117,022	2,117,022
Accumulated depreciation and impairment		(1,514,473)	(1,514,473)
		602,549	**602,549**
Additions from transfer of functions / mergers		17,090	17,090
Amortisation	37	(201,030)	(201,030)
		(183,940)	**(183,940)**
Closing carrying value as at 30 June 2024		**418,609**	**418,609**
Cost		2,134,112	2,134,112
Accumulated amortisation and impairment		(1,715,503)	(1,715,503)
		418,609	**418,609**

11. Borrowings

Total borrowings

	2025	2024
Annuity and bullet loans	97,916,667	-
Less: Current portion transferred to current liabilities	(10,606,061)	-
Total non-current borrowings	**87,310,606**	**-**

11.1 Summary of arrangements

The DBSA Loan shall bear interest at the rate of 11.01% with the loan term of 12 years.

The Borrower shall not be required to provide collateral in respect of the facility, but apply claimable Input VAT Refunds towards the prepayment of any Loan Outstandings at the date or time when the claimable Input VAT Refunds are received by the Borrower and apply the said Input VAT Refunds to build the Debt Service Reserve Account equivalent to two(2) times the relevant Quarterly instalment.

12. Lease liabilities

		2025	2024
Finance lease liabilities	12.1	51,012,248	23,375,383
Less: Transferred to current liabilities		(19,262,597)	(11,144,269)
Total non-current liabilities		**31,749,651**	**12,231,114**

12.1 Obligation under finance leases

The municipality as lessee

The obligations under finance leases are as follow:

	2025	2024
Total future minimum lease payments		
Payable within 1 year	10,679,468	13,982,669
Payable within 2 to 5 years	50,757,674	13,821,451
Total minimum lease payments	**61,437,142**	**27,804,120**
Less: Future finance charges	(10,424,894)	(4,428,737)
Total	**51,012,248**	**23,375,383**

Figures in Rand		2025	2024

12. Lease liabilities (continued)

Present value of minimum lease payments

		2025	2024
Payable within 1 year		19,262,597	11,144,269
Payable within 2 to 5 years		31,749,651	12,231,114
Total		**51,012,248**	**23,375,383**
Current liability		19,262,597	11,144,269
Non-current liability		31,749,651	12,231,114

13. Employee benefits

	Note	2025	2024
Current employee benefits			
Post employment health care benefits	13.1	4,788,247	4,505,000
Ex-gratia pension benefits	13.2	8,430	8,810
Provision for long-service awards	13.3	3,136,000	3,021,000
Provision for bonuses	13.4	1,602,950	1,335,920
Leave accrual	13.5	28,453,233	44,559,429
		37,988,860	**53,430,159**
Non-current employee benefits			
Post employment health care benefits	13.1	113,928,752	97,024,999
Ex-gratia pension benefits	13.2	41,300	40,300
Provision for long-service awards	13.3	14,608,000	14,562,000
		128,578,052	**111,627,299**
Total		**166,566,912**	**165,057,458**

Split between current and non-current

		2025	2024
Current liabilities		37,988,860	53,430,159
Non-current liabilities		128,578,052	111,627,299
Total		**166,566,912**	**165,057,458**

13.1 Post employment health care benefits

The municipality provides certain post-retirement medical 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 most recent actuarial valuations of 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 obligations, and the related current service costs and past service costs, were measured using the Projected Unit Credit Method

The Post employment health care benefits plan is a defined benefit plan, of which the members are made up as follow:

	Number	**Number**
In-service members (Employees)	457	438
Continuation members (Retirees)	84	82
In-service Non members (Employees)	282	319
Total members	**823**	**839**

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

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

13. Employee benefits (continued)

In-service members (Employees)	56,125,000	45,741,000
Continuation members (Retirees)	62,591,999	55,788,999
Total liability	**118,716,999**	**101,529,999**

Split between current and non-current

Current liabilities	4,788,247	4,505,000
Non-current liabilities	113,928,752	97,024,999
Total liability	**118,716,999**	**101,529,999**

Medical aid schemes

The municipality makes monthly contributions for health care arrangements to the following Medical Aid Schemes:

- Bonitas
- Hosmed
- Key Health
- LA Health
- Samwumed

Figures in Rand		2025	2024

13. Employee benefits (continued)

Valuation assumptions

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

i) Rates of interest

Discount rate	12.25%	12.48%
Health care cost inflation rate	6.22%	8.09%
Expected Retirement Age - Females	62	62
Expected Retirement Age - Males	62	62

GRAP 25 defines the determination of the Discount Rate Assumption to be used as follow:

- The discount rate that reflects the time value of money is best approximated by reference to market yields at the reporting date on government bonds. Where there is no deep market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, an entity uses current market rates of the appropriate term to discount shorter term payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve.
- The Actuaries used the nominal and real zero curves as at 30 June 2025 supplied by the JSE to determine the discount rates and CPI assumptions at each relevant time period. In the event that the valuation is performed prior to the effective valuation date, they used the prevailing yield at the time of performing their calculations. The methodology was changed from a point estimate to that of a curve in order to present a more accurate depiction of the liability. Previously only one discount rate was used to value all the liabilities. This changed methodology would be seen as a change in estimate basis.

	Rates of interest	**Rates of interest**
Discount rate	11.20 %	12.25 %
CPI (Consumer price inflation)	5.20 %	6.22 %
Medical Aid Contribution inflation rate	7.00 %	7.72 %
Net effective discount rate	3.90 %	4.21 %

ii) Mortality rates

Mortality before retirement has been based on the SA 85-90 mortality tables. These are the most commonly used tables in the industry. Mortality post-employment (for pensioners) has been based on the PA (90) ultimate mortality tables. No explicit assumption was made about additional mortality or health care costs due to AIDS.

iii) Average and normal retirement age

The average retirement age for all active employees was assumed to be 62 years. This assumption implicitly allows for ill-health and early retirements. The normal retirement age (NRA) for all active employees was assumed to be 65 years.

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		118,716,999	101,529,999

Amounts recognised in the statement of financial performance

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

Current service cost		4,079,000	3,815,000
Interest cost		12,169,000	11,720,000
Remeasurements -Actuarial loss/ (gain) recognised in the year		5,394,753	(5,996,000)
Total post-retirement benefit included in employee related costs	32	**21,642,753**	**9,539,000**

Figures in Rand	2025	2024

13. Employee benefits (continued)

Movements in the present value of the defined benefit obligation

Opening Balance	101,529,999	95,726,999
Current service cost	4,079,000	3,815,000
Interest cost	12,169,000	11,720,000
Actual employer benefit payments	(4,455,753)	(3,736,000)
Remeasurements - Actuarial loss/ (gain) recognised in the year	5,394,753	(5,996,000)
Present value of fund obligation at the end of the year	**118,716,999**	**101,529,999**

Movements in the present value of the defined benefit assets

Contributions from the employer	(4,455,753)	(3,736,000)
Benefits paid	4,455,753	3,736,000
Closing balance	**-**	**-**

Sensitivity analysis

In order to illustrate the sensitivity of our results to changes in certain key variables, we have recalculated the liabilities using the following assumptions:

- 1% increase/(decrease) in the discount rate;
- 1% increase/(decrease) in the Medical aid inflation;
- 20% increase/(decrease) in the assumed mortality rate;
- 1 year increase/(decrease) in the average and normal retirement age.

Discount rate

The value of the liability is directly dependent on the level of the discount rate used to discount the future expected cashflows. If the discount rate is higher the present value of the liability will be lower and vice versa.

Medical aid inflation

The cost of the subsidy after retirement is dependent on the increase in the contributions to the medical aid scheme before and after retirement. The rate at which these contributions increase will thus have a direct effect on the liability of future retirees.

Mortality rate

Deviations from the assumed level of mortality experience of the current employees and the continuation members (pensioners) will have a large impact on the actual cost to the municipality. If the actual rates of mortality turn out higher than the rates assumed in the valuation basis, the cost to the municipality in the form of subsidies will reduce and vice versa.

13.2 Ex-gratia pension benefits

The most recent actuarial valuations of the present value of the defined benefit obligation were carried out at 30 June 2024 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

	Number	**Number**
In-service members (Employees)	5	5

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

In-service members (Employees)	49,730	49,110
Lump sum benefit	49,730	49,110

Figures in Rand		2025	2024

13. Employee benefits (continued)

Split between current and non-current

		2025	2024
Current liabilities		8,430	8,810
Non-current liabilities		41,300	40,300
Total liability		**49,730**	**49,110**

Valuation assumptions

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

i) Rates of interest

	Lump sum valuation	**Lump sum valuation**
Discount rate	8.70 %	9.79 %
Net effective discount rate	8.70 %	9.79 %

In accordance with GRAP 25 the discount rate was determined using the implied duration of the liability to obtain an appropriate interest rate on the yield curve. The nominal and real zero curves as at 30 June 2025 supplied by the JSE was used to determine the discounted rates and CPI assumptions.

ii) Pension inflation

iii) Mortality rates

Mortality before retirement has been based on the SA 85-90 mortality tables. These are the most commonly used tables in the industry. It was assumed that female spouses would be five years younger than their male spouses and vice versa.

iv) Average and normal retirement age

The average retirement age for all active employees was assumed to be 62 years. This assumption implicitly allows for ill-health and early retirements. The normal retirement age (NRA) for all active employees was assumed to be 65 years.

Amounts recognised in the statement of financial position

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

		2025	2024
Present value of unfunded obligations		49,730	49,110

Amounts recognised in the statement of financial performance

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

		2025	2024
Interest cost		4,235	4,590
Remeasurements - Actuarial (gains) / losses recognised		5,195	3,260
Total post-retirement benefit included in employee related costs	32	**9,430**	**7,850**

Movements in the present value of the defined benefit obligation	2025	2024
Opening Balance	49,110	50,080
Interest cost	4,235	4,590
Benefits paid	(8,810)	(8,820)
Actuarial (Gains) / Losses recognised	5,195	3,260
Closing balance	**49,730**	**49,110**

Movements in the present value of the defined benefit asset

Figures in Rand	2025	2024

13. Employee benefits (continued)

	2025	2024
Contributions from the employer	(8,810)	(8,820)
Benefits paid	8,810	8,820
Closing balance	**-**	**-**

History of experienced adjustments

	2021	2022	2023	2024	2025
Present value of defined benefit obligation	129,700	522,246	50,080	4,910	49,730

Sensitivity analysis

In order to illustrate the sensitivity of our results to changes in certain key variables, we have recalculated the liabilities using the following assumptions:

- 1% increase/(decrease) in the discount rate.
- 1% increase/(decrease) in the pension inflation;
- 20% increase/(decrease) in the assumed mortality rate;
- 1 year increase/(decrease) in the average and normal retirement age.

Discount rate

The value of the liability is directly dependent on the level of the discount rate used to discount the future expected cashflows. If the discount rate is higher the present value of the liability will be lower and vice versa.

Pension inflation

The cost of the Ex-gratia pension benefits is dependent on the increase in the annual pensions paid to employees. The rate at which salaries increase will thus have a direct effect on the liability of future retirees.

Mortality rate

Deviations from the assumed level of mortality experience of the current employees and the continuation members (pensioners) will have a large impact on the actual cost to the municipality. If the actual rates of mortality turn out higher than the rates assumed in the valuation basis, the cost to the municipality in the form of subsidies will reduce and vice versa.

Average retirement age

The liability value is directly influenced by the assumption about the average retirement age of members as this determines the length these benefits are paid out to members.

13.3 Provision for long-service awards

	2025	2024
Current liabilities	3,136,000	3,021,000
Non-current liabilities	14,608,000	14,562,000
Total liability	**17,744,000**	**17,583,000**

Long-service award

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.

Amounts recognised in the statement of financial position

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

Figures in Rand		2025	2024

13. Employee benefits (continued)

Present value of unfunded obligations		17,744,000	17,583,000

Amounts recognised in the statement of financial performance

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

Current service cost		1,881,000	1,838,000
Interest cost		1,745,000	1,770,000
Total expense included in employee related costs	32	**3,626,000**	**3,608,000**

Movements in the present value of the defined benefit obligation

Opening Balance	17,583,000	17,286,000
Current service cost	1,881,000	1,838,000
Interest cost	1,745,000	1,770,000
Benefits paid	(3,021,000)	(2,680,000)
Remeasurements -Actuarial loss/ (gain) recognised in the year	(444,000)	(631,000)
Closing balance	**17,744,000**	**17,583,000**

Movements in the present value of the defined benefit asset

Contributions from the employer	(3,021,000)	(2,680,000)
Benefits paid	3,021,000	2,680,000
Closing balance	**-**	**-**

History of experienced adjustments

	2021	**2022**	**2023**	**2024**	**2025**
Present value of defined benefit obligation	17,175,000	18,958,334	17,286,000	17,583,000	17,744,000

Sensitivity analysis

In order to illustrate the sensitivity of our results to changes in certain key variables, we have recalculated the liabilities using the following assumptions:

- 1% increase/(decrease) in the discount rate;
- 1% increase/(decrease) in the normal salary cost inflation;
- 1 year increase/(decrease) in the average and normal retirement age.
- 20% increase/(decrease) in the withdrawal rate;

Discount rate

The value of the liability is directly dependent on the level of the discount rate used to discount the future expected cashflows. If the discount rate is higher the present value of the liability will be lower and vice versa.

Mortality rate

Deviations from the assumed level of mortality experience of the current employees and the continuation members (pensioners) will have a large impact on the actual cost to the municipality. If the actual rates of mortality turn out higher than the rates assumed in the valuation basis, the cost to the municipality in the form of subsidies will reduce and vice versa.

Notes to the Annual Financial Statements

Figures in Rand		2025	2024

13. Employee benefits (continued)

13.4 Provision for bonuses

	2025	2024
Opening Balance	1,335,920	2,130,577
Current service cost	1,656,749	260,139
Benefits paid	(1,389,720)	(1,054,796)
Closing balance	**1,602,949**	**1,335,920**

Split between current and non-current

	2025	2024
Current liabilities	1,602,950	1,335,920

13.5 Leave accrual

	2025	2024
Opening Balance	44,559,429	36,032,523
Current service cost	-	17,053,813
Benefits paid	(4,252,642)	(5,472,875)
Reduction of provision	(11,853,554)	(3,054,032)
Closing balance	**28,453,233**	**44,559,429**

Split between current and non-current

	2025	2024
Current liabilities	28,453,233	44,559,429

14. Consumer deposits

	2025	2024
Building plans	14,977,828	13,237,017
Electricity	16,338,445	15,141,518
Rental properties	367,042	257,488
Water	2,821,360	2,635,935
Total	**34,504,675**	**31,271,958**

Consumer Deposits are paid by consumers on application for new water and electricity connections. The deposits are repaid when the water and electricity connections are terminated. In cases where consumers default on their accounts, the municipality can utilise the deposit as payment for the outstanding account.

15. Trade and other payables from exchange transactions

		2025	2024
Bulk purchases	15.1	51,720,953	46,111,817
Retentions	15.2	8,172,016	6,457,381
Control and clearing accounts	15.3	4,341,353	439,967
Employee benefits	15.4	10,909,190	9,162,987
Trade and Other Payables	15.5	155,568,669	105,713,298
Statutory payables	15.6	6,534,370	1,116,527
Total		**237,246,551**	**169,001,977**

15.1 Bulk purchases

	2025	2024
Bulk water	2,703,956	1,659,953
Bulk electricity	49,016,997	44,451,864
Total	**51,720,953**	**46,111,817**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

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

15.2 Contractors

Retentions	8,172,016	6,457,381

15.3 Control and clearing accounts

Cash and bank	8,008	8,050
Leave control	98,406	98,406
Licensing and registration	462,007	462,008
Salary Control - Employee Related Costs	3,083,285	(128,497)
Skills control	323,167	-
UIF control	359,335	-
Unions control	7,145	-
Total	**4,341,353**	**439,967**

15.4 Employee benefits

Bonus	10,909,190	9,162,987

15.5 Trade and Other Payables

Output VAT Accrual	43,801,486	50,660,320
Output VAT Accrual - Provision for Doubtful Debt Impairment	(17,056,381)	(35,205,471)
Payables and accruals	66,965,594	36,381,300
Unallocated deposits	24,449,204	20,727,613
Advance payments	37,408,766	33,149,536
Total	**155,568,669**	**105,713,298**

15.6 Statutory payables

Compensation commission (COID)	1,116,527	1,116,527
PAYE deductions	5,417,843	-
Total	**6,534,370**	**1,116,527**

Notes to the Annual Financial Statements

Figures in Rand

16. Trade and other payables from non-exchange transactions – Transfers and subsidies Unspent

		2025				2024			
		Opening balance	**Funds received**	**Transfer to revenue**	**Closing balance**	**Opening balance**	**Funds received**	**Transfer to revenue**	**Closing balance**
Capital									
Monetary Allocations	16.1	38,790,885	90,868,987	(108,716,134)	**20,943,738**	25,735,689	79,941,780	(66,886,583)	**38,790,886**
Operational									
Monetary Allocations	16.2	-	5,040,300	(5,040,301)	**(1)**	3,258,143	9,634,400	(12,892,543)	**-**
Total		**38,790,885**	**95,909,287**	**(113,756,435)**	**20,943,737**	**28,993,832**	**89,576,180**	**(79,779,126)**	**38,790,886**

16. Trade and other payables from non-exchange transactions – Transfers and subsidies Unspent (continued)

16.1 Unspent capital monetary allocations

	2025				2024			
	Opening balance	**Funds received**	**Transfer to revenue**	**Closing balance**	**Opening balance**	**Funds received**	**Transfer to revenue**	**Closing balance**
National Government								
Integrated National Electrification Programme Gran	686,303	2,586,000	(3,272,303)	**-**	2,894,953	4,089,000	(6,297,650)	**686,303**
Municipal Disaster Recovery Grant	-	12,180,000	(573,272)	**11,606,728**	-	-	-	**-**
Municipal Disaster Relief Grant	10,380,741	-	(10,380,741)	**-**	3,000,000	10,550,000	(3,169,259)	**10,380,741**
Municipal Infrastructure Grant	-	34,623,700	(34,623,700)	**-**	-	33,124,600	(33,124,600)	**-**
Water Services Infrastructure Grant	7,167,885	13,941,000	(20,987,959)	**120,926**	-	30,000,000	(22,832,114)	**7,167,886**
Total	**18,234,929**	**63,330,700**	**(69,837,975)**	**11,727,654**	**5,894,953**	**77,763,600**	**(65,423,623)**	**18,234,930**
Provincial Government								
Eastern Cape: Human Settlements	20,555,956	27,538,287	(38,878,159)	**9,216,084**	19,840,736	2,178,180	(1,462,960)	**20,555,956**
Total unspent capital monetary allocations	**38,790,885**	**90,868,987**	**(108,716,134)**	**20,943,738**	**25,735,689**	**79,941,780**	**(66,886,583)**	**38,790,886**

Notes to the Annual Financial Statements

Figures in Rand

16. Trade and other payables from non-exchange transactions – Transfers and subsidies Unspent (continued)

16.2 Unspent operational monetary allocations

	2025					2024				
	Opening balance	**Funds received**	**Transfer to revenue**	**Repayment unspent grants**	**Closing balance**	**Opening balance**	**Funds received**	**Transfer to revenue**	**Repayment unspent grants**	**Closing balance**
National Government										
Energy Efficiency and Demand Side Management Grant	-	-	-	-	**-**	-	4,000,000	(4,000,000)	-	**-**
Expanded Public Works Programme Integrated Grant	-	1,495,000	(1,495,001)	-	**(1)**	-	2,321,000	(2,321,000)	-	**-**
Local Government Financial Management Grant	-	1,723,000	(1,723,000)	-	**-**	-	1,570,000	(1,570,000)	-	**-**
Municipal Infrastructure Grant	-	1,822,300	(1,822,300)	-	**-**	-	1,743,400	(1,743,400)	-	**-**
Total	**-**	**5,040,300**	**(5,040,301)**	**-**	**(1)**	**-**	**9,634,400**	**(9,634,400)**	**-**	**-**
Provincial Government										
Eastern Cape	-	-	-	-	**-**	3,258,143	-	(3,258,143)	-	**-**
Total unspent operational monetary allocations	**-**	**5,040,300**	**(5,040,301)**	**-**	**(1)**	**3,258,143**	**9,634,400**	**(12,892,543)**	**-**	**-**

17. Provisions (current and non-current)

Landfill Sites	17.1	120,813,558	119,432,938
Environmental Cleanup Provision	17.2	1,200,000	1,000,000
Total		**122,013,558**	**120,432,938**

Figures in Rand	2025	2024

17. Provisions (current and non-current) (continued)

Split between current and non-current

Current	1,200,001	1,000,001
Non-current	120,813,557	119,432,937
Total	**122,013,558**	**120,432,938**

17.1 Landfill Sites

Opening Balance	119,432,938	118,827,256
Provisions raised	2,830,702	2,237,326
Finance Cost	4,479,859	4,374,823
Decommisioning- restoration and similar liabilities	(5,929,941)	(6,006,467)
Closing balance	**120,813,558**	**119,432,938**

Split between current and non-current

Current	1	1
Non-current	120,813,557	119,432,936
Total	**120,813,558**	**119,432,937**

Location	**Proposed rehabilitation date**	**Post closure monitoring date**		
Landfill Sites			120,813,558	119,432,938

17.2 Environmental Cleanup Provision

Opening Balance	1,000,000	1,147,460
Additional provisions raised	200,000	-
Reductions (Payments, remeasurement etc.)	-	(147,460)
Closing balance	**1,200,000**	**1,000,000**

Split between current and non-current

Current	1,200,000	1,000,000

Environmental - Illegal dumping of builders and other rubble is taking place throughout the Kouga area to the municipality's property. Contrary to S19A of Environmental Conservation Act,73 (No 73 of 19 89), the municipality has not cleared the illegal dumping and other rubble. The municipality has accounted for a provision for the cost of clearing of builders and other rubble as required by GRAP 19.

18. Reserves and funds

Capital Replacement Reserve	2,186,308	5,759,077

The Capital Replacement Reserve relates to setting aside funds for future capital replacement of assets. Where development charges are realised, these funds are recognised as revenue, and thereafter used to fund the capital replacement reserve by transferring these funds from Accumulated Surplus to the Capital Replacement Reserve.

Distributions from the Capital Replacement Reserve can be made when it is in accordance with the requirements of the municipality's accounting policy.

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

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

19. Services charges

Electricity		
Consumption – Electricity	400,468,081	369,018,381
Water		
Consumption – Water management	104,736,801	102,794,542
Waste water management		
Consumption – Waste water management	66,111,105	56,020,100
Waste Management		
Consumption – Waste management	58,681,221	57,487,680
Total	**629,997,208**	**585,320,703**

20. Sales of goods and rendering of services

Advertisements	8,139	1,182
Application Fees for Land Usage	140,565	247,051
Building Plan Approval	5,229,717	4,349,602
Cemetery and Burial	366,832	360,771
Cleaning and Removal	13,709	3,152
Fire Services	36,757	15,964
Legal Fees	188,362	371,259
Photo copies, Faxes and Telephone charges	8,718	13,251
Removal of Restrictions	660,955	542,552
Scrap, Waste & Other Goods	2,567	1,067
Valuation Services	31,128	35,497
Total	**6,687,449**	**5,941,348**

21. Agency services

Provincial	6,044,675	3,615,485

The Municipality entered into an agreement with the Eastern Cape Department of Transport, to collect process and collect driver licenses on behalf of the Department. The municipality act as an agent to this transaction in accordance with GRAP 109, Principal agent arrangements.
A fee of 19% plus VAT of the total revenue collected is payable to the Municipality by deducting the fee amount from the funds collected on a daily basis.

22. Interests earned from bank and investments

Bank accounts	4,080,054	4,760,796
Short-term investments and call accounts	9,608,965	8,201,602
Total	**13,689,019**	**12,962,398**

23. Rental from fixed assets

Market related	240,299	233,129
Non-market related	3,827,756	3,316,439
Total	**4,068,055**	**3,549,568**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

23. Rental from fixed assets (continued)

23.1 Rental by asset class

Market related		
Property, plant and equipment	240,299	233,129
Non-market related		
Property, plant and equipment	658,405	830,634
Investment property	3,169,351	2,485,805
	3,827,756	**3,316,439**
Total	**4,068,055**	**3,549,568**

24. Service charges - Availability charges

Electricity		
Service Charges - Availability charges	9,887,025	10,761,239
Waste water management		
Service Charges - Availability charges	3,127,465	3,613,032
Water management		
Service Charges - Availability charges	6,226,421	7,078,081
Total	**19,240,911**	**21,452,352**

25. Property rates by usage

Agricultural property	9,602,083	9,132,294
Business and commercial properties	28,334,747	27,961,580
Industrial properties	6,154,550	5,765,735
Public benefit organisations	252,058	152,263
Public service infrastructure properties	33	-
Public service purposes properties	3,423,722	3,165,126
Residential properties	215,401,984	201,319,256
Special rating area	12,717,471	11,975,454
Vacant land	22,447,575	20,730,945
Total	**298,334,223**	**280,202,653**

Figures in Rand	2025	2024

25. Property rates by usage (continued)

Valuation as at 30 June 2025

Agricultural property	4,939,462,800	4,939,988,800
Business and commercial properties	2,986,054,000	2,606,896,000
Industrial properties	639,035,000	633,235,000
Municipal properties	810,606,500	815,921,300
Places of public worship	146,960,000	147,954,000
Private open spaces	59,393,900	60,836,900
Properties owned by an organ of state and used for Public services purposes	262,126,000	260,116,000
Protected areas	74,736,000	71,046,000
Public benefit organisations	117,900,000	102,180,000
Public service infrastructure properties	58,810,600	54,533,600
Residential properties	29,177,311,100	22,908,087,100
Special rating area	-	6,203,421,000
Vacant business	116,646,000	115,236,000
Vacant industrial	41,914,000	41,914,000
Vacant private open space	3,720,000	3,720,000
Vacant residential	1,674,430,500	1,484,022,700
Vacant state	64,111,400	63,878,400
Total property valuations	**41,173,217,800**	**40,512,986,800**

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 2023/07/01. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

A general rate is applied as follows to property valuations to determine property rates:

Residential Properties: 0,007786 c/R (2023/24: 0,007380 c/R)

Business Properties: 0,009732 c/R (2023/24: 0,009225 c/R)

Agricultural Properties: 0,001946 c/R (2023/234: 0,001845 c/R)

A Rebate of R15,000 is received on all residential properties, equitable share recipients and Pensioners earning R15 000 and less per month, receives an additional R85,000 rebate on property value.

26. Interest earned from receivables

Exchange receivables	26.1	22,366,468	21,854,451
Non-exchange receivables	26.2	3,213,783	5,519,180
Total		**25,580,251**	**27,373,631**

26.1 Interest earned from exchange receivables

Consumer receivables		
Electricity	2,272,208	2,427,684
Water	10,329,196	8,549,530
Waste water management	3,840,443	3,642,948
Waste management	5,589,277	6,937,631
Service charges	335,344	296,658
	22,366,468	**21,854,451**

26.2 Interest earned from non-exchange receivables

Consumer receivables		
Property rates	3,213,783	5,519,180

Notes to the Annual Financial Statements

Figures in Rand		2025	2024

27. Fines, penalties and forfeits

Fines	27.1	90,763,948	40,083,846
Forfeits		5,251,659	1,497,700
Total		**96,015,607**	**41,581,546**

27.1 Fines

Traffic fines		
Service provider fines	83,062,086	32,008,054
Municipal fines	6,769,655	7,582,175
	89,831,741	**39,590,229**
Other fines		
Building fines	902,533	455,349
Overdue books	2,174	1,918
Pound fees	27,500	36,350
	932,207	**493,617**
Total	**90,763,948**	**40,083,846**

28. Licences or permits

Exchange revenue	28.1	2,137,152	2,368,147
Non-exchange revenue	28.2	6,848,637	7,421,091
Total		**8,985,789**	**9,789,238**

28.1 Licenses and permits - Exchange revenue

Road and transport	1,965,715	2,229,189
Trading	171,437	138,958
Total	**2,137,152**	**2,368,147**

28.2 Licenses and permits - Non-exchange revenue

Boat	6,300,561	6,804,732
Health certificates	9,780	12,306
Road and transport	538,296	604,053
Total	**6,848,637**	**7,421,091**

29. Transfers and subsidies - Revenue

Operational			
Monetary allocations	29.1	205,382,362	198,629,694
Capital			
Allocations in-kind	29.2	15,000,000	18,000,000
Monetary allocations	29.3	109,313,072	85,139,503
Total transfers and subsidies: Capital		**124,313,072**	**103,139,503**
Total		**329,695,434**	**301,769,197**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

29. Transfers and subsidies - Revenue (continued)

29.1 Monetary allocations: Operational

District municipalities	3,330,000	3,171,100
Foreign government and international organisations	-	10,053
National governments	5,040,301	9,634,400
National revenue fund	192,656,000	180,505,998
Provincial government	4,356,061	5,308,143
Total	**205,382,362**	**198,629,694**

29.2 Allocations in-kind: Capital

Provincial government	15,000,000	18,000,000

29.3 Monetary allocations: Capital

District municipalities	1,498,000	1,775,560
National government	69,837,975	65,573,623
Provincial governments	37,977,097	17,790,320
Total	**109,313,072**	**85,139,503**

National Revenue - Equitable share

Current year receipts	192,656,000	180,505,980
Conditions met - transferred to revenue	(192,656,000)	(180,505,980)
	-	**-**

In terms of the Constitution, the grant is used to subsidies the provision of basic services to indigent community members. This grant is unconditional.

The reconciliation for all conditional transfers and subsidies is outlined in **Note 16 for Transfers and Subsidies - Unspent**

30. Operational revenue

Exchange revenue

Collection Charges	99,417	-
Commission	282,694	304,208
Discounts and Early Settlements	267	1,833
Insurance Refund	123,703	-
Sale of Property	4,057,291	5,327,565
Skills Development Levy Refund	1,068,002	454,415
Staff and Councillors Recoveries	243,747	168,776
Development Charges	2,186,307	5,759,077
Total	**8,061,428**	**12,015,874**

31. Increase/(Decrease) in net-realisable value

Inventory	(470,288)	-
Water	-	691,432
Total	**(470,288)**	**691,432**

32. Employee related cost

Salaries and allowances

Basic salary	264,414,182	235,811,283

Notes to the Annual Financial Statements

Figures in Rand	2025	2024
32. Employee related cost (continued)		
Allowances		
Cellular and Telephone	127,440	40,377
Housing Benefits	677,231	711,207
Travel or Motor Vehicle	11,070,172	11,678,212
Service related benefits		
Overtime	27,695,094	20,793,744
Long Service Award	8,522,256	1,293,606
Leave Pay	4,252,642	6,159,151
Scarcity	70,869	-
Acting and Post Related Allowances	3,835,045	6,146,871
Bonuses	19,596,177	25,987,403
Standby Allowance	9,886,788	9,533,020
	350,147,896	**318,154,874**
Social contributions		
Group life insurance	11,225,143	11,335,132
Medical	16,733,661	19,146,713
Pension	34,694,624	33,261,241
Unemployment Insurance	1,857,975	1,824,065
Bargaining Council	99,389	187,294
	64,610,792	**65,754,445**
Post-retirement benefit		
Medical	16,248,000	11,799,522
Pension	4,545	4,590
Leave Gratuity	(16,106,196)	8,526,907
Long Term Service Awards	3,825,820	928,000
	3,972,169	**21,259,019**
Total	**418,730,857**	**405,168,338**

32.1 Senior management costs

Remuneration of Section 57 employees

Municipal manager: C Du Plessis

	2025	2024
Salaries and allowances		
Basic salary	1,819,248	1,758,714
Bonuses	228,599	231,402
Allowance		
Travel or Motor Vehicle	96,000	96,000
	2,143,847	**2,086,116**
Social contributions		
Unemployment Insurance	2,125	2,125
Bargaining Council	143	137
	2,268	**2,262**
Total	**2,146,115**	**2,088,378**

Chief Financial Officer: R. Lorgat

Figures in Rand	2025	2024

32. Employee related cost (continued)

Salaries and allowances		
Basic Salary	1,492,796	1,441,924
Bonuses	222,943	289,629
Allowance		
Cellular and Telephone	12,000	17,427
Travel or Motor Vehicle	120,000	120,000
	1,847,739	**1,868,980**
Social contributions		
Unemployment Insurance	2,126	2,125
Bargaining Council	143	137
	2,269	**2,262**
Total	**1,850,008**	**1,871,242**

Deputy Municipal Manager - D. De Jager

Salaries and allowances		
Basic Salary	1,432,796	1,381,924
Bonuses	222,943	405,268
Allowance		
Cellular and Telephone	12,000	-
Travel or Motor Vehicle	180,000	180,000
Acting and Post Related Allowances	9,530	-
	1,857,269	**1,967,192**
Social contributions		
Unemployment Insurance	2,125	2,125
Bargaining Council	143	137
	2,268	**2,262**
Total	**1,859,537**	**1,969,454**

Director: Civil and Water - C. De Kock

Salaries and allowances		
Basic Salary	1,492,796	1,441,924
Bonuses	-	67,155
Allowance		
Travel or Motor Vehicle	120,000	120,000
	1,612,796	**1,629,079**
Social contributions		
Unemployment Insurance	2,125	2,125
Bargaining Council	143	137
	2,268	**2,262**
Total	**1,615,064**	**1,631,341**

Director: Electro-Mechanical - T. Madatt

Salaries and allowances		
Basic Salary	1,430,670	539,107
Bonuses	186,569	-
Allowance		
Travel or Motor Vehicle	180,000	75,000
	1,797,239	**614,107**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024
32. Employee related cost (continued)		
Social contributions		
Unemployment Insurance	2,125	708
Bargaining Council	143	46
	2,268	**754**
Total	**1,799,507**	**614,861**

Director: Planning and Development - L Ramakuwela

Salaries and allowances		
Basic Salary	1,346,955	1,381,924
Bonuses	349,805	-
Allowance		
Cellular and Telephone	-	12,000
Travel or Motor Vehicle	132,000	180,000
	1,828,760	**1,573,924**
Social contributions		
Unemployment Insurance	2,125	2,125
Bargaining Council	143	-
	2,268	**2,125**
Total	**1,831,028**	**1,576,049**

Director: Community Services - N Machelesi

Salaries and allowances		
Basic Salary	1,430,678	1,381,923
Bonuses	222,943	324,836
Allowance		
Travel or Motor Vehicle	180,000	180,000
	1,833,621	**1,886,759**
Social contributions		
Unemployment Insurance	2,125	2,125
Bargaining Council	143	137
	2,268	**2,262**
Total	**1,835,889**	**1,889,021**

Director: AME - K Moodley - (Contract expired 30 September 2022)

Salaries and allowances		
Basic Salary	-	15,951

Acting Director - Corporate Services - M Rossouw

Salaries and allowances		
Allowance		
Acting and Post Related Allowances	-	174,086

Acting Director: PDT - L Opperman - Period: 1 April 2023 to September 2023

Salaries and allowances		
Service related benefits		
Acting and Post Related Allowances	-	28,745

Acting Director: Planning and Development - L Ramakuwela - Period 1 October 2024

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

32. Employee related cost (continued)

Salaries and allowances		
Service related benefits		
Acting and Post Related Allowances	-	86,294

33. Remuneration of councillors

Allowances and service related benefits		
Basic salary	10,606,833	9,997,437
Cell phone allowance	1,409,072	1,489,299
Motor vehicle allowance	3,426,666	3,363,295
	15,442,571	**14,850,031**

33.1 Executive Mayor

Allowances and service related benefits		
Basic salary	778,191	710,466
Cell phone allowance	47,004	51,697
Motor vehicle allowance	259,397	236,823
	1,084,592	**998,986**

33.2 Chief whip

Allowances and service related benefits		
Basic salary	-	557,002
Cell phone allowance	-	49,608
Motor vehicle allowance	-	185,670
	-	**792,280**

33.3 Speaker

Allowances and service related benefits		
Basic salary	606,051	594,380
Cell phone allowance	47,004	49,608
Motor vehicle allowance	202,185	198,126
	855,240	**842,114**

33.4 Deputy executive mayor

Allowances and service related benefits		
Basic salary	622,563	523,857
Cell phone allowance	47,004	49,608
Motor vehicle allowance	207,513	174,618
	877,080	**748,083**

33.5 Executive committee

Allowances and service related benefits		
Basic salary	2,919,475	2,230,760
Cell phone allowance	235,020	190,164
Motor vehicle allowance	972,728	743,593
	4,127,223	**3,164,517**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

33. Remuneration of councillors (continued)

33.6 All other councillors

Allowances and service related benefits		
Basic salary	5,680,553	5,380,972
Cell phone allowance	1,033,040	1,098,614
Motor vehicle allowance	1,784,843	1,824,465
	8,498,436	**8,304,051**

In kind benefits

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

The Executive Mayor and Deputy Mayor and other full-time Mayoral Committee members have access to Council owned vehicles for ceremonial and official functions.

34. Bulk purchases

Electricity: Eskom	427,467,442	351,702,171
Total	**427,467,442**	**351,702,171**

34.1 Electricity losses

	2025		2024	
	KHW	**Amount**	**KHW**	**Amount**
Units purchased	200,222,153	420,466,521	185,371,161	302,154,992
Units sold	(171,765,848)	(360,708,281)	(158,122,856)	(257,740,255)
Total loss	**28,456,305**	**59,758,240**	**27,248,305**	**44,414,737**
Comprising of:				
Technical losses	16,017,772	33,637,321	14,829,693	24,172,400
Non-technical losses	12,438,533	26,120,919	12,418,612	20,242,337
Total	**28,456,305**	**59,758,240**	**27,248,305**	**44,414,737**
Percentage loss:				
Technical losses	6.00 %	6.00 %	8.00 %	8.00 %
Non-technical losses	8.21 %	8.21 %	6.70 %	6.70 %
Total	**14.21 %**	**14.21 %**	**14.70 %**	**14.70 %**

Reasons for the losses

Losses occured because of the following reasons:

- Electricity Losses occur due to inter alia, technical and non-technical losses
  (Technical losses - inherent resistance of conductors, transformers and other electrical equipment; Non-technical losses - the tampering of meters, the incorrect ratios used on bulk meters, faulty meters and illegal electricity connections).
  The problem with tampered meters and illegal connections is an ongoing process, with regular action being taken against defaulters.

Notes to the Annual Financial Statements

Figures in Rand		2025	2024

34. Bulk purchases (continued)

Action taken

The municipality has taken the following actions to mitigate against the reoccurrence of such losses:
- Faulty meters are replaced as soon as they are reported.t

35. Inventory consumed

		2025	2024
Consumables		21,694,102	27,631,708
Materials and supplies		31,546,950	30,469,847
Water		40,774,903	38,845,324
Total		**94,015,955**	**96,946,879**

Materials and supplies (Chemicals) were capitalised as purification costs incurred per the GRAP 12 requirements, hence there's a difference between inventory issued and inventy consumed will not reconcile.

36. Debt impairment /(Reversal of Impairment)

		2025	2024
Trade and other receivables from exchange transactions	4	(116,985,363)	60,470,984
Property Rates	5	(8,966,540)	22,188,930
Service charges	5	(6,024,766)	4,708,960
Traffic Fines		63,506,992	-
Total		**(68,469,677)**	**87,368,874**

Kouga Local Municipality uses the allowance account (provision for impairment) against which actual debts written off are recorded.

37. Depreciation and amortisation

		2025	2024
Amortisation			
Intangible assets	10.1	206,547	201,030
Depreciation			
Property, plant and equipment		113,456,858	99,589,235
Total		**113,663,405**	**99,790,265**

There reconciling difference of between the depreciation amount on note 9 and note 37 is due to the capitilisation of depreciation cost to water inventory for the purification of water cost.

38. Impairment loss / (reversal) of impairment

		2025	2024
Impairment loss / Reversal of impairment			
Investment property	8.1	1,126,999	-
Property, plant and equipment		507,994	1,678,698
Total		**1,634,993**	**1,678,698**

39. Finance costs

39.1 Interest cost

		2025	2024
• Borrowings		2,774,877	-
Finance leases	12.1	6,570,081	5,658,872
Interest costs non-current provisions	17	4,479,859	4,374,823
Overdue accounts	15.5	-	3,994
Total		**13,824,817**	**10,037,689**

Notes to the Annual Financial Statements

Figures in Rand		2025	2024

40. Contracted services

Consultants and professional services	40.1	26,458,940	26,109,828
Contractors	40.2	33,296,646	29,606,119
Outsourced services	40.3	33,220,464	38,160,523
Total		**92,976,050**	**93,876,470**

40.1 Consultants and professional services

Business advisory services		
Accounting and auditing	3,109,034	2,261,820
Actuaries	18,000	16,900
Air pollution	213,586	125,550
Audit committee	94,842	-
Project management	15,731,965	12,615,712
Research and advisory	1,215,695	141,955
Total business advisory services	**20,383,122**	**15,161,937**
Laboratory services		
Water	1,840,337	1,910,941
Legal services		
Collection	1,069,339	952,112
Legal advice and litigation	2,339,644	4,441,778
Total legal services	**3,408,983**	**5,393,890**
Engineering services		
Civil engineering	-	231,000
Electrical engineering	394,029	2,497,348
Total engineering services	**394,029**	**2,728,348**
Infrastructure and planning services		
Ecological	300,569	914,712
Town planner	131,900	-
Total infrastructure and planning services	**432,469**	**914,712**
Total consultants and professional services	**26,458,940**	**26,109,828**

40.2 Contractors

General services		
Artists and performers	-	1,990
Catering services	63,547	105,328
Employee wellness	155,600	18,269
Event promoters	49,053	84,511
Pest control and fumigation	19,700	28,235
Total general services	**287,900**	**238,333**
Maintenance services		
Maintenance of buildings and facilities	6,624,756	5,411,477
Maintenance of equipment	416,569	478,466
Maintenance of unspecified assets	25,967,421	23,477,843
Total maintenance service	**33,008,746**	**29,367,786**

Notes to the Annual Financial Statements

Figures in Rand		2025	2024

40. Contracted services (continued)

Total contractor		**33,296,646**	**29,606,119**

40.3 Outsourced services

Business and advisory services			
Commissions and Committees		29,362	-
Project Management		6,753,243	6,119,233
Qualification Verification		360,628	274,311
Research and Advisory		354,473	114,967
Valuer		578,702	970,405
Total business and advisory services		**8,076,408**	**7,478,916**
General services			
Alien Vegetation Control		391,165	368,110
Animal Care		479,650	478,500
Burial Services		48,300	60,595
Catering Services		362,862	575,905
Cleaning Services		1,165,228	654,830
Clearing and Grass Cutting Services		1,371,324	1,276,711
Drivers Licence Cards		450,142	522,901
Illegal Dumping		762,698	310,300
Internal Auditors		29,000	27,800
Litter Picking and Street Cleaning		-	58,801
Medical Services [Medical Health Services & Suppor		999,825	1,093,916
Personnel and Labour		1,733,157	13,360,210
Printing Services		292	-
Professional Staff		895,170	75,050
Traffic Fines Management		4,388,728	3,806,825
Transport Services		64,993	96,684
Total general services		**13,142,534**	**22,767,138**
Trading services			
Connection/Dis-connection: Electricity		134,540	97,581
Connection/Dis-connection: Restricted water flow		-	1,480
Security Services		11,866,982	7,815,408
Total trading services		**12,001,522**	**7,914,469**
Total outsourced services		**33,220,464**	**38,160,523**

41. Transfers and subsidies

Operational			
Allocations in-kind	41.1	-	320,000
Monetary allocations	41.2	347,420	600,000
Total transfers and subsidies: Operational		**347,420**	**920,000**
Capital			
Allocations in-kind		99,471	-
Total		**446,891**	**920,000**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

41. Transfers and subsidies (continued)

41.1 Allocations in-kind: Operational

Households	-	320,000

41.2 Monetary allocations: Operational

Households	347,420	600,000

42. Irrecoverable debts written off

Electricity	1,842,965	597,054
Sundry debtors	159,974	1,007,575
Waste management	49,814,846	1,724,909
Waste water management	29,394,124	7,288,007
Water	90,768,123	34,580,946
Property rates	1,945,308	17,661,369
Total	**173,925,340**	**62,859,860**

Split between exchange and non-exchange

Exchange	171,980,032	45,198,491
Non-exchange	1,945,308	17,661,369
Total	**173,925,340**	**62,859,860**

43. Operating leases

Computer Equipment	-	390,135
Furniture and Office Equipment	2,548,365	3,165,524
Other Assets	4,834,279	3,973,955
Total	**7,382,644**	**7,529,614**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

44. Operational cost

Achievements and Awards	2,559,608	1,517,388
Advertising, Publicity and Marketing	3,720,201	2,525,819
Bank Charges, Facility and Card Fees	2,005,758	1,182,230
Bargaining Council	4,299,144	3,974,035
Commission	2,968,708	4,373,887
Communication	5,111,879	4,042,563
Courier and Delivery Services	234	5,826
External Audit Fees	4,462,255	4,525,739
External Computer Service	19,701,619	12,068,983
Hire Charges	7,768,447	10,843,719
Insurance Underwriting	4,215,701	4,814,181
Licences	1,143,136	1,025,726
Management Fee	7,936,525	7,057,282
Municipal Services	47,190	37,589
Printing, Publications and Books	-	11,313
Professional Bodies, Membership and Subscription	158,555	10,872
Registration Fees	1,619,811	1,828,116
Remuneration to Ward Committees	1,999,200	2,058,000
Resettlement Cost	44,900	37,790
Search Fees	32,684	144,824
Signage	534,088	377,255
Skills Development Fund Levy	4,093,783	3,710,686
Storage of Files (Archiving)	79,495	83,555
Supplier Development Programme	68,880	-
Travel Agency and Visa's	5,266	-
Travel and Subsistence	3,718,197	2,006,859
Uniform and Protective Clothing	4,249,418	3,647,070
Vehicle Tracking	1,023,876	865,981
Workmen's Compensation Fund	2,610,606	2,047,255
Total	**86,179,164**	**74,824,543**

45. Contribution to provision

Land fill site	106,612	94,700
Environmental clean-up	200,000	(147,460)
Total	**306,612**	**(52,760)**

46. Inventory Water Losses

Inventory Water Losses		
Water losses	21,279,366	10,915,129

47. Loss on disposal of fixed and intangible assets

Property, plant and equipment	14,360,902	1,768,784

48. (Gains)/Loss on Remeasurements on Employee benefits

(Gains)/Loss on Remeasurements on Employee benefits	5,005,040	(6,627,000)

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

49. Net cash from/(used) operating activities

	2025	2024
Surplus (deficit) for the year	27,757,389	(7,292,160)
Adjustments for:		
Depreciation and Amortisation	113,663,405	99,790,265
(Gains) / Losses on Disposal of Assets	14,360,902	1,768,784
Donations received in kind	(15,000,000)	(18,000,000)
Actual gains / (losses)	5,005,040	(6,627,000)
Finance cost disclosed as financing	8,685,832	1,847,635
Impairment on cash and non-cash generating assets	1,634,993	1,678,698
Debt impairment	(59,524,199)	87,368,874
Bad debts written off	173,925,340	62,859,860
Acturial Interest on pension	4,235	4,590
Contribution to performance bonus	1,656,749	(260,139)
Contribution to annual bonus payable	10,909,189	9,162,987
Interest on landfill site provision	4,479,859	4,374,823
Actuarial interest on long service awards and post retirement medical aid	(1,745,000)	(1,770,000)
Contribution to employee benefit obligations included in employee cost	12,169,000	11,720,000
Contribution to staff leave	5,960,000	8,674,000
Inventory losses	470,288	(691,432)
Water losses	21,279,366	10,915,129
Straight lining in operating leases	(11,096)	3,715
Contribution to staff leave	(11,853,554)	31,822,646
Contribution to enviromental	200,000	-
Forfeited deposits recognised in revenue	(5,251,659)	-
Movement in working capital		
(Increase) / Decrease in Inventory	(25,431,041)	(12,769,729)
(Increase) / Decrease in Receivables from exchange transactions	(73,904,656)	(91,713,580)
(Increase) / Decrease in Receivables from non-exchange transactions	(121,447,611)	(41,657,158)
Increase / (Decrease) in Payables from exchange transactions	62,752,495	13,208,501
Increase / (Decrease) in Provisions	1	(147,462)
Increase / (Decrease) in Unspent Conditional Grants and Receipts	(7,769,931)	12,095,830
Increase / (Decrease) in Consumer Deposits	3,067,066	2,211,887
Increase / (Decrease) in Defined Benefit Obligation	(8,596,484)	(28,867,607)
Net cash flows from operating activities	**137,445,918**	**149,711,957**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

50. Contingent liabilities

Peter John France & Gerald Jack Friedman Trustees of The Rental Company Trust Claim against the municipality for damages resulting from alleged contract breach - failure to sufficiently maintain heavy equipment leased	4,000,000	4,000,000
Nelson Mandela Bay Municipality Claim against the municipality in respect of water consumption .	41,000,000	41,000,000
Tshepega Civil Engineering (Pty) Ltd Claim against the municipality for monies owed for professional services rendered	1,950,346	1,950,346
H Goeda Claim against the municipality for alleged damages, unlawful, wrongful assault, arrest & detention	-	250,000
FV Van Rooyen Claim against the municipality for Defamation claim - alleged damages suffered by Plaintiff.	7,100,000	-
Lupha Enterprises Claim against the municipality for payment of payment certificates issued.	2,545,216	-
Van Der Westhuizen Claim for damages instituted in respect of development known as Ocean Gardens	18,346,903	-
Crypto (Pty) Claims against the municipality on review of administrative decisions regarding SPLUM by law compliance	350,000	-
	75,292,465	**47,200,346**

51. Contingent assets

Insurance claim for lost damaged asset The municipality has claims outstanding against its Insurers for lost and/or damaged assets. The management believe that it is probable that the claims will be successful and that compensation of R325 134 will be recovered.	1,499,992	1,663,594

Figures in Rand	2025	2024

52. Related party disclosures

52.1 Nature of related party relationships

Related party	**Nature of relationship**
Close family member of key management	Various close family members of Key Management

52.2 Related party transactions

All Related Party Transactions are concluded at arm's length, unless stated otherwise.

Key Management personnel and Councillors remuneration.

Remuneration of Key Management Personnel and Councillors is set in Note 32 & 33 of the Annual Financial Statements.

During the financial year ended 30 June 2025, the municipality entered into transactions with related parties. These transactions were conducted in the ordinary course of business and on terms and conditions no more or less favourable than those available to unrelated third parties

The municipality has assessed these transactions and confirms that they were conducted at arm's length, in accordance with the principles outlined in GRAP 20 – Related Party Disclosures.

Expenditure			
Bay Con projects (Pty) Ltd	Brother in law of director	1,331,545	885,493
2326 random Solutions	Uncle of Directors and Husband of Director	81,000	130,000
Mesrazest	Brother in law of Director	906,510	1,642,946
Mgqandu & Coco Trading	Husband of Director	-	18,000
Prosperito Projects (Pty) Ltd	Daughter of Director	263,120	-
Premier Attraction 528 CC t/a ZJS Distributors	Cousin of Director	632,460	993,640
Sys Smart (Pty) Ltd	Son in law of Director	29,450	24,700
Zemog Projects	Cousin of Director	-	133,910
Liefies Bakes	Spouse of Director	118,095	181,023
Magnus Ventus General Dealer	Spouse of Directors	-	800
Libistax (Pty) Ltd	Brother in law of Director	1,403,819	1,188,865
Izwe lethu general Trading	Spouse of Director	-	26,300
		4,765,999	**5,225,677**

53. Events after the reporting date

There were no subsequent event at reporting date 30 June 2025.

54. Unauthorised, irregular, fruitless and wasteful expenditure

54.1 Unauthorised expenditure

Opening balance as previously reported	-	92,827,502
Add: Unauthorised expenditure – current	34,760,307	-
Less: Amounts written-off – prior period	-	(92,827,502)
Closing balance	**34,760,307**	**-**

The Unauthorised Expenditure incured during 2024/25 FY was as a result of non-cash items in terms of impairment of debtors not anticipated as well as accounting for water losses. This is a result of implementation of a new GRAP standard and will be tabled to Council. The total Budget has not been exceeded although the budget of 2 municipal votes were exceeded.

Figures in Rand	2025	2024

54. Unauthorised, irregular, fruitless and wasteful expenditure (continued)

54.2 Irregular expenditure

Opening balance as previously reported	-	382,748
Less: Amounts written-off – prior period	-	(382,748)
Closing balance	**-**	**-**

No Irregular Expenditure incurred in the current financial year

54.3 Fruitless and wasteful expenditure

Opening balance as previously reported	-	111,999
Less: Amounts written-off – prior period	-	(111,999)
Closing balance	**-**	**-**

No Fruitless and wasteful Expenditure was incurred in the current financial year

Interest and penalties on late payments of trade creditors incurred in the prior financial year was written of by council

55. Councillor's municipal accounts in arrears

	Amount outstanding for more than 90 days	
List the name of the councillor which at any time during the relevant financial year was in arears for more than 90 days		
Councillor Murray	24,563	-
Councillor Valgee	24,128	11,724
Councillor Bornman	-	20,752
Councillor Mbuqu	-	26,112
Councillor Zana	4,873	3,032
Councillor August	54,615	38,321
Councillor Yali	-	645
Councillor Petersen	93,659	72,406
Councillor Dhludhlu	12,741	-
Councillor Oliphant	37,314	-
Councillor Mbuqu	52,398	-
	304,291	**172,992**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

56. Deviations from SCM regulations - SCM Regulation 36

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

	2025	2024
s36(1)(a)(i) An emergency: Expenditure incurred in accordance with section 36 of the SCM Regulations in respect of an emergency.	24,944,411	18,434,283
s36(1)(a)(ii) Goods and services procured or available from a single provider only: Expenditure incurred in accordance with section 36 of the SCM Regulations in respect of goods and services or available from a single provider only.	284,805	731,873
s36(1)(a)(v) Exceptional case where it is impracticable or impossible to follow the official procurement process: Expenditure incurred in accordance to section 36 of the Regulations in respect of exceptional case where it is impractical or impossible to follow the official procurement processes.	20,293,677	22,015,704
Total amount approved by the accounting officer and noted by council	**45,522,893**	**41,181,860**

All deviations considered by the Municipal Manager are processed in terms of the Supply Chain Management Regulations and the municipality's Supply Chain Management Policy. This process entails an assesment in terms of the stipulated criteria for emergency procurements and circumstances where it is impractical or not possible to follow the official procedure.

57. Additional Disclosure in terms of Municipal Financial Management Act

	SALGA contributions	Audit fees	PAYE, Skills Development Levy and UIF	Pension and Medical
As at 30 June 2025				
Subscription/fees	4,833,408	5,131,593	71,641,500	88,081,261
Amount paid – current year	(4,833,408)	(5,131,593)	(65,568,027)	(88,081,261)
Total amount approved by the accounting officer and noted by council	**-**	**-**	**6,073,473**	**-**

	SALGA contributions	Audit fees	PAYE, Skills Development Levy and UIF	Pension and Medical Aid
As at 30 June 2024				
Opening balance	-	13,427	-	-
Subscription/fees	4,299,144	5,204,600	61,837,783	80,063,981
Amount paid – current year	(4,299,144)	(5,218,027)	(61,837,783)	(80,063,981)
Total amount approved by the accounting officer and noted by council	**-**	**-**	**-**	**-**

58. Capital commitments

Commitments in respect of capital expenditure:

	2025	2024
Approved and contracted for:		
Infrastructure	103,061,845	112,151,163
Movable Assets	-	18,284,538
	103,061,845	**130,435,701**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

58. Capital commitments (continued)

All capital commitments are VAT inclusive.

59. Going concern

Management also considered the following matters in relation to the Going Concern position of Kouga Local Municipality:

(i) On 30 May 2025 the Council adopted the 2024/2025 to 2026/27 Budget. This three-year Medium Term Revenue and Expenditure Framework (MTREF) to support the ongoing delivery of municipal services to residents reflected that the Budget was cash-backed over the three-year period.

(ii) The municipality's Budget is subjected to a very rigorous independent assessment process to assess its cash-backing status before it is ultimately approved by Council.

iii) Strict daily cash management processes are embedded in the municipality's operations to manage and monitor all actual cash inflows and cash outflows in terms of the cash-flow forecast supporting the Budget. The cash management processes is complemented by monthly reporting, highlighting the actual cash position, including the associated risks and remedial actions to be instituted.

(iv) As the municipality has the power to levy fees, tariffs and charges, this will result in an on-going inflow of revenue to support the on-going delivery of municipal services. Certain key financial ratios, such as liquidity, cost coverage, debtors' collection rates and creditors' payment terms are closely monitored and the necessary corrective actions instituted.

Taking the aforementioned into account, management has prepared the Annual Financial Statements on the Going Concern Basis.

60. Prior year adjustments

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

Statement of Financial Performance

	As previously reported	Prior period error that occurred prior to 01 July 2023	Prior period errors restating the 2023/24 movements	Re-classification	Restated
Revenue					
Exchange revenue					
Services charges – Electricity	380,375,534	-	(11,357,153)	-	**369,018,381**
Services charges – Waste management	57,487,680	-	-	-	**57,487,680**
Services charges – Waste water management	59,633,132	-	(3,613,032)	-	**56,020,100**
Services charges – Water management	109,872,623	-	(7,078,081)	-	**102,794,542**
Sale of goods and rendering of services	7,442,497	-	(1,501,149)	-	**5,941,348**
Agency services	3,615,485	-	-	-	**3,615,485**
Interest earned from receivables	21,854,451	-	-	-	**21,854,451**
Interests earned from bank and investments	12,962,398	-	-	-	**12,962,398**
Licences or permits	2,368,147	-	-	-	**2,368,147**
Rental from fixed assets	3,549,568	-	-	-	**3,549,568**
Operational revenue	11,653,624	-	362,250	-	**12,015,874**
	670,815,139	**-**	**(23,187,165)**	**-**	**647,627,974**
Non-exchange revenue					
Availability charges – Electricity	-	-	10,761,239	-	**10,761,239**
Availability charges – Waste management	-	-	7,078,081	-	**7,078,081**
Availability charges – Waste water management	-	-	3,613,032	-	**3,613,032**
Property rates by usage	280,202,653	-	-	-	**280,202,653**
Fines, penalties and forfeits	40,083,846	-	1,497,700	-	**41,581,546**
Licences or permits	7,421,091	-	-	-	**7,421,091**

Notes to the Annual Financial Statements

60. Prior year adjustments (continued)

Transfers and subsidies – Operational	198,629,694	-	-	-	**198,629,694**
Transfers and subsidies – Capital	103,139,503	-	-	-	**103,139,503**
Interest earned from receivables	5,519,180	-	-	-	**5,519,180**
Increase/(Decrease) in net-realisable value	691,432	-	-	-	**691,432**
	635,687,399	**-**	**22,950,052**	**-**	**658,637,451**
Total revenue	**1,306,502,538**	**-**	**(237,113)**	**-**	**1,306,265,425**
Expenditure					
Employee related cost	398,877,525	-	6,290,813	-	**405,168,338**
Remuneration of councillors	14,975,750	-	(125,719)	-	**14,850,031**
Bulk purchases	351,702,171	-	-	-	**351,702,171**
Inventory consumed	102,598,768	-	(5,651,889)	-	**96,946,879**
Debt impairment /(Reversal of Impairment)	87,368,874	-	-	-	**87,368,874**
Depreciation and amortisation	100,860,229	-	(1,069,964)	-	**99,790,265**
Impairment loss / (reversal) of impairment	1,678,698	-	-	-	**1,678,698**
Finance costs	10,037,689	-	-	-	**10,037,689**
Contracted services	93,766,055	-	110,415	-	**93,876,470**
Transfers and subsidies	920,000	-	-	-	**920,000**
Irrecoverable debts written off	62,859,860	-	-	-	**62,859,860**
Operating leases	7,529,614	-	-	-	**7,529,614**
Operational cost	74,446,017	420,710	(42,184)	-	**74,824,543**
Inventory Water Losses	-	-	10,915,129	-	**10,915,129**
Contribution to provision	(52,760)	-	-	-	**(52,760)**
Loss on disposal of fixed and intangible assets	1,768,784	-	-	-	**1,768,784**
(Gains)/Loss on Remeasurements on Employee benefits	-	-	-	(6,627,000)	**(6,627,000)**
Total expenditure	**1,309,337,274**	**420,710**	**10,426,601**	**(6,627,000)**	**1,313,557,585**
(deficit) Surplus for the year	**(2,834,736)**	**(420,710)**	**(10,663,714)**	**6,627,000**	**(7,292,160)**

60.1 Service Charges - Electricity

The reduction of the Exchange Revenue was the alignment / re allocation of Availability Charges for Water , Electricity and Waste Water to Non Exchange Revenue note 23.Additional R1.3 mil on Electricity note 18 was correction of a journal on reversal electricity accrual for 2021-22 financial year .

60.2 Service Charges - Waste Water

The reduction of the Exchange Revenue was the alignment / re allocation of Availability Charges for Water , Electricity and Waste Water to Non Exchange Revenue note 23.

60.3 Sale of goods and rendering of services

Correction of a misallocation of in sales of goods and renderidering of goods.

60.4 Fines, Penalties and forfeits

Correction of fines misallocation disclosed in the prior year.

60.5 Operational revenue

Re-allocation of proceeds on sales of properties to Exchange revenue

60.6 Remuneration of councillors

Journal was proccessed to correct the medical aid for continued members not part of councillors

60.7 Contracted Services

Figures in Rand	2025	2024

60. Prior year adjustments (continued)

Nelson mandela bulk water purchases journal processed to correct opening balance

60.8 Employee related cost

This relates to capitilisation of purification cost for water inventory

60.9 Inventory consumed

This relates to water losses restatements for water ,losses

60.10 Depreciation and amortisation

This relates to capitilisation of purification cost for water inventory.

Statement of Financial Position

	Note	Previously reported	Prior period error that occurred prior to 01 July 2023	Prior period errors restating the 2023/24 movements	Re-classification	Restated
Assets						
Current assets						
Cash and cash equivalents	3	143,658,806	-	-	-	**143,658,806**
Trade and other receivables from exchange transactions	4	73,436,804	298,044	(1,242,358)	-	**72,492,490**
Receivables from non-exchange transactions	5	26,651,119	-	(16,839,451)	18,599,527	**28,411,195**
Inventory	6	22,449,513	-	(1,305,451)	-	**21,144,062**
Deposits		893,543	(893,543)	-	-	**-**
Operating leases	7	105,634	-	-	-	**105,634**
		267,195,419	**(595,499)**	**(19,387,260)**	**18,599,527**	**265,812,187**
Non-current assets						
Investment property	8	250,793,547	-	-	-	**250,793,547**
Property, plant and equipment	9	2,061,615,773	221,465	-	-	**2,061,837,238**
Intangible assets	10	418,609	-	-	-	**418,609**
		2,312,827,929	**221,465**	**-**	**-**	**2,313,049,394**
Total assets		**2,580,023,348**	**(374,034)**	**(19,387,260)**	**18,599,527**	**2,578,861,581**
Liabilities						
Current liabilities						
Lease liabilities	12	11,144,269	-	-	-	**11,144,269**
Employee benefits	13	53,426,901	-	3,258	-	**53,430,159**
Consumer deposits	14	31,660,112	-	(391,634)	3,480	**31,271,958**
Trade and other payables from exchange transactions	15	158,677,344	-	10,328,113	(3,480)	**169,001,977**
Trade and other payables from non-exchange transactions	16	38,790,886	-	-	-	**38,790,886**
Provisions	17	1,000,001	-	-	-	**1,000,001**
		294,699,513	**-**	**9,939,737**	**-**	**304,639,250**
Non-current liabilities						
Lease liabilities	12	12,231,114	-	-	-	**12,231,114**
Employee benefits	13	111,627,299	-	-	-	**111,627,299**
Provisions	17	119,432,937	-	-	-	**119,432,937**

60. Prior year adjustments (continued)

		243,291,350	**-**	**-**	**-**	**243,291,350**
Total liabilities		**537,990,863**	**-**	**9,939,737**	**-**	**547,930,600**
Community Wealth / Equity						
Reserves and funds	18	5,759,077	-	-	-	**5,759,077**
Accumulated surplus		2,036,273,402	(401,866)	(10,699,623)	-	**2,025,171,913**
Total Community Wealth / Equity		**2,042,032,479**	**(401,866)**	**(10,699,623)**	**-**	**2,030,930,990**

60.11 Trade and other recievables from exchange transactions

Prior period error on prepayments. The incorrect amount and incorrect ukey was used.

60.12 Inventory

These relate to water losses restatements which was done in the prior financial year

60.13 Property plant and equipment

Property plant and equipment realignment of item catergories within property plant and equipment.

Recognition of land and disposal of land in the prior year.Unverified assets that were disposed in the prior period recognised in the prior financial year

60.14 Deposits

Property plant and equipment realignment of item catergories within property plant and equipment

60.15 Employee benefits

These relate to correction of realignment on the employee benefits note

60.16 Consumer deposits

Correction on Water Deposit amount posted in 2021-22 incorrectly

60.17 Trade and other payables from exchange transactions

Re-allocation of item accounts to Trade Debtors R 5.7million , and R1.3 million allocated to prepaid electricity relating to 2021-22 accrual.

60.18 Accumulated Surplus

These relate to restatements identified for property plannt and equipments, payables from exchange transactions.

61. Financial instruments

61.1 Fair value of financial instruments

The management of the municipality is of the opinion that the carrying value of Financial Assets and Financial Liabilities recorded at amortised cost in the annual financial statements approximate their fair values, except for the listed Government stock. In accordance with GRAP 104 the Fair Values of Financial Assets and Financial Liabilities, together with the carrying amounts shown in the Statement of financial position, are as follow:

Figures in Rand		2025	2024

61. Financial instruments (continued)

		2025	2024
		Carrying amount	Carrying amount
Financial assets			
Amortised cost			
Trade and other receivables from exchange transactions	4	82,115,806	69,894,806
Receivables from non-exchange transactions	5	11,156,858	3,378,394
Cash and cash equivalents	3	180,581,612	143,658,806
Total financial assets		**273,854,276**	**216,932,006**
Financial liabilities			
Amortised cost			
Unsecured bank facilities:			
Borrowings	11	97,916,667	-
Lease liabilities	12	31,749,651	12,231,114
Trade and other payables:			
Current portion of Borrowings	11	10,606,061	-
Current portion of Lease liabilities	12	19,262,597	11,144,269
Consumer deposits	14	34,504,675	31,271,958
Trade and other payables from exchange transactions	15	237,246,551	169,001,977
Total financial liabilities		**431,286,202**	**223,649,318**
Total financial instruments		**(157,431,926)**	**(6,717,312)**

The Fair Values of Financial Assets and Financial Liabilities are determined as follow:

The Fair Value of Long term liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

The fair value of Other Financial Assets and Financial Liabilities were determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties as well as the current payment ratio's of the municipality's debtors.

The annual financial statements include holdings in Listed Government Stock which are measured at Fair Value (Note). Fair Value is estimated with standard terms and conditions and traded on active liquid markets is determined with reference to quoted market prices.

61.2 Capital risk management

The municipality manages its capital to ensure that the municipality will be able to continue as a going concern while delivering sustainable services to consumers through the optimisation of the debt and equity balance.The debt ratio is monitored and is within the norms set by national treasury.

61. Financial instruments (continued)

61.3 Financial risk management objectives

Due to largely non-trading nature of activities and the way in which they are financed, municipalities are not exposed to the degree of financial risk faced by business entities. Financial instruments play a much more limited role in creating or changing risks that would be typical of listed companies to which the IFRS mainly apply. Generally, financial assets and liabilities are generated by day-to-day operational activities and are not held to manage the risks facing the municipality in undertaking its activities.

The Department: Financial services monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity. Compliance with policies and procedures is reviewed by internal auditors on a continuous basis, and by external auditors annually. The municipality does not enter into or trade financial instruments for speculative purposes.

Internal audit and risk management, responsible for monitoring and responding to potential risk, reports quarterly to the municipality’s audit committee, an independent body that monitors the effectiveness of the internal audit function.

61.4 Significant accounting policies

Details of the significant Accounting Policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of Financial Asset, Financial Liability and Equity Instrument are disclosed in the Accounting Policies to the annual financial statements.This is also assessed on an ongoing basis based on new or reviewed GRAP standards being published.

61.5 Market risk

The municipality’s activities expose it primarily to the financial risks of changes in interest rates (see Note 61.6 below). No formal policy exists to hedge volatilities in the interest rate market.

61.6 Interest rate risk

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.

Potential concentrations of interest rate risk on financial assets consist mainly of fixed deposit investments and bank and cash balances.

The municipality is not exposed to a high level of interest rate risk on its financial liabilities. All of the municipality‘s interest bearing external loan liabilities, as detailed in Appendix 'A', are fixed interest rate loans. Similarly with financial assets, the municipality invests its surplus funds on call deposit interest rate deposits with banks for fixed terms not exceeding one year.

The municipality’s maximum exposures to interest rates on Financial Assets and Financial Liabilities are detailed in the Credit Risk Management section of this note.

The Municipality's cash and investment policy states that it should diversify its investments by having no more than 25% of its investments by a single institution.

61.7 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.This is done on a monthly basis on the financial report and quarterly through MPAC and Audit Committee.

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

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 undercounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

Figures in Rand		2025	2024

61. Financial instruments (continued)

Liquidity risk

Long-term loans	11	87,310,606	-
Trade and other payable non-exchange transactions	16	20,943,737	38,790,886
Finance lease obligation	12	31,749,651	12,231,114
Consumer deposits	14	34,504,675	31,271,958
Trade and other payables from exchange transactions	15	237,246,551	169,001,977
		411,755,220	**251,295,935**

61.8 Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the municipality.

Potential concentrations of credit risk consist mainly of fixed deposit investments, long-term debtors, consumer debtors, other debtors, short-term investment deposits and bank and cash balances.

The municipality manages credit risk in its borrowing and investing activities by only dealing with wellestablished financial institutions of high credit standing, and by spreading its exposure over a range of such institutions in accordance with its approved investment policies. Credit risk relating to consumer debtors is managed in accordance with the municipality's credit control and debt collection policy. The municipality's credit exposure is spread over a large number and wide variety of consumers and is not concentrated in any particular sector or geographical area. Adequate provision has been made for anticipated bad and doubtful debts. Additional information relating to the analysis of consumer debtors is given in the accounting policies and Note 5 to the annual financial statements.

The municipality does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The municipality defines counterparties as having similar characteristics if they are related entities. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings.

The carrying amount of financial assets recorded in the annual financial statements, which is net of impairment losses, represents the municipality's maximum exposure to credit risk without taking account of the value of any collateral obtained.

The maximum credit and interest risk exposure in respect of the relevant financial instruments is as follow:

Bank and cash balances	3	180,581,612	143,658,806
Trade and other receivables from exchange transactions	4	311,887,424	438,125,324
Maximum credit and interest risk exposure		**492,469,036**	**581,784,130**

61.9 Other price risks

The municipality is not exposed to equity price risks arising from equity investments as the municipality does not trade these investments.

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

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

63. Segment reporting

General information

63. Segment reporting (continued)

Identification of segments

The municipality is organised and reports to management on the basis of three major functional areas: primary, secondary and tertiary educational services. The segments were organised around the type of service delivered and the target market. Management uses these same segments for determining strategic objectives. Segments were aggregated for reporting purposes.

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

Aggregated segments

The municipality operates throughout the Kouga jurisdication. Segments were aggregated on the basis of services delivered as management considered that the economic characteristics of the segments throughout the Eastern Cape were sufficiently similar to warrant aggregation.

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**
Segment 1	Communinty and Social Services
Segment 2	Energy Sources
Segment 3	Planning and Development
Segment 4	Public Safety
Segment 5	Roads
Segment 6	Solid waste and Sanitation
Segment 7	Water Management

The reconciling items listed are items under the directorates that do not form part of the segments (not contributing directly to service delivery and revenue generation), namely:
-Finance and Administration
-Executive and council
- Internal audit

Segment surplus or deficit, assets and liabilities

Notes to the Annual Financial Statements

Figures in Rand

63. Segment reporting (continued)

By vote

2025

	Community and Social services	Energy sources	Planning and development	Public safety	Roads	Solid waste and Sanitation	Water management	Total Segments	Total Reconcilling Items	Total

63. Segment reporting (continued)

Revenue

Exchange Revenue										
Services charges – Electricity	-	400,147,225	-	-	-	-	-	**400,147,225**	(320,856)	**400,468,081**
Services charges – Waste management	13,042,074	-	-	-	-	45,639,147	-	**58,681,221**	-	**58,681,221**
Services charges – Waste water management	-	-	-	-	-	65,884,804	-	**65,884,804**	(226,301)	**66,111,105**
Services charges – Water management	-	-	-	-	-	-	104,736,801	**104,736,801**	-	**104,736,801**
Sales of goods and rendering of services	44,387	-	6,039,376	36,757	-	-	-	**6,120,520**	(566,929)	**6,687,449**
Agency services	-	-	-	6,044,675	-	-	-	**6,044,675**	-	**6,044,675**
Interest earned from receivables	-	2,272,208	-	-	-	9,429,720	10,329,196	**22,031,124**	(335,344)	**22,366,468**
Interests earned from bank and investments	-	-	-	-	-	-	-	**-**	(13,689,019)	**13,689,019**
Licences or permits	171,437	-	-	1,965,715	-	-	-	**2,137,152**	-	**2,137,152**
Rental from fixed assets	3,169,351	-	214,370	-	-	-	-	**3,383,721**	(684,334)	**4,068,055**
Operational revenue	-	369,080	-	-	179,048	-	1,638,179	**2,186,307**	(5,875,121)	**8,061,428**
Total segment exchange revenue	**16,427,249**	**402,788,513**	**6,253,746**	**8,047,147**	**179,048**	**120,953,671**	**116,704,176**	**671,353,550**	**(21,697,904)**	**693,051,454**

Notes to the Annual Financial Statements

Figures in Rand

63. Segment reporting (continued)

Non-exchange revenue										
Availability charges – Electricity	-	9,887,025	-	-	-	-	-	**9,887,025**	-	**9,887,025**
Availability charges – Waste water management	-	-	-	-	-	3,127,465	-	**3,127,465**	-	**3,127,465**
Availability charges – Water management	-	-	-	-	-	-	6,226,421	**6,226,421**	-	**6,226,421**
Property rates by usage	-	-	-	-	-	-	-	**-**	(298,334,223)	**298,334,223**
Fines, penalties and forfeits	2,174	-	902,533	27,500	-	-	-	**932,207**	(95,083,400)	**96,015,607**
Licences or permits	6,310,341	-	-	538,296	-	-	-	**6,848,637**	-	**6,848,637**
Transfers and subsidies – Operational	10,862,134	1,989,627	2,723,361	-	1,495,001	33,863,638	21,486,169	**72,419,930**	(132,962,432)	**205,382,362**
Transfers and subsidies – Capital	-	3,272,303	52,977,097	1,498,000	10,954,013	34,623,700	20,987,959	**124,313,072**	-	**124,313,072**
Interest earned from receivables	-	-	-	-	-	-	-	**-**	(3,213,783)	**3,213,783**
Increase/(Decrease) in net-realisable value	-	-	-	-	-	-	-	**-**	470,288	**(470,288)**
Total segment non-exchange revenue	**17,174,649**	**15,148,955**	**56,602,991**	**2,063,796**	**12,449,014**	**71,614,803**	**48,700,549**	**223,754,757**	**(529,123,550)**	**752,878,307**
Total segment revenue	**33,601,898**	**417,937,468**	**62,856,737**	**10,110,943**	**12,628,062**	**192,568,474**	**165,404,725**	**895,108,307**	**(550,821,454)**	**1,445,929,761**

Expenditure

63. Segment reporting (continued)

Employee related cost	56,398,789	22,120,937	28,221,116	36,213,677	36,432,251	52,728,049	32,055,555	**264,170,374**	(154,560,483)	**418,730,857**
Remuneration of councillors	-	-	-	-	-	-	-	**-**	(15,442,571)	**15,442,571**
Bulk purchases	-	427,467,442	-	-	-	-	-	**427,467,442**	-	**427,467,442**
Inventory consumed	5,146,753	10,760,025	351,598	1,456,188	7,034,850	17,395,438	44,619,361	**86,764,213**	(7,251,742)	**94,015,955**
Debt impairment /(Reversal of Impairment)	-	(11,428,173)	-	63,506,992	-	(59,587,322)	(51,994,634)	**(59,503,137)**	8,966,540	**(68,469,677)**
Depreciation and amortisation	2,631,992	38,473	-	-	32,502,799	34,678,825	34,386,557	**104,238,646**	(9,424,759)	**113,663,405**
Impairment loss / (reversal) of impairment	-	(22,617,910)	1,126,999	-	225,132	(119,132,275)	(103,987,211)	**(244,385,265)**	(246,020,258)	**1,634,993**
Finance costs	-	-	-	-	2,774,877	-	-	**2,774,877**	(11,049,940)	**13,824,817**
Contracted services	10,557,901	12,679,054	2,655,067	2,052,175	1,200,363	7,413,842	3,404,902	**39,963,304**	(53,012,746)	**92,976,050**
Transfers and subsidies	-	-	-	-	-	-	-	**-**	(446,891)	**446,891**
Irrecoverable debts written off	-	1,842,965	159,974	-	-	79,208,970	90,768,123	**171,980,032**	(1,945,308)	**173,925,340**
Operating leases	395,455	24,762	642,539	139,843	-	21,280	-	**1,223,879**	(6,158,765)	**7,382,644**
Operational cost	11,784,965	3,456,642	1,698,634	1,907,745	2,195,101	10,581,558	1,665,251	**33,289,896**	(52,889,268)	**86,179,164**
Losses	-	-	-	-	-	-	21,279,366	**21,279,366**	-	**21,279,366**
Contribution to provision	-	-	-	-	-	200,000	-	**200,000**	(106,612)	**306,612**
Loss on disposal of fixed and intangible assets	(37,505)	193,846	803,042	-	6,224,972	2,830,702	1,042,946	**11,058,003**	(3,302,899)	**14,360,902**
(Gains)/Loss on Remeasurements on Employee benefits	-	-	-	-	-	-	-	**-**	(5,005,040)	**5,005,040**
Total segment expenditure	**86,878,350**	**444,538,063**	**35,658,969**	**105,276,620**	**88,590,345**	**26,339,067**	**73,240,216**	**860,521,630**	**(557,650,742)**	**1,418,172,372**
Total Segment (Surplus)/Deficit	**(53,276,452)**	**(26,600,595)**	**27,197,768**	**(95,165,677)**	**(75,962,283)**	**166,229,407**	**92,164,509**	**34,586,677**	**535,952,838**	**27,757,389**

63. Segment reporting (continued)

Capital expenditure										
Actual outcome	918,440	36,398,205	1,112,948	631,891	43,792,172	47,261,929	37,426,777	-	51,929,405	**219,471,771**
Total capital expenditure	**918,440**	**36,398,205**	**1,112,948**	**631,891**	**43,792,172**	**47,261,929**	**37,426,777**	**-**	**51,929,405**	**219,471,771**

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	Community and Social services	Energy sources	Planning and development	Public safety	Roads	Solid waste and Sanitation	Water management	Total Segments	Total Reconcilling Items	Total
Revenue										

63. Segment reporting (continued)

Exchange Revenue										
Services charges – Electricity	-	369,018,381	-	-	-	-	-	**369,018,381**	-	**369,018,381**
Services charges – Waste management	15,470,645	-	-	-	-	42,017,035	-	**57,487,680**	-	**57,487,680**
Services charges – Waste water management	-	-	-	-	-	56,020,100	-	**56,020,100**	-	**56,020,100**
Services charges – Water management	-	-	-	-	-	-	102,794,542	**102,794,542**	-	**102,794,542**
Sales of goods and rendering of services	363,400	-	5,147,706	15,964	-	3,152	-	**5,530,222**	(411,126)	**5,941,348**
Agency services	-	-	-	3,615,485	-	-	-	**3,615,485**	-	**3,615,485**
Interest earned from receivables	-	2,427,684	-	-	-	10,580,579	8,549,530	**21,557,793**	(296,658)	**21,854,451**
Interests earned from bank and investments	-	-	-	-	-	-	-	**-**	(12,962,398)	**12,962,398**
Licences or permits	138,958	-	-	2,229,189	-	-	-	**2,368,147**	-	**2,368,147**
Rental from fixed assets	2,479,677	-	1,028,077	-	-	-	-	**3,507,754**	(41,814)	**3,549,568**
Operational revenue	-	1,216,877	-	-	4,542,200	-	-	**5,759,077**	(6,256,797)	**12,015,874**
Total segment exchange revenue	**18,452,680**	**372,662,942**	**6,175,783**	**5,860,638**	**4,542,200**	**108,620,866**	**111,344,072**	**627,659,181**	**(19,968,793)**	**647,627,974**

63. Segment reporting (continued)

Non-exchange revenue										
Availability charges – Electricity	-	10,761,239	-	-	-	-	-	**10,761,239**	-	**10,761,239**
Availability charges – Waste water management	-	-	-	-	-	3,613,032	-	**3,613,032**	-	**3,613,032**
Availability charges – Water management	-	-	-	-	-	-	7,078,081	**7,078,081**	-	**7,078,081**
Property rates by usage	-	-	-	-	-	-	-	**-**	(280,202,653)	**280,202,653**
Fines, penalties and forfeits	1,918	-	455,349	36,350	-	-	-	**493,617**	(41,087,929)	**41,581,546**
Licences or permits	6,817,038	-	-	604,053	-	-	-	**7,421,091**	-	**7,421,091**
Transfers and subsidies – Operational	11,480,132	7,716,435	1,743,400	-	2,321,000	25,100,189	14,847,947	**63,209,103**	(135,420,591)	**198,629,694**
Transfers and subsidies – Capital	-	6,297,650	35,790,320	1,775,560	3,169,259	33,124,600	22,832,114	**102,989,503**	(150,000)	**103,139,503**
Interest earned from receivables	-	-	-	-	-	-	-	**-**	(5,519,180)	**5,519,180**
Increase/(Decrease) in net-realisable value	-	-	-	-	-	-	-	**-**	(691,432)	**691,432**
Total segment non-exchange revenue	**18,299,088**	**24,775,324**	**37,989,069**	**2,415,963**	**5,490,259**	**61,837,821**	**44,758,142**	**195,565,666**	**(463,071,785)**	**658,637,451**
Total segment revenue	**36,751,768**	**397,438,266**	**44,164,852**	**8,276,601**	**10,032,459**	**170,458,687**	**156,102,214**	**823,224,847**	**340,184,269**	**1,306,265,425**

Expenditure

Notes to the Annual Financial Statements

Figures in Rand

63. Segment reporting (continued)

Employee related cost	49,394,914	16,228,084	29,463,194	36,172,365	22,719,253	62,956,780	22,561,432	**239,496,022**	(165,672,316)	**405,168,338**
Remuneration of councillors	-	-	-	-	-	-	-	**-**	(14,850,031)	**14,850,031**
Bulk purchases	-	351,702,171	-	-	-	-	-	**351,702,171**	-	**351,702,171**
Inventory consumed	5,565,589	12,305,071	305,254	1,543,016	7,845,063	18,534,769	44,803,012	**90,901,774**	(6,045,105)	**96,946,879**
Debt impairment /(Reversal of Impairment)	-	21,072,391	-	-	-	19,519,141	24,588,412	**65,179,944**	(22,188,930)	**87,368,874**
Depreciation and amortisation	1,730,179	7,333,452	-	-	32,684,095	25,180,316	19,205,358	**86,133,400**	(13,656,865)	**99,790,265**
Impairment loss / (reversal) of impairment	28,224	7,244,503	5,767	-	-	1,471,524	2,264,573	**11,014,591**	9,335,893	**1,678,698**
Finance costs	-	-	-	-	-	-	-	**-**	(10,037,689)	**10,037,689**
Contracted services	11,369,358	12,269,183	6,981,814	1,898,275	9,606,754	10,313,057	2,822,042	**55,260,483**	(38,615,987)	**93,876,470**
Transfers and subsidies	320,000	-	600,000	-	-	-	-	**920,000**	-	**920,000**
Irrecoverable debts written off	-	-	-	-	-	-	-	**-**	(62,859,860)	**62,859,860**
Operating leases	349,133	29,973	998,142	124,353	-	21,579	-	**1,523,180**	(6,006,434)	**7,529,614**
Operational cost	12,554,678	4,083,828	1,404,003	1,366,914	1,971,866	9,582,527	3,119,866	**34,083,682**	(40,740,861)	**74,824,543**
Losses	-	-	-	-	-	-	10,915,129	**10,915,129**	-	**10,915,129**
Contribution to provision	-	-	-	-	-	(147,460)	-	**(147,460)**	(94,700)	**(52,760)**
Loss on disposal of fixed and intangible assets	56,161	-	-	-	-	-	-	**56,161**	(1,712,623)	**1,768,784**
Irrecoverable debts written off	-	597,054	-	-	-	9,012,916	34,580,946	**44,190,916**	44,190,916	**-**
(Gains)/Loss on Remeasurements on Employee benefits	-	-	-	-	-	-	-	**-**	6,627,000	**(6,627,000)**
Total segment expenditure	**81,368,236**	**432,865,710**	**39,758,174**	**41,104,923**	**74,827,031**	**156,445,149**	**164,860,770**	**991,229,993**	**(322,327,592)**	**1,313,557,585**

63. Segment reporting (continued)

Total Segment (Surplus)/Deficit	**(44,616,468)**	**(35,427,444)**	**(32,828,322)**	**(32,828,322)**	**(64,794,572)**	**14,013,538**	**(8,758,556)**	**(168,005,146)**	**662,511,861**	**(7,292,160)**
Capital expenditure										
Actual outcome	7,309,628	5,703,385	14,410	2,810,454	28,879,836	24,355,773	21,196,987	**-**	2,644,220	**93,160,599**
Total capital expenditure	**7,309,628**	**5,703,385**	**14,410**	**2,810,454**	**28,879,836**	**24,355,773**	**21,196,987**	**-**	**2,644,220**	**93,160,599**

Information about geographical areas

The municipality’s operations are in the Eastern Cape Province..

Separate financial and other relevant information on geographical areas in which the municipality operates is not available.

The budget is currently prepared on item level and not on geographical level.