Amahlathi Local Municipality
(Registration number EC 124)
Annual Financial Statements
for the year ended 30 June 2025

General Information

Legal form of entity	Amahlathi Local Municipality is a South African Category B (Local Municipality) Municipality as defined by the Municipal Structures Act (117 of 1998)
Nature of business and principal activities	The provision of services to communities in a sustainable manner, to promote social and economic development; and to promote a safe and healthy environment.
Mayoral committee	
Executive Mayor	NC Nongqayi
Speaker	NP Mlahleki
Chief WIP	P Qaba
Exco Councillors	XM Tokwe
	T Balindlela (removed December 2024)
	B Pickering (elected to EXCO January 2025)
	B Xongwana
	NA Kato-Manyika
Councillors	ZA Qonto (MPAC Chair)
	PM Onceya-Sauti
	N Ngxakangxaka
	Z Ngozi
	NM Mbulawa
	M Gantsho
	NV Mjandana
	NC Mkiva
	N Nyangwa
	N Charlie
	NZ Klaas
	MA Busakwe
	X Neti
	M Nqini
	M Neku
	PA Simandla
	N Ncevu
	SC Matini
	Z Gavini (elected March 2025)
	ME Maweni
	N Salaze
	O Mgunculu
	P Budaza
Traditional leaders	NJ Ulana
	PZ Gaika
Grading of local authority	Grade 3
Accounting Officer	Dr Z Shasha
Chief Finance Officer (CFO)	B Ngwendu (appointed 1 September 2024)
Registered office	12 Maclean Street
	Stutterheim
	4930
Business address	12 Maclean Street

General Information

	Stutterheim 4930
Postal address	Private Bag X4002 Stutterheim 4930
Bankers	First National Bank
Auditors	Auditor General of South Africa
Attorneys	Wesly Pretorius & Associates Incorporated MSZ Attorneys Incorporated Mabece Tilana Incorporated Taleni Godi Kupiso Incorporated
Telephone	043 683 5000
Jurisdiction	Amahlathi Local Municipality is located in the south-eastern part of the Eastern Cape province. This Category B Municipality falls under the jurisdiction of the Amathole District Municipality and comprises four towns Stutterheim, Cathcart, Keiskamahoek and Kei Road.
Audit Committee	Miss L Smith (Chairperson) Mr M Manxiwa Dr M Mdani Mrs N Hermanus-Mabuza

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Abbreviations used:

COID	Compensation for Occupational Injuries and Diseases
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IPSAS	International Public Sector Accounting Standards
MFMA	Municipal Finance Management Act
mSCOA	Municipal Standard Chart of Accounts

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (No. 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and were given unrestricted access to all financial records and related data.

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

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

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

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

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

The municipality is dependent on government grant funding for continued funding of operations. The annual financial statements are prepared on the basis that the municipality is a going concern and that the municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

Although the accounting officer is primarily responsible for the financial affairs of the municipality, they are supported by the municipality's external auditors.

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report will be presented at the conclusion of the audit.

The annual financial statements set out on pages 6 to 98, which have been prepared on the going concern basis, were approved by the accounting officer on 30 August 2025 and were signed by him.

Accounting Officer
Dr Z Shasha

Accounting Officer's Report

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

1. Review of activities

Main business and operations

Net surplus of the municipality was R 67 290 389 (2024: surplus R 7 691 186).

2. Going concern

We draw attention to the fact that at 30 June 2025, the municipality had an accumulated surplus of R 331 394 491 and that the municipality's total assets exceed its liabilites by R 331 394 491.

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

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business. All impairments were measured and judged in line with past performances.

3. Subsequent events

The accounting officer is not aware of any matter or circumstance arising since the end of the financial year.

4. Accounting Officers' interest in contracts

The accounting officer has no interest in contracts awarded, either direct or indirect.

5. Accounting policies

The annual financial statements prepared in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board as the prescribed framework by National Treasury.

6. Accounting Officer

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

Name	Nationality
Dr Z Shasha	South African

7. Corporate governance

General

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

8. Non-compliance with applicable legislation

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

The annual financial statements set out on pages 6 to 98, which have been prepared on the going concern basis, were approved by the accounting officer on 30 August 2025 and were signed on its behalf by:

Accounting Officer
Dr Z Shasha

Statement of Financial Position as at 30 June 2025

Figures in Rand	Notes	2025	2024 Restated*
Assets			
Current Assets			
Inventories	3	5 806	3 044
Receivables from exchange transactions	4	44 594 414	27 195 799
Receivables from non-exchange transactions	5	31 883 184	30 077 803
Cash and cash equivalents	6	12 554 267	22 980 213
Input VAT accrual	7	10 604 543	10 903 292
VAT receivable	8	1 066 503	845 349
Other receivables	9	2 883 130	2 097 552
		103 591 847	**94 103 052**
Non-Current Assets			
Biological assets that form part of an agricultural activity	10	4 568 491	4 470 314
Investment property	11	11 677 982	11 679 234
Property, plant and equipment	12	451 572 263	421 549 211
Intangible assets	13	9 061	20 155
Heritage assets	14	610 183	610 183
		468 437 980	**438 329 097**
Total Assets		**572 029 827**	**532 432 149**
Liabilities			
Current Liabilities			
Finance lease obligation	15	-	222 266
Payables from exchange transactions	16	136 003 497	184 843 890
Consumer deposits	17	1 849 803	1 736 950
Employee benefit obligation	18	14 845 671	16 156 782
Output VAT accrual	19	3 153 157	2 989 989
Unspent conditional grants and receipts	20	976 856	15 891 501
Provisions	21	1 609 941	878 983
Financial liability	22	4 610 553	-
		163 049 478	**222 720 361**
Non-Current Liabilities			
Financial liability	22	28 907 019	-
Employee benefit obligation	18	31 078 371	29 539 914
Provisions	21	17 600 468	16 067 772
		77 585 858	**45 607 686**
Total Liabilities		**240 635 336**	**268 328 047**
Net Assets		**331 394 491**	**264 104 102**
Accumulated surplus		331 394 491	264 104 102
Total Net Assets		**331 394 491**	**264 104 102**

* See Note 47

Statement of Financial Performance

Figures in Rand	Notes	2025	2024 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	23	80 667 375	63 979 395
Rental of facilities and equipment		286 013	246 300
Interest received - receivables from exchange transactions		9 496 922	7 704 052
Licences and permits		1 530 052	2 481 738
Miscellaneous and other revenue		1 237 539	942 408
Administration and management fees received		-	10 733
Insurance refunds		742 017	4 750
Interest received - investment	24	3 420 580	3 455 509
Gain on foreign exchange		33 269	-
Fair value adjustments		98 177	-
Actuarial gains	25	3 147 880	6 466 387
Inventory adjustments		9 992	184
Total revenue from exchange transactions		**100 669 816**	**85 291 456**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	26	22 003 286	24 168 893
Transfer revenue			
Government grants & subsidies	28	223 848 520	184 220 541
Public contributions and donations	29	133 563	-
Fines, Penalties and Forfeits		25 852	12 478
Interest - receivables from non-exchange transactions		7 762 634	7 473 562
Motor vehicle registration		818 930	1 381 973
Other revenue	27	29 318 887	11 884 356
Total revenue from non-exchange transactions		**283 911 672**	**229 141 803**
Total revenue		**384 581 488**	**314 433 259**
Expenditure			
Employee related costs	30	(124 980 464)	(136 206 071)
Remuneration of councillors	31	(14 005 898)	(13 595 241)
Vending management fee	32	(281 694)	(261 373)
Depreciation and amortisation	33	(30 528 899)	(24 778 746)
Impairment loss on assets	34	(10 533 016)	(1 161 270)
Finance costs	35	(7 068 822)	(15 523 956)
Lease rentals on operating lease		(8 309)	(33 084)
Debt Impairment	36	(28 601 670)	(24 703 463)
Bulk purchases	37	(59 229 954)	(51 809 374)
Contracted services	38	(15 659 969)	(12 125 745)
Loss on disposal of assets		(1 581 219)	(453 804)
Loss on fair value adjustment		-	(1 743 607)
General Expenses	40	(24 811 185)	(24 346 339)
Total expenditure		**(317 291 099)**	**(306 742 073)**
Surplus for the year		**67 290 389**	**7 691 186**

* See Note 47

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus / deficit	Total net assets
Opening balance as previously reported	249 393 169	249 393 169
Adjustments		
Prior year adjustments 47	7 019 747	7 019 747
Balance at 01 July 2023 as restated*	**256 412 916**	**256 412 916**
Changes in net assets		
Surplus for the year	7 691 186	7 691 186
Total changes	7 691 186	7 691 186
Balance at 01 July 2024 as restated	**264 104 102**	**264 104 102**
Changes in net assets		
Surplus for the year	67 290 389	67 290 389
Total changes	67 290 389	67 290 389
Balance at 30 June 2025	**331 394 491**	**331 394 491**

* See Note 47

Cash Flow Statement

Figures in Rand	Note(s)	2025	2024 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		74 103 518	62 931 180
Grants		208 385 496	192 885 934
Interest income		5 577 659	6 148 298
		288 066 673	261 965 412
Payments			
Employee costs		(138 911 201)	(145 021 308)
Suppliers		(91 315 738)	(64 781 431)
Finance costs		(28 924)	(46 872)
		(230 255 863)	(209 849 611)
Net cash flows from operating activities	42	**57 810 810**	**52 115 801**
Cash flows from investing activities			
Purchase of property, plant and equipment	12	(69 411 059)	(44 484 678)
Proceeds from sale of property, plant and equipment	12	1 404 878	-
Net cash flows from investing activities		**(68 006 181)**	**(44 484 678)**
Cash flows from financing activities			
Finance lease payments		(230 575)	(288 495)
Net increase/(decrease) in cash and cash equivalents		**(10 425 946)**	**7 342 628**
Cash and cash equivalents at the beginning of the year		22 980 213	15 637 585
Cash and cash equivalents at the end of the year	6	**12 554 267**	**22 980 213**

The accounting policies on pages 15 to 46 and the notes on pages 47 to 98 form an integral part of the annual financial statements.

* See Note 47

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	62 934 831	18 702 931	**81 637 762**	80 667 375	**(970 387)**	
Rendering of services	6 184 943	867 563	**7 052 506**	-	**(7 052 506)**	A
Rental of facilities and equipment	365 640	(165 438)	**200 202**	286 013	**85 811**	B
Interest received - receivables from exchange transactions	7 778 570	426 311	**8 204 881**	9 496 922	**1 292 041**	C
Agency services	1 918 395	(767 358)	**1 151 037**	818 930	**(332 107)**	D
Licences and permits	3 065 550	(1 224 284)	**1 841 266**	1 530 052	**(311 214)**	D
Operating Revenue	133 211	720 073	**853 284**	1 979 556	**1 126 272**	E
Interest received from current and non-curent investment	3 892 102	-	**3 892 102**	3 420 580	**(471 522)**	F
Total revenue from exchange transactions	**86 273 242**	**18 559 798**	**104 833 040**	**98 199 428**	**(6 633 612)**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	26 745 685	-	**26 745 685**	22 003 286	**(4 742 399)**	G
Transfer revenue						
Government grants & subsidies	205 042 750	20 334 000	**225 376 750**	223 848 520	**(1 528 230)**	
Public contributions and donations	-	-	**-**	133 563	**133 563**	H
Fines, Penalties and Forfeits	28 720	(11 488)	**17 232**	25 852	**8 620**	
Interest - receivable from non-exchange transactions	7 619 840	-	**7 619 840**	7 762 634	**142 794**	
Other revenue	-	26 554 271	**26 554 271**	29 318 887	**2 764 616**	I
Total revenue from non-exchange transactions	**239 436 995**	**46 876 783**	**286 313 778**	**283 092 742**	**(3 221 036)**	
Total revenue	**325 710 237**	**65 436 581**	**391 146 818**	**381 292 170**	**(9 854 648)**	
Expenditure						
Personnel	(141 493 420)	9 972 882	**(131 520 538)**	(124 980 464)	**6 540 074**	
Remuneration of councillors	(15 030 680)	-	**(15 030 680)**	(14 005 898)	**1 024 782**	
Depreciation and amortisation	(24 185 885)	-	**(24 185 885)**	(30 528 899)	**(6 343 014)**	J
Impairment loss/ Reversal of impairments	-	-	**-**	(10 533 016)	**(10 533 016)**	K
Finance costs	(3 000 000)	500 000	**(2 500 000)**	(7 068 822)	**(4 568 822)**	L
Debt Impairment	(26 000 000)	-	**(26 000 000)**	(28 601 670)	**(2 601 670)**	
Bulk purchases	(57 964 760)	-	**(57 964 760)**	(59 229 954)	**(1 265 194)**	
Contracted Services	(17 491 000)	18 890	**(17 472 110)**	(15 659 969)	**1 812 141**	M
Inventory consumed	(453 100)	172 250	**(280 850)**	-	**280 850**	N
Operational costs	(22 958 249)	(389 720)	**(23 347 969)**	(25 101 188)	**(1 753 219)**	M & N
Total expenditure	**(308 577 094)**	**10 274 302**	**(298 302 792)**	**(315 709 880)**	**(17 407 088)**	
Operating surplus	**17 133 143**	**75 710 883**	**92 844 026**	**65 582 290**	**(27 261 736)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Loss on disposal of assets and liabilities	-	(1 000)	**(1 000)**	(1 581 219)	**(1 580 219)**	O
Gain on foreign exchange	-	-	**-**	33 269	**33 269**	P
Fair value adjustments	-	-	**-**	98 177	**98 177**	Q
Actuarial gains/losses	-	-	**-**	3 147 880	**3 147 880**	Q
Inventories losses/write-downs	-	-	**-**	9 992	**9 992**	R
	-	**(1 000)**	**(1 000)**	**1 708 099**	**1 709 099**	
Surplus before taxation	**17 133 143**	**75 709 883**	**92 843 026**	**67 290 389**	**(25 552 637)**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**17 133 143**	**75 709 883**	**92 843 026**	**67 290 389**	**(25 552 637)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Inventories	74 018	(48 907)	**25 111**	5 806	**(19 305)**	R
Receivables from non-exchange transactions	17 192 363	-	**17 192 363**	31 883 184	**14 690 821**	G
VAT	24 882 412	(9 468 876)	**15 413 536**	11 671 046	**(3 742 490)**	N
Other receivables	-	-	**-**	2 883 130	**2 883 130**	S
Trade and other receivables from exchange transactions	20 492 351	(16 630 116)	**3 862 235**	44 594 414	**40 732 179**	C
Cash and cash equivalents	21 091 551	13 033 488	**34 125 039**	12 554 267	**(21 570 772)**	T
	83 732 695	**(13 114 411)**	**70 618 284**	**103 591 847**	**32 973 563**	
Non-Current Assets						
Biological assets that form part of an agricultural activity	6 213 921	-	**6 213 921**	4 568 491	**(1 645 430)**	R
Investment property	11 686 873	-	**11 686 873**	11 677 982	**(8 891)**	
Property, plant and equipment	434 744 636	24 198 502	**458 943 138**	451 572 263	**(7 370 875)**	
Intangible assets	29 653	-	**29 653**	9 061	**(20 592)**	U
Heritage assets	610 183	-	**610 183**	610 183	**-**	
	453 285 266	**24 198 502**	**477 483 768**	**468 437 980**	**(9 045 788)**	
Total Assets	**537 017 961**	**11 084 091**	**548 102 052**	**572 029 827**	**23 927 775**	
Liabilities						
Current Liabilities						
Financial liability	227 671	-	**227 671**	4 610 553	**4 382 882**	V
Payables from exchange transactions	207 406 066	(36 075 833)	**171 330 233**	136 003 497	**(35 326 736)**	V & T
VAT payable	10 117 770	-	**10 117 770**	3 153 157	**(6 964 613)**	W
Consumer deposits	1 843 855	-	**1 843 855**	1 849 803	**5 948**	
Employee benefit obligation	-	-	**-**	14 845 671	**14 845 671**	N
Unspent conditional grants and receipts	15 500 000	-	**15 500 000**	976 856	**(14 523 144)**	X
Provisions	18 393 923	-	**18 393 923**	1 609 941	**(16 783 982)**	N
	253 489 285	**(36 075 833)**	**217 413 452**	**163 049 478**	**(54 363 974)**	
Non-Current Liabilities						
Financial liability	-	-	**-**	28 907 019	**28 907 019**	V
Finance lease obligation	222 266	-	**222 266**	-	**(222 266)**	Y
Employee benefit obligation	31 728 153	-	**31 728 153**	31 078 371	**(649 782)**	
Provisions	7 862 150	-	**7 862 150**	17 600 468	**9 738 318**	Z
	39 812 569	**-**	**39 812 569**	**77 585 858**	**37 773 289**	
Total Liabilities	**293 301 854**	**(36 075 833)**	**257 226 021**	**240 635 336**	**(16 590 685)**	
Net Assets	**243 716 107**	**47 159 924**	**290 876 031**	**331 394 491**	**40 518 460**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	243 716 107	47 159 924	**290 876 031**	331 394 491	**40 518 460**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Cash receipts from customers	93 067 757	28 212 792	**121 280 549**	74 103 518	**(47 177 031)**	C
Grants	205 787 852	19 588 899	**225 376 751**	208 385 496	**(16 991 255)**	
Interest income	13 947 000	5 713 138	**19 660 138**	5 577 659	**(14 082 479)**	F
	312 802 609	**53 514 829**	**366 317 438**	**288 066 673**	**(78 250 765)**	
Payments						
Suppliers and employees	(233 173 496)	(25 875 017)	**(259 048 513)**	(230 226 939)	**28 821 574**	T
Finance costs	(3 000 000)	500 000	**(2 500 000)**	(28 924)	**2 471 076**	AA
	(236 173 496)	**(25 375 017)**	**(261 548 513)**	**(230 255 863)**	**31 292 650**	
Net cash flows from operating activities	**76 629 113**	**28 139 812**	**104 768 925**	**57 810 810**	**(46 958 115)**	
Cash flows from investing activities						
Purchase of property, plant and equipment	(71 240 028)	(15 106 324)	**(86 346 352)**	(69 411 059)	**16 935 293**	AB
Proceeds from sale of property, plant and equipment	-	-	**-**	1 404 878	**1 404 878**	O
Net cash flows from investing activities	**(71 240 028)**	**(15 106 324)**	**(86 346 352)**	**(68 006 181)**	**18 340 171**	
Cash flows from financing activities						
Finance lease payments	-	-	**-**	(230 575)	**(230 575)**	T
Net increase/(decrease) in cash and cash equivalents	5 389 085	13 033 488	**18 422 573**	(10 425 946)	**(28 848 519)**	
Cash and cash equivalents at the beginning of the year	15 702 466	-	**15 702 466**	22 980 213	**7 277 747**	AC
Cash and cash equivalents at the end of the year	**21 091 551**	**13 033 488**	**34 125 039**	**12 554 267**	**(21 570 772)**	
Reconciliation						

1. Significant accounting polices

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

1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.2 Going concern assumption

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

1.3 Materiality

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

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

1.4 Significant judgements and sources of estimation uncertainty

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

Trade receivables

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

The impairment for trade receivables is calculated on an individual debtor basis,based on historical loss ratios,debtor type and other indicators present at the reporting date that correlate with defaults on the portfolio.

Impairment testing

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

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

Provisions

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

Significant Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty (continued)

Post-retirement benefits

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

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

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 18.

Effective interest rate

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

1.5 Biological assets that form part of an agricultural activity

The entity recognises biological assets that form part of an agricultural activity or agricultural produce when, and only when:
- the entity controls the asset as a result of past events;
- it is probable that future economic benefits or service potential associated with the asset will flow to the municipality; and
- the fair value or cost of the asset can be measured reliably.

Biological assets that form part of an agricultural activity are measured at their fair value less costs to sell.

The fair value of the vine / pine plantations is based on the combined fair value of the land and the vines / pine trees. The fair value of the raw land and land improvements is then deducted from the combined fair value to determine the fair value of the vines / pine trees.

A gain or loss arising on initial recognition of biological assets that form part of an agricultural activity or agricultural produce at fair value less costs to sell and from a change in fair value less costs to sell of biological assets that form part of an agricultural activity is included in surplus or deficit for the period in which it arises.

Where fair value cannot be measured reliably, biological assets are measured at cost less any accumulated depreciation and any accumulated impairment losses.

1.6 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:
- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

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

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

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

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

Significant Accounting Policies

1.6 Investment property (continued)

Cost model

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

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

Item	Useful life
Property - land	indefinite
Property - buildings	20 - 30 years
Other components	05 - 50 years

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

1.7 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

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

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

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

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

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

1.7 Property, plant and equipment (continued)

Item	Depreciation method	Average useful life
Infrastructure	Straight-line	
Roads and paving	10-80 years	
Cemeteries	25-30 years	
Airports	25-30 years	
Community	Straight-line	
Work-in-progress	Not depreciated	
Land	Indefinite	
Electricity	10-60 years	
Landfill sites	15-40 years	
Other	Straight-line	
Buildings	15-30 years	
Machinery and equipment	04-15 years	
Computer equipment	03-05 years	
Furniture and office equipment	05-07 years	
Transport assets	04-15 years	
Office equipment - Leased assets	03-15 years	
Buildings airconditioning system	10-15 years	

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

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

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

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

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

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

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

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

Incomplete construction work

Incomplete construction work is stated at historical cost, depreciation only commences when the asset is available for use.

Finance leases

Assets capitalised under finance lease are depreciated over the expected useful lives on the same basis as property, plant and equipment controlled by the municipality, or where the shorter the term of the relevant lease if there is no reasonable surety terms of the asset.

Significant Accounting Policies

1.7 Property, plant and equipment (continued)

Infrastructure assets

Infrastructure assets are any assets that are part of a network or similar assets. Infrastructure assets are shown at cost less accumulated depreciation and impairment. Infrastructure assets are treated similar to all assets of the municipality in terms of the asset management policy.

1.8 Intangible assets

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

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

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

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

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

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

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

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

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

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

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

Internally generated goodwill is not recognised as an intangible asset.

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

Item	Depreciation method	Average useful life
Computer software, other	Straight-line	2-5 years

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

Significant Accounting Policies

1.8 Intangible assets (continued)

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

1.9 Heritage assets

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

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

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

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

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

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

Recognition

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

Initial measurement

Heritage assets are measured at cost.

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

Subsequent measurement

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

Impairment

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

Transfers

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

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

Derecognition

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

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

1.10 Financial instruments

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

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

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

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

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

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

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

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

A financial asset is:

cash;
a residual interest of another entity; or
a contractual right to:

- receive cash or another financial asset from another entity; or
- exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

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

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

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

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

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

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

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

equity instruments or similar forms of unitised capital;

Significant Accounting Policies

1.10 Financial instruments (continued)

a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or

a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

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

Financial instruments at fair value comprise financial assets or financial liabilities that are:

derivatives;

contingent consideration of an acquirer in a transfer of functions between entities not under common control to which the Standard of GRAP on Transfer of Functions Between Entities Not Under Common Control (GRAP 106) applies

combined instruments that are designated at fair value;

instruments held for trading. A financial instrument is held for trading if:

- it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
- on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
- non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
- financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Classification

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

Class	Category
Trade and other receivables from exchange transactions	Financial asset measured at amortised cost
Investments	Financial asset measured at amortised cost
Bank and cash	Financial asset measured at amortised cost
Other receivables	Financial asset measured at amortised cost

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

Class	Category
Trade and other payables from exchange transactions	Financial liability measured at amortised cost
Financial liability	Financial liability measured at amortised cost

Initial recognition

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

The entity recognises financial assets using trade date accounting.

Significant Accounting Policies

1.10 Financial instruments (continued)

Initial measurement of financial assets and financial liabilities

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

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

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

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

Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

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

Fair value measurement considerations

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

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

Reclassification

The entity does not reclassify a financial instrument while it is issued or held unless it is:

- combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

Where the entity cannot reliably measure the fair value of an embedded derivative that has been separated from a host contract that is a financial instrument at a subsequent reporting date, it measures the combined instrument at fair value. This requires a reclassification of the instrument from amortised cost or cost to fair value.

If fair value can no longer be measured reliably for an investment in a residual interest measured at fair value, the entity reclassifies the investment from fair value to cost. The carrying amount at the date that fair value is no longer available becomes the cost.

If a reliable measure becomes available for an investment in a residual interest for which a measure was previously not available, and the instrument would have been required to be measured at fair value, the entity reclassifies the instrument from cost to fair value.

Significant Accounting Policies

1.10 Financial instruments (continued)

Gains and losses

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

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

Impairment and uncollectibility of financial assets

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

Financial assets measured at amortised cost:

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

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

Financial assets measured at cost:

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

1.10 Financial instruments (continued)

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

the contractual rights to the cash flows from the financial asset expire, are settled or waived;

the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or

the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity :

- derecognise the asset; and
- recognise separately any rights and obligations created or retained in the transfer.

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

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

Financial liabilities

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

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

Presentation

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

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

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

Significant Accounting Policies

1.11 Statutory receivables

Identification

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

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

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

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

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

Recognition

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

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

Subsequent measurement

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

Accrued interest

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

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

Other charges

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

Impairment losses

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

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

1.11 Statutory receivables (continued)

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

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

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

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

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

Derecognition

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

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

1.12 Leases

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

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

Significant Accounting Policies

1.12 Leases (continued)

Finance leases - lessee

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

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

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

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

Operating leases - lessor

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

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

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

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

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

Operating leases - lessee

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

1.13 Inventories

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

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

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

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

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

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

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

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

Significant Accounting Policies

1.13 Inventories (continued)

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

1.14 Impairment of cash-generating assets

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

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

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

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

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

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

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

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

Useful life is either:

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

Identification

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

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

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

Value in use

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

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

1.14 Impairment of cash-generating assets (continued)

Recognition and measurement of cash generating units

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

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

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

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

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

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

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

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

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

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

Reversal of impairment loss

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

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

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

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

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

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

Significant Accounting Policies

1.14 Impairment of cash-generating assets (continued)

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

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

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

Redesignation

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

1.15 Impairment of non-cash-generating assets

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

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

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

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

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

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

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

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

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

Useful life is either:

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

Identification

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

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

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

Significant Accounting Policies

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

Value in use

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

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

Depreciated replacement cost approach

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

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

Reversal of an impairment loss

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

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

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

Redesignation

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

1.16 Employee benefits

Identification

Employee benefits

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

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

Post-employment benefits are employee benefits (other than termination benefits and short-term employee benefits) that are payable after the completion of employment.

Other long-term employee benefits are all employee benefits other than short-term employee benefits, post-employment benefits and termination benefits.

Termination benefits are employee benefits provided in exchange for the termination of an employee's employment as a result of either: (a) an entity's decision to terminate an employee's employment before the normal retirement date; or (b) an employee's decision to accept an offer of benefits in exchange for the termination of employment.

Classification of plans

A binding arrangement is an arrangement that confers enforceable rights and obligations on the parties to the arrangement as if it were in the form of a contract. It includes rights from contracts or other legal rights.

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

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

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

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

Defined benefit cost

Service cost comprises:
(a) current service cost, which is the increase in the present value of the defined benefit obligation resulting from employee service in the current period;
(b) past service cost, which is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting from a plan amendment (the introduction or withdrawal of, or changes to, a defined benefit plan) or a curtailment (a significant reduction by the entity in the number of employees covered by a plan); and
(c) any gain or loss on settlement.

Net interest on the net defined benefit liability (asset) is the change during the period in the net defined benefit liability (asset) that arises from the passage of time.

Remeasurements of the net defined benefit liability (asset) comprise: (a) actuarial gains and losses; (b) the return on plan assets, excluding amounts included in net interest on the net defined benefit liability (asset); and (c) any change in the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability (asset).

Actuarial gains and losses are changes in the present value of the defined benefit obligation resulting from: (a) experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred); and (b) the effects of changes in actuarial assumptions.

1.16 Employee benefits (continued)

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

Short-term employee benefits

Short-term employee benefits include items such as the following, if expected to be settled wholly before twelve months after the end of the reporting period in which the employees render the related services:
(a) wages, salaries and social security contributions;
(b) paid annual leave and paid sick leave;
(c) bonus, incentive and performance related payments; and
(d) non-monetary benefits such as medical care, housing, cars and free or subsidised goods or services for current employees.
An entity need not reclassify a short-term employee benefit if the entity’s expectations of the timing of settlement change temporarily. However, if the characteristics of the benefit change (such as a change from a non-accumulating benefit to an accumulating benefit) or if a change in expectations of the timing of settlement is not temporary, then the entity considers whether the benefit still meets the definition of short-term employee benefits

Recognition and measurement

All short-term employee benefits

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

(a) As a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund.

(b) As an expense, unless another Standard of GRAP requires or permits the inclusion of the benefits in the cost of an asset.

Short-term paid absences

The entity recognises the expected cost of short-term employee benefits in the form of paid absences as follows:

(a) in the case of accumulating paid absences, when the employees render service that increases their entitlement to future paid absences; and

(b) in the case of non-accumulating paid absences, when the absences occur.

The entity measures the expected cost of accumulating paid absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the end of the reporting period.

Bonus, incentive and performance related payments

The entity recognises the expected cost of bonus, incentive and performance related payments when, and only when:

(a) the entity has a present legal or constructive obligation to make such payments as a result of past events; and

(b) a reliable estimate of the obligation can be made. A present obligation exists when, and only when, the entity has no realistic alternative but to make the payments.

Post-employment benefits: Defined contribution plans

Recognition and measurement

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

Significant Accounting Policies

1.16 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

Recognition and measurement

The entity determines the net defined benefit liability (asset) with sufficient regularity that the amounts recognised in the financial statements do not differ materially from the amounts that would be determined at the end of the reporting period.

Recognition and measurement: Present value of defined benefit obligations and current service cost

Actuarial valuation method

The entity uses the projected unit credit method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost.

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

Actuarial assumptions: Discount rate

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

Actuarial assumptions: Salaries, benefits and medical costs

The entity measures its defined benefit obligations on a basis that reflects:

(a) the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the end of the reporting period;

(b) any estimated future salary increases that affect the benefits payable;

(c) the effect of any limit on the employer’s share of the cost of the future benefits;

(d) contributions from employees or third parties that reduce the ultimate cost to the entity of those benefits; and

(e) estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:

(i) those changes were enacted before the end of the reporting period; or

(ii) historical data, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

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

Past service cost and gains and losses on settlement

When determining past service cost, or a gain or loss on settlement, the entity remeasures the net defined benefit liability (asset) using the current fair value of plan assets and current actuarial assumptions (including current market interest rates and other current market prices), reflecting:

(a) the benefits offered under the plan and the plan assets before the plan amendment, curtailment or settlement; and

(b) the benefits offered under the plan and the plan assets after the plan amendment, curtailment or settlement.

Significant Accounting Policies

1.17 Provisions and contingencies

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

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

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

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

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

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

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

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

Provisions are not recognised for future operating surplus.

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 45.

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

Significant Accounting Policies

1.17 Provisions and contingencies (continued)

Decommissioning, restoration and similar liability

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

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

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

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

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

1.18 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:
- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.19 Revenue from exchange transactions

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

Significant Accounting Policies

1.19 Revenue from exchange transactions (continued)

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

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

Measurement

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

Sale of goods

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

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

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

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

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

Significant Accounting Policies

1.19 Revenue from exchange transactions (continued)

Interest, royalties and dividends

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

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

Interest is recognised in surplus or deficit using the effective interest rate method.

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

Service Charges

Service charges relating to electricity are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption, based on consumption history, are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue without being invoiced.

Adjustments to provisional estimates of consumption are made 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. The tariffs are determined per property category, geographical location and volume where applicable. Tariffs are levied monthly based on the number of refuse containers allocated to each property or per property category and geographical location..

Finance income

Interest earned on investment is recognised in the statement of financial performance on the time apportionment basis taking into account the effective yield on the investment.

Tariff charges

Revenue arising from the application of the approved tariffs is recognised when the service is rendered by applying the relevant authorisation tariff. This includes the issue of licenses and permits.

Income from agency services

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

Rentals

Revenue from the rental of facilities and equipment classified as operating leases is recognised over the term of the lease agreement, where such terms spans over more than one financial year a straight-line basis is used.

1.20 Revenue from non-exchange transactions

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

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

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

1.20 Revenue from non-exchange transactions (continued)

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

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

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

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

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

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

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

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

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

Recognition

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

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

Measurement

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

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

Transfers

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

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

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

Significant Accounting Policies

1.20 Revenue from non-exchange transactions (continued)

Fines

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

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

Public contributions

Bequests that satisfy the definition of an asset are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality, and the fair value of the assets can be measured reliably.

Revenue from public contributions is recognised when all the conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such item of property, plant and equipment are brought into use.

Where contributions have been received, but the conditions have not been met, a liability is recognised.

Gifts and donations, including goods in-kind

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

Government grants

Income received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria or conditions attached, where conditions have not been met, a liability is raised.

Government grants that are received as compensation for expenses or losses incurred or for the purpose of giving immediate financial support with no future related costs are recognised in the statement of financial performance in the year in which they have been received.

Interest earned on investment is treated in accordance with the 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 in the period in which it is received.

Government grants are recognised as revenue when
it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of revenue can be measured reliably; and
- to the extent that the conditions have been discharged and there has been compliance with any restrictions associated with the grant.

1.21 Investment income

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

1.22 Borrowing costs

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

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

1.23 Accounting by principals and agents

Identification

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

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

1.23 Accounting by principals and agents (continued)

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

Identifying whether an entity is a principal or an agent

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

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

Binding arrangement

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

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

Assessing which entity benefits from the transactions with third parties

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

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

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

Recognition

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

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.

1.24 Comparative figures

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

1.25 Unauthorised expenditure

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

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of finanacial performance in the year that the expenditure was incured. 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.

Significant Accounting Policies

1.26 Fruitless and wasteful expenditure

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

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

Fruitless and wasteful expenditure is accounted for as an expense in the statement of financial performance. If the expenditure is not certified as irrecoverable by the council, it is treated as an asset until it is recovered or written off as irrecoverable.

If the expenditiure is not subsequently certified as irrecoverable by the council, it is treated as an asset until it is recovered or written off as irrecoverable.

1.27 Irregular expenditure

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

Irregular expenditure is accounted for in line with all relating requirements, including, but not limited to, ruling Legislation, Regulations, Frameworks, Circulars, Instruction Notes, Practice Notes, Guidelines etc (as applicable).

1.28 Segment information

A segment is an activity of an entity:

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

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

Measurement

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

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

1.29 Budget information

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

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

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

1.29 Budget information (continued)

The approved budget covers the fiscal period from 2024/07/01 to 2025/06/30.

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

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

1.30 Related parties

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

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

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

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

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

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

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

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

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

1.31 Events after reporting date

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

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

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

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

1.32 Living and non-living resources

Living resources are those resources that undergo biological transformation.

Significant Accounting Policies

1.32 Living and non-living resources (continued)

Non-living resources are those resources, other than living resources, that occur naturally and have not been extracted.

Agricultural activity is the management by a municipality of the biological transformation and harvest of biological assets for:

(a) sale;

(b) distribution at no charge or for a nominal charge; or

(c) conversion into agriculture produce or into additional biological assets for sale or distribution at no charge or for a nominal charge.

A bearer plant is a living plant that:

(a) is used in the production or supply of agricultural produce;

(b) is expected to bear produce for more than one period; and

(c) has a remote likelihood of being sold as agricultural produce, except for incidental scrap sales.

Biological transformation (for purposes of this Standard) comprises the processes of growth, degeneration, production, and procreation that cause qualitative or quantitative changes in a living resource.

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

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

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

Depreciable amount is the cost of an asset, or other amount substituted for cost, less its residual value.

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

Group of resources means a grouping of living or non-living resources of a similar nature or function in an entity’s operations that is shown as a single item for the purpose of disclosure in the annual financial statements.

The residual value of an asset is the estimated amount that a municipality would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset was already of the age and in the condition expected at the end of its useful life.

Useful life is the period over which an asset is expected to be available for use by a municipality, or the number of production or similar units expected to be obtained from the asset by a municipality.

1.33 Contingent assets and liabilities

The municipality does not recognise contingent liabilities or contingent assets, but discloses them. A contingent liability is a possible outflow of resources embodying economic benefits or service potential that is subject to a future event.

A contingent asset is where an inflow of economic benefit is probable. Contingent assest and contingent liabilities are disclosed in note 45.

1.34 Value added tax (VAT)

Output VAT is levield on taxable supplies in terms of the Value Added Tax Act.

Input VAT is claimed on those supplies allowed in terms of the Value Added Tax Act.

Where input VAT exceeds output VAT the Municipality recognises a receivable for VAT. Where output VAT exceeds input VAT the Municipality would a recognise a payable for VAT.

Significant Accounting Policies

1.34 Value added tax (VAT) (continued)

The Municipality accounts for VAT on a payments basis.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

No new standards or interpretations were adopted during the current financial year.

2.2 Standards and Interpretations early adopted

No new standards or interpretations were early adopted during the current financial year.

2.3 Standards and interpretations issued, but not yet effective

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

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
GRAP 104 - Financial Instruments	1 April 2025	Unlikely there will be a material impact
GRAP 1 (amendments) - Presentation of Financial Statements (Going Concern)	Effective date not yet determined by Minister of Finance	Unlikely there will be a material impact
GRAP 103 (amendments) - Heritage Assets	Effective date not yet determined by Minister of Finance	Unlikely there will be a material impact

3. Inventories

	2025	2024
Rates and general	5 806	3 044

3.1 Non - Financial information

	2025	2024
Rates and general	377 926	178 165

Rates and general
Cleaning materials, printing and stationery materials and other smaller items.

Inventory pledged as security

None of the inventory was pledged as security for period.

4. Receivables from exchange transactions

	2025	2024
Gross balances		
Electricity	37 399 160	20 020 392
Fire levy	24 043 427	17 848 350
Refuse	88 530 558	74 904 194
Sundry debtors	581 053	656 101
Other debtors	12 578 947	2 782 236
	163 133 145	**116 211 273**

Figures in Rand	2025	2024

4. Receivables from exchange transactions (continued)

Less: Allowance for impairment		
Electricity	(17 760 385)	(997 976)
Fire levy	(16 466 558)	(13 038 207)
Refuse	(81 208 678)	(71 895 844)
Sundry debtors	(233 710)	(418 606)
Other debtors	(2 869 400)	(2 664 841)
	(118 538 731)	**(89 015 474)**

Net balance		
Electricity	19 638 775	19 022 416
Fire levy	7 576 869	4 810 143
Refuse	7 321 880	3 008 350
Sundry debtors	347 343	237 495
Other debtors	9 709 547	117 395
	44 594 414	**27 195 799**

Electricity		
Current (0 -30 days)	5 319 360	7 106 270
31 - 60 days	2 359 025	110 137
61 - 90 days	2 087 033	1 597 900
91 - 120 days	1 955 974	3 544 146
121 - 150 days	1 945 424	626 031
> 150 days	23 732 344	7 035 908
	37 399 160	**20 020 392**

Fire levy		
Current (0 -30 days)	578 762	1 231 366
31 - 60 days	602 991	450
61 - 90 days	599 378	570 297
91 - 120 days	599 642	504 623
121 - 150 days	589 190	600 342
> 150 days	21 073 464	14 941 272
	24 043 427	**17 848 350**

Refuse		
Current (0 -30 days)	1 319 806	2 439 089
31 - 60 days	1 272 848	-
61 - 90 days	1 252 892	1 216 435
91 - 120 days	1 249 426	1 067 951
121 - 150 days	1 188 499	1 271 471
> 150 days	82 247 087	68 909 248
	88 530 558	**74 904 194**

Sundry debtors		
Current (0 -30 days)	-	14 594
61 - 90 days	-	8 199
91 - 120 days	8 330	6 934
121 - 150 days	200 365	8 315
> 150 days	372 358	618 059
	581 053	**656 101**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

4. Receivables from exchange transactions (continued)

Other debtors

Current (0 -30 days)	18 456	49 598
31 - 60 days	8 979	-
61 - 90 days	8 440	21 546
91 - 120 days	15 266	15 805
121 - 150 days	7 839	18 952
> 150 days	12 519 967	2 676 335
	12 578 947	**2 782 236**

Reconciliation of allowance for impairment

Balance at beginning of the year	(89 015 474)	(73 686 395)
Contributions to allowance	(29 523 257)	(17 355 011)
Debt impairment written off against allowance	-	2 025 932
	(118 538 731)	**(89 015 474)**

Credit quality of receivables from exchange transactions

The credit quality of receivables from exchange transactions that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

Receivables from exchange transactions past due but not impaired

At 30 June 2025, R44 594 414 (2024: R27 195 754) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

Current 0 - 30 days (not due)	5 759 280	7 379 711
31 - 60 days (past due)	2 819 713	110 137
> 60 days (past due)	36 015 421	19 705 906

Receivables from exchange transactions impaired

The amount of the provision was R118 538 731 as of 30 June 2025 (2024: R89 015 474).

The ageing is as follows:

Current 0 - 30 days	1 460 564	3 399 152
31 - 60 days	1 430 982	450
> 60 days	115 647 185	85 615 872

Reconciliation of allowance for impairment of receivables from exchange transactions

Opening balance	89 015 474	73 686 395
Allowance for impairment	29 523 257	17 355 011
Amounts written off as uncollectible	-	(2 025 932)
	118 538 731	**89 015 474**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

5. Receivables from non-exchange transactions

Consumer debtors - Rates	87 361 815	83 793 330
Consumer debtors - Impairment non-exchange debtors	(55 478 631)	(53 715 527)
	31 883 184	**30 077 803**

Statutory receivables included in receivables from non-exchange transactions above are as follows:		
Property rates	31 883 184	30 077 803
Total receivables from non-exchange transactions	31 883 184	30 077 803

Statutory receivables general information

Statutory receivables past due but not impaired

At 30 June 2025, R31 883 184 (2024: R30 077 803) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

Current 0 - 30 days (not due)	1 536 037	1 645 807
31 - 60 days (past due)	1 037 953	1 155 237
> 60 days (past due)	29 309 194	22 996 037

Statutory receivables impaired

As of 30 June 2025, Statutory receivables of R55 478 631 (2024: R53 715 527) were impaired and provided for.

The ageing is as follows:

Current 0 - 30 days	469 390	1 318 867
31 - 60 days	471 390	6 044
> 60 days	54 537 851	52 390 616

Reconciliation of provision for impairment for statutory receivables

Opening balance	53 715 527	47 193 165
Provision for impairment	1 763 104	8 517 201
Amounts written off as uncollectible	-	(1 994 839)
	55 478 631	**53 715 527**

Credit quality of receivables from non-exchange transactions

The credit quality of other receivables from non-exchange transactions that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

Receivables from non-exchange transactions past due but not impaired

At 30 June 2025, R31 883 184 (2024: R30 077 803) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

Current 0 - 30 days (not due)	1 536 037	1 645 807
31 - 60 days (past due)	1 037 953	1 155 237
> 60 days (past due)	29 309 194	22 996 037

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

5. Receivables from non-exchange transactions (continued)

Receivables from non-exchange transactions impaired

The amount of the provision was R55 478 631 as of 30 June 2025 (2024: R53 715 527).

The ageing of these provisions is as follows:

Current 0 - 30 days	469 390	1 318 867
31 - 60 days	471 390	6 044
> 60 days	54 537 851	52 390 616

Reconciliation of provision for impairment of receivables from non-exchange transactions

Opening balance	53 715 527	47 193 165
Provision for impairment	1 763 104	8 517 201
Amounts written off as uncollectible	-	(1 994 839)
	55 478 631	**53 715 527**

6. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	557 349	656 467
Other cash and cash equivalents	11 996 918	22 323 746
	12 554 267	**22 980 213**

Cash and cash equivalents guarantees

Guarantee for the Department of Minerals and Energy	73 700	73 700
Guarantee for Eskom	4 848 000	4 848 000

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

6. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2025	30 June 2024	30 June 2023	30 June 2025	30 June 2024	30 June 2023
First National Bank Cheque Account (Primary Bank Account): 53813535227	867 393	656 467	677 049	557 349	656 467	678 056
First National Bank Account: 62135193770	160 528	1 621	1 000	160 528	1 621	1 000
First National Bank Account: 62063171351	3 304 717	14 562 569	4 711 326	3 304 717	14 562 569	4 711 326
First National Bank Account: 61381739619	1 787 108	895 603	888 118	1 787 108	895 603	888 118
First National Bank Account: 74568809858	5 142 095	5 174 752	5 776 635	5 142 095	5 174 752	5 776 635
First National Bank Account: 62774381942	301 550	299 994	730 794	301 550	299 994	730 794
First National Bank Account: 62774381009	2 061	2 031	1 802	2 061	2 031	1 802
First National Bank Account: 62774381413	18 758	19 360	18 667	18 758	19 360	18 667
First National Bank Account: 62774382445	2 405	2 393	2 307	2 405	2 393	2 307
First National Bank Account: 62774382966	417 814	974 256	2 800 238	417 814	974 256	2 800 238
First National Bank Account: 62774383592	766 171	391 167	28 641	766 171	391 167	28 641
First National Bank Account: 63127292538	1 054	-	-	1 054	-	-
First National Bank Account: 63127290730	80 112	-	-	80 112	-	-
First National Bank Account: 63127288686	12 544	-	-	12 544	-	-
Total	**12 864 310**	**22 980 213**	**15 636 577**	**12 554 266**	**22 980 213**	**15 637 584**

7. Input VAT accrual

VAT Input Accrual	10 604 543	10 903 292

VAT Receivable is a statutory arrangement.

VAT input accrual is the VAT charged on vatable expenditure incurred on the accrual basis, not yet receivable from SARS until trade creditors are paid.

8. VAT receivables

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

VAT Control	1 066 503	845 349
VAT receivable represent the statutory receivable from SARS in the form of VAT refunds.		
Current assets	1 066 503	845 349

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

9. Other receivables

Comprises		
Prepaid expenditure	817 335	727 901
Accrued Revenue	1 517 416	1 369 652
Unpaid conditional grant	548 379	-
	2 883 130	**2 097 553**

Prepayments comprise insurance, website maintenance and software licence expenditure paid in advance

Accrued revenue comprise pre-paid electricity fees net of vending management outstanding at year end.

Unpaid conditional grant relates to grant received for the Small Town Revitalisation project.

10. Biological assets that form part of an agricultural activity

	2025			2024		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Trees in plantation forest	4 568 491	-	4 568 491	4 470 314	-	4 470 314

Reconciliation of biological assets that form part of an agricultural activity - 2025

	Opening balance	Gains or losses arising from changes in fair value	Total
Trees in plantation forest	4 470 314	98 177	4 568 491

Reconciliation of biological assets that form part of an agricultural activity - 2024

	Opening balance	Gains or losses arising from changes in fair value	Total
Trees in plantation forest	6 213 921	(1 743 607)	4 470 314

Non-financial information

Immature biological assets

Trees in timber plantation forest	197 607	197 607

Pledged as security

None of the biological assets are pledged as security.

Revaluation

The biological assets were revalued by Mr M Engelbrecht (B.Econ), an independent Forest Economist as at 30 June 2025. The Faustmann valuation technique was applied for the valuation of biological assets.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

11. Investment property

	2025			2024		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	29 229 916	(17 551 934)	11 677 982	29 229 916	(17 550 682)	11 679 234

Reconciliation of investment property - 2025

	Opening balance	Depreciation	Total
Investment property	11 679 234	(1 252)	11 677 982

Reconciliation of investment property - 2024

	Opening balance	Depreciation	Total
Investment property	11 682 570	(3 336)	11 679 234

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality. The municipality has developed a comprehensive asset register encompassing movable assets, land, buildings and infrastructure assets.

Notes to the Annual Financial Statements

Figures in Rand

12. Property, plant and equipment

	2025			2024		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	6 933 932	-	6 933 932	6 933 932	-	6 933 932
Buildings	91 723 610	(40 298 212)	51 425 398	88 603 766	(37 920 761)	50 683 005
Machinery and equipment	7 206 538	(5 123 219)	2 083 319	6 763 131	(4 628 549)	2 134 582
Furniture and office equipment	2 754 585	(1 802 295)	952 290	1 802 504	(1 760 401)	42 103
Transport assets	22 604 069	(14 716 884)	7 887 185	27 394 615	(21 041 644)	6 352 971
Computer equipment	3 803 563	(2 529 414)	1 274 149	3 154 478	(2 248 244)	906 234
Roads	470 920 284	(228 631 215)	242 289 069	431 454 328	(208 022 931)	223 431 397
Electricity	44 126 528	(22 192 279)	21 934 249	44 126 528	(21 230 853)	22 895 675
Work-in-progress	115 018 373	(11 595 836)	103 422 537	92 345 959	(1 062 822)	91 283 139
Office equipment - leased	670 233	(458 207)	212 026	670 233	(324 160)	346 073
Cemeteries	1 256 961	(980 020)	276 941	1 256 961	(955 684)	301 277
Airports	1 127 000	(918 897)	208 103	1 127 000	(896 138)	230 862
Landfill sites	22 573 455	(9 900 390)	12 673 065	21 919 744	(5 911 783)	16 007 961
Total	**790 719 131**	**(339 146 868)**	**451 572 263**	**727 553 179**	**(306 003 970)**	**421 549 211**

12. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2025

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Total
Land	6 933 932	-	-	-	-	-	6 933 932
Buildings	50 683 005	-	(132 216)	4 030 345	(3 155 736)	-	51 425 398
Machinery and equipment	2 134 582	443 407	-	-	(494 670)	-	2 083 319
Furniture and office Equipment	42 103	952 079	-	-	(41 892)	-	952 290
Transport Assets	6 352 971	4 082 950	(1 588 808)	-	(959 928)	-	7 887 185
Computer Equipment	906 234	708 767	(40 317)	-	(300 535)	-	1 274 149
Roads	223 431 397	-	-	39 465 956	(20 608 284)	-	242 289 069
Electricity	22 895 675	-	-	-	(961 427)	-	21 934 249
Work-in-progress	91 283 139	67 393 473	(1 224 758)	(43 496 301)	-	(10 533 016)	103 422 537
Office equipment - leased assets	346 073	-	-	-	(134 047)	-	212 026
Cemeteries	301 277	-	-	-	(24 336)	-	276 941
Airports	230 862	-	-	-	(22 759)	-	208 103
Landfill sites	16 007 961	653 711	-	-	(3 988 607)	-	12 673 065
	421 549 211	**74 234 387**	**(2 986 099)**	**-**	**(30 692 221)**	**(10 533 016)**	**451 572 263**

Notes to the Annual Financial Statements

Figures in Rand

12. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2024

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Total
Land	6 933 932	-	-	-	-	-	6 933 932
Buildings	38 524 405	-	-	14 860 797	(2 702 197)	-	50 683 005
Machinery and equipment	1 086 195	1 368 596	(18 690)	-	(301 519)	-	2 134 582
Furniture and office equipment	60 254	4 097	-	-	(22 248)	-	42 103
Transport assets	7 200 833	557 300	(427 643)	-	(977 519)	-	6 352 971
Computer equipment	800 266	403 805	(7 472)	-	(290 365)	-	906 234
Roads	218 677 537	-	-	23 595 393	(17 812 143)	(1 029 390)	223 431 397
Electricity	23 942 569	-	-	-	(967 279)	(79 615)	22 895 675
Work-in-progress	88 983 840	40 755 488	-	(38 456 190)	-	-	91 283 139
Office equipment - leased assets	480 487	-	-	-	(134 414)	-	346 073
Cemeteries	381 455	-	-	-	(28 133)	(52 045)	301 277
Airports	253 684	-	-	-	(22 822)	-	230 862
Landfill sites	9 631 717	7 867 080	-	-	(1 490 836)	-	16 007 961
	396 957 174	**50 956 366**	**(453 805)**	**-**	**(24 749 475)**	**(1 161 050)**	**421 549 211**

Pledged as security

No property, plant and equipment assets were pledged as security.

Assets subject to finance lease (Net carrying amount)

Office equipment - leased assets	212 026	346 073

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

12. Property, plant and equipment (continued)

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

Carrying value of property, plant and equipment that is taking a significantly longer period of time to complete than expected		
Electricity	29 154 648	27 536 383
Projects requires funding.		
Landfill site	514 323	514 323
Projects requires funding.		
Community Facilities	48 891 560	38 404 059
Projects requires funding. Projects are multiphased.		
Roads	480 513	11 013 529
Projects requires funding. It includes projects in planning phase.		
	79 041 044	**77 468 294**

Impairment losses have been recognised in relation to one Roads project. No other impairment losses have been recognised in relation to the remaining assets disclosed.

Carrying value of property, plant and equipment where construction or development has been halted either during the current or previous reporting period(s)		
Amahlathi High Mass Lights	6 862 128	6 862 128
Highmast lights were erected and completed but still needs to be commissioned by Eskom to meet the intended purpose of the project.		
Electricity WIP	4 260 139	4 260 139
Project requires funding.		
LV Network	14 430 793	14 430 793
Project requires funding. The municipality applied for funding (INEP) to complete the ring feed during the 2026/2027 financial year.		
Upgrade Electricity Infrastructure	463 575	463 575
Project requires funding.		
KKH Waste Site	514 323	514 323
Contractor defaulted on the project.		
	26 530 958	**26 530 958**

No impairment losses have been recognised in relation to these assets.

Reconciliation of Work-in-Progress 2025

	Included within Infrastructure	Included within Community	Included within Other PPE	Total
Opening balance	50 322 539	39 735 842	1 224 758	91 283 139
Additions/capital expenditure	48 322 063	12 037 921	7 033 489	67 393 473
Transferred to completed items	(39 465 956)	(4 030 345)	-	(43 496 301)
Disposed or impaired	(10 533 016)	-	(1 224 758)	(11 757 774)
	48 645 630	**47 743 418**	**7 033 489**	**103 422 537**

Reconciliation of Work-in-Progress 2024

	Included within Infrastructure	Included within Community	Included within Other PPE	Total
Opening balance	53 952 314	30 781 470	4 250 058	88 983 842
Additions/capital expenditure	19 965 618	8 954 372	11 835 497	40 755 487
Transferred to completed items	(23 595 393)	-	(14 860 797)	(38 456 190)
	50 322 539	**39 735 842**	**1 224 758**	**91 283 139**

Notes to the Annual Financial Statements

Figures in Rand

12. Property, plant and equipment (continued)

Maintenance of property, plant and equipment

Maintenance of property, plant and equipment by condition - 2025

	Preventative Maintenance		Corrective Maintenance		
	Condition Based	Total	Planned	Total	Total
Buildings	312 200	312 200	32 836	32 836	345 036
Machinery and equipment	-	-	40 965	40 965	40 965
Transport assets	170 657	170 657	859 991	859 991	1 030 648
Roads	-	-	426 532	426 532	426 532
Electricity	-	-	806 316	806 316	806 316
	482 857	**482 857**	**2 166 640**	**2 166 640**	**2 649 497**

Maintenance of property, plant and equipment by condition - 2024

	Preventative Maintenance		Corrective Maintenance		
	Condition Based	Total	Planned	Total	Total
Buildings	-	-	307 485	307 485	307 485
Machinery and equipment	-	-	395	395	395
Transport assets	264 899	264 899	1 689 636	1 689 636	1 954 535
Roads	37 177	37 177	896 557	896 557	933 734
Electricity	696 185	696 185	46 069	46 069	742 254
	998 261	**998 261**	**2 940 142**	**2 940 142**	**3 938 403**

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

13. Intangible assets

	2025			2024		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	1 183 428	(1 174 367)	9 061	1 183 428	(1 163 273)	20 155

Reconciliation of intangible assets - 2025

	Opening balance	Amortisation	Total
Computer software, other	20 155	(11 094)	9 061

Reconciliation of intangible assets - 2024

	Opening balance	Amortisation	Total
Computer software, other	46 091	(25 936)	20 155

Pledged as security

No intangible assets were pledged as security:

14. Heritage assets

	2025			2024		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Historical monuments	610 183	-	610 183	610 183	-	610 183

Reconciliation of heritage assets 2025

	Opening balance	Total
Historical monuments	610 183	610 183

Reconciliation of heritage assets 2024

	Opening balance	Total
Historical monuments	610 183	610 183

Pledged as security

No heritage assets were pledged as security.

Figures in Rand	2025	2024

15. Finance lease obligation

Minimum lease payments due		
- within one year	-	240 413
	-	240 413
less: future finance charges	-	(18 146)
Present value of minimum lease payments	**-**	**222 267**
Present value of minimum lease payments due		
- within one year	-	222 266

It is municipality policy to lease certain office equipment under finance leases.

Office equipment leases

The discount rate used in calculating the present value of the minimum lease payments is the implicit interest rate in the lease, if this is practicable to determine; if not, it is the prime interest rate. Due to the nature of the information provided the implicit rate for copiers could not be determined, as the cost of the copiers is not provided in the agreement. Any initial direct costs of leases are added to the amount recognised as an asset. Only the terms and payment amount are provided. The office equipment finance lease has an implicit interest rate ranging between 7.50% - 19% per annum, by taking into account the market values of the office equipment at initial recognition

The finance lease agreement concluded during the current financial year.

16. Payables from exchange transactions

Trade payables	121 326 556	175 475 804
Consumer debtors with credit balances	2 982 225	2 527 080
Accruals	188 758	72 219
Salary control	1 307 567	1 141 930
Other payables	1 742 672	491 937
Retention creditors	7 486 669	5 129 680
Surety creditors	962 694	-
Agency fees payable	6 356	5 240
	136 003 497	**184 843 890**

17. Consumer deposits

Electricity	1 849 803	1 736 950

Consumer deposits are made of deposits from consumers for electricity connections, for those making use of conventional electricity.

18. Employee benefit obligations

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

Carrying value		
Present value of the post retirement medical aid plan	(25 280 372)	(23 198 247)
Present value of the long service awards	(7 320 354)	(8 537 457)
Bonus provision	(3 071 883)	(3 392 506)
Accrual for leave gratuity	(10 251 433)	(10 568 486)
	(45 924 042)	**(45 696 696)**
Non-current liabilities	(31 078 371)	(29 539 914)
Current liabilities	(14 845 671)	(16 156 782)
	(45 924 042)	**(45 696 696)**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

18. Employee benefit obligations (continued)

Changes in the present value of the defined benefit obligation are as follows:

Opening balance	45 696 696	47 755 336
Service cost	1 971 814	1 925 612
Interest cost	3 582 240	4 141 146
Remeasurements	(3 147 880)	(6 466 387)
Payments from the plan	(1 541 152)	(1 743 775)
Settlements	(7 151 729)	(5 142 397)
Current year provisions	6 514 053	5 227 161
	45 924 042	**45 696 696**

Net expense recognised in the statement of financial performance are as follows:

Service cost	1 971 814	1 925 612
- Current service cost	1 971 814	1 925 612
Net interest on the net defined benefit liability (asset)	3 582 240	4 141 146
Remeasurements of the net defined benefit liability (asset)	(3 147 880)	(6 466 387)
- Actuarial gains and losses arising from:	(3 147 880)	(6 466 387)
- Changes in demographic and financial assumptions	(3 147 880)	(6 466 387)
Bonus provision	6 476 209	3 392 505
Leave provision	37 843	1 834 655
	8 920 226	**4 827 531**

Calculation of actuarial gains

Actuarial gain - Post retirement medical aid plan	(817 647)	(5 566 270)
Actuarial gains - Long service awards	(2 330 233)	(900 117)
	(3 147 880)	**(6 466 387)**

Key assumptions used

Assumptions used at the reporting date:

Discount rates used - Post retirement medical aid plan	11,96 %	12,23 %
Discount rates used - Long service awards	8,97 %	10,15 %
Net discount rates used - Post retirement medical aid plan	4,26 %	4,16 %
Net discount rate used - Long service awards	4,36 %	4,23 %
Consumer price index - Post retirement medical aid plan	5,89 %	6,24 %
Consumer price index - Long service awards	3,42 %	4,68 %
Expected increase in salaries	4,42 %	5,68 %
Expected increase in healthcare costs	7,39 %	7,74 %
Pre-retirement age	SA 85-90 L	SA 85-90 L
Post-retirement age	PA (90) - 1	PA (90) - 1
Normal retirement age	65 years	65 years
Spouse age difference (male older than female)	3 years	3 years
Female members - Post retirement medical aid plan	67	80
Male members - Post retirement medical aid plan	75	72
Female members - Long service awards	91	100
Male members - Long service awards	162	158

Other assumptions	**2025**	**2024**	**2023**	**2022**	**2021**
Post Retirement Benefits	25 280 372	23 198 247	25 671 509	25 088 416	30 027 000
Long Service Awards	7 320 354	8 537 457	8 207 599	8 572 838	8 197 000

The amounts for the current and previous four years.

18. Employee benefit obligations (continued)

Sensitivity analysis

Healthcare cost trends

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

2025	-1%	Valuation basis	+1%
Effect on the service cost	992 426	1 189 499	1 436 689
Effect on interest cost	2 593 666	2 674 173	3 415 418
Effect on post retirement benefit	22 170 229	25 280 372	29 045 624

2024	-1%	Valuation basis	+1%
Effect on the service cost	940 596	1 113 989	1 330 245
Effect on interest cost	2 453 236	2 781 968	3 177 865
Effect on post retirement benefit	20 507 388	23 198 247	26 438 469

The methods and assumptions used in preparing the sensitivity analyses and the limitations of those methods are a 1% increase in the healthcare cost inflation rate results in a 12,30% increase in the post retirement benefit, whilst a 1% decrease in the salary increase rate will result in a 14,89% decrease in the post retirement benefit. Increasing healthcare cost inflation leads to greater subsidies being paid by the entity in respect of continuation members. This, in turn, increase the size of the post retirement benefit.

Salary inflation rate

2025	-1%	Valuation basis	+1%
Effect on the service cost	689 265	729 381	773 281
Effect on interest cost	586 110	619 401	655 638
Effect on long service awards	6 949 224	7 320 354	7 724 333
	-		

2024	-1%	Valuation basis	+1%
Effect on the service cost	811 490	857 825	908 521
Effect on interest cost	756 830	800 272	908 521
Effect on long service awards	8 109 522	8 537 457	9 003 447
	-		

A 1% increase in the salary increase rate as at the valuation date results in a 5.52% increase in the long service awards, whilst a 1% decrease in the salary increase rate will result in a 5.07% decrease in the long service award. An increase in salary inflation increases the salaries upon which the long-service awards are based. This, in turn, leads to an increase in the accrued liability.

Discount rate

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

2025	-1%	Valuation basis	+1%
Effect on the service cost	1 421 419	1 189 499	1 005 618
Effect on interest cost	3 119 734	2 674 173	2 825 699
Effect on post retirement benefit	28 951 097	25 280 372	22 289 557

18. Employee benefit obligations (continued)

2024	-1%	Valuation basis	+1%
Effect on the service cost	1 316 803	1 113 989	952 372
Effect on interest cost	2 909 077	2 781 968	2 667 225
Effect on post retirement benefit	26 357 483	23 198 247	20 610 244

The methods and assumptions used in preparing the sensitivity analyses and the limitations of those methods are a 1% increase in the discount rate results in a 11,83% decrease in the post retirement benefit, whilst a 1% decrease in the discount rate will result in a 14,52% increse in the post retirement benefit. The discount rate is inversely related to the post retirement benefit. An increase in the discount rate increases the post retirement benefit and vice versa.

2025	-1%	Valuation basis	+1%
Effect on the service cost	771 773	729 381	691 205
Effect on interest cost	654 396	619 401	587 725
Effect on long service awards	7 710 490	7 320 354	6 967 222
	-		

2024	-1%	Valuation basis	+1%
Effect on the service cost	906 838	857 825	813 674
Effect on interest cost	846 011	800 272	758 882
Effect on long service awards	8 988 016	8 537 457	8 129 743
	-		

A 1% increase in the discount rate as at the valuation date results in a 4.82% decrease in the long service awards, whilst a 1% decrease in the discount rate will result in a 5.33% increase in the long service awards. The discount rate is inversely related to the long service award. An increase in the discount rate decreases the long service award and vice versa.

Post-retirement Mortality

The tables below show the impact of a change in the mortality assumption from PA(90)-1 to PA(90)-2 and PA(90) with a one year adjustment:

2025	PA(90)-2	Valuation basis	PA(90)
Effect on the service cost	1 220 699	1 189 499	1 158 372
Effect on interest cost	3 054 004	2 965 366	2 876 570
Effect on post retirement benefit	26 022 317	25 280 372	24 537 082

2024	PA(90)-2	Valuation basis	PA(90)
Effect on the service cost	1 082 691	1 057 195	1 087 003
Effect on interest cost	3 325 878	3 319 852	2 703 197
Effect on post retirement benefit	26 467 534	25 671 509	22 553 206

The PA(90)-2 mortality assumption (PA(90)-1 with a one year age adjustment) assigns to each beneficairy the mortality rate of an individual one year younger. This reflects the lighter mortality, implying that beneficiaries are expected to live longer than under the previous valuation basis. Consequently, subsidies are payable over a longer peiord, resulting in an increase in the post retirement benefit.

Average retirement age

Assumed assumption have a significant effect on the amounts recognised in surplus or deficit. In the tables below, the effect of adjusting the retirement age by 2 years from the fully accrued retirement age of 62.

2025	-2 years	Valuation basis	+2 years

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

18. Employee benefit obligations (continued)

Effect on the service cost	668 102	729 381	802 389
Effect on interest cost	549 448	619 401	704 049
Effect on long service awards	6 512 283	7 320 354	8 299 753

2024	**-2**	**Valuation basis**	**+2 years**
Effect on the service cost	751 786	857 825	967 313
Effect on interest cost	691 590	800 272	895 819
Effect on long service awards	7 488 504	8 537 457	9 478 660

The above table indicates the effect of a 2 year adjustment in the average retirement age assumptions as at the valuation date. The adjustment would result in a 0.29% increase in accrued liability, respectively. Reducing the average retirement age disqualifies members and therefore reduces the long service awards accrued liability. The converse applies to increasing the average retirement age.

Maturity analysis of the defined benefit obligations

The following table presents information about the distribution of the timing of benefit payments:

	Payable in			
	1 year	**1-5 years**	**>5 years**	**Total**
Post retirement benefits	972 476	4 121 644	1 009 153	6 103 273
Long service awards	1 704 868	4 900 538	2 336 557	8 941 963
	2 677 344	**9 022 182**	**3 345 710**	**15 045 236**

19. Output VAT accrual

	2025	2024
VAT Output Accrual	13 975 132	11 127 275
VAT on Provision for doubtful debt impairment	(10 821 975)	(8 137 286)
	3 153 157	**2 989 989**

VAT output accrual is VAT charged on vatable services earned on the accrual basis, but not due to SARS until payments are received from consumers.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

20. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Waste Grant	976 856	1 471 802
Disaster recovery grant	-	14 419 699
	976 856	**15 891 501**

Movement during the year

Balance at the beginning of the year	15 891 501	7 226 108
Additions during the year	70 015 495	192 885 933
Income recognition during the year	(85 478 519)	(184 220 540)
Unpaid conditional grant disclosed as part of other receivables	548 379	-
	976 856	**15 891 501**

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

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

See note 28 for reconciliation of grants from National/Provincial Government.

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

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

21. Provisions

Reconciliation of provisions - 2025

	Opening Balance	Additions	Reduction due to re-measurement or settlement without cost to entity	Total
Provision for landfill sites	16 946 756	1 609 941	653 712	19 210 409

Reconciliation of provisions - 2024

	Opening Balance	Additions	Reduction due to re-measurement or settlement without cost to entity	Total
Provisions for landfill sites	8 215 415	864 261	7 867 080	16 946 756

	2025	2024
Non-current liabilities	17 600 468	16 067 773
Current liabilities	1 609 941	878 983
	19 210 409	**16 946 756**

Environmental rehabilitation provision

The municipality has an obligation to restore three landfill sites situated in Stutterheim, Erf 80, Cathcart, Erf 474 and Keiskammahoek, Erf 1. The Stutterheim and Keiskammahoek sites are currently licenced and used for general waste disposal (nonhazardous) purposes. The Cathcart site was previously licenced and the permit expired in 2013. The municipality has approached the Department of Environmental Affairs (DEA) with the view of obtaining assistance to renew the licence for the site.

An environmental specialist was appointed to assist the municipality with the management of the landfill sites. The environmental specialist has undertaken site visits and prepared preliminary designs and costing of works to be completed.

Where appropriate a discounting rate of 8.67% (2024: 10.25%) was used.

The remaining site life:
- Cathcart landfill site is approximately +/-4 years.
- Stutterheim landfill site is approximately +/- 2 years.
- Keiskammahoek landfill site is approximately +/-2 years.

22. Financial liability

	2025	2024
At amortised cost		
Eskom payment arrangement The municipality entered into a payment arrangement with Eskom relating to debt for the period 01 March 2023 till 30 November 2023.	23 094 170	-
Deferred revenue Revenue to be recognised over the term of the Eskom payment arrangement as non-exchange revenue as conditions of payment are met.	10 423 402	-
	33 517 572	**-**
Total other financial liabilities	**33 517 572**	**-**

The effective date of Eskom payment arrangement is 31 January 2025.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

22. Financial liability (continued)

The discount rate used in calculating the present value of the minimum lease payments is based on the prime interest rate at inception of the arrangement (10.75%) plus 2.5%.

The debt shall not bear interest, save for where the municipality fails to pay the debt by the agreed instalment dates. In this instance, the outstanding amount shall bear interest compounded monthly from the due date of payment, at a rate per annum equal to the prevailing prime rate plus 2.5%.

The arrangement will conclude when the final payment is made during May 2031.

The municipality retains the right to repay the debt in full at any given time during the period.

	2025	2024
Non-current liabilities		
At amortised cost	28 907 019	-
Current liabilities		
At amortised cost	4 610 553	-

23. Service charges

	2025	2024
Sale of electricity	63 421 803	47 137 912
Fire levy	5 198 167	4 958 794
Refuse removal	11 734 358	11 558 281
Other service charges	313 047	324 408
	80 667 375	**63 979 395**

24. Investment revenue

	2025	2024
Interest revenue		
Bank	3 420 580	3 455 509

Interest is earned on municipal investments and municipal primary account as disclosed in note 6.

25. Actuarial gains

	2025	2024
Actuarial gain on employee benefits	3 147 880	6 466 387

Actual gains comprise of gain on employee benfits relating to Post Retirement Medical Aid Plans and Long Service Awards.

26. Property rates

Rates received

	2025	2024
Property rates	22 003 286	24 168 893

Figures in Rand	2025	2024

26. Property rates (continued)

Valuations

Residential	1 177 297 500	1 168 317 500
Commercial	234 919 019	232 813 755
State	254 277 739	749 894 877
Municipal	346 809 101	357 165 101
Small holdings and farms	3 027 048 286	2 530 143 423
Public service infrastructure/purpose	71 591 662	61 696 346
Public benefit orginastion and vacant land	103 015 903	101 478 403
Properties used for multi purpose	4 744 500	4 744 500
Industrial properties	45 197 500	45 197 500
	5 264 901 210	**5 251 451 405**

Valuations on land and buildings are performed every 5 years. The last general valuation came into effect on 1 July 2020. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

Rates are levied on a monthly basis as per the approved tariffs with interest at prime plus 1% per annum is levied on rates outstanding monthly.

The new general valuation will be implemented effective 1 July 2025.

27. Other revenue from non-exchange transactions

Eskom Debt waived	29 318 887	11 884 356

Other revenue from non-exchange transactions comprises of debt waived through the municipality's participation in the Eskom debt relief programme as well as entering into a payment arrangement with Eskom for debt not included in the debt relief programme.

28. Government grants & subsidies

Operating grants		
Equitable share	138 370 000	131 533 000
Library grant	1 792 000	1 200 000
Municipal infrastructure grant (MIG)	1 870 150	1 538 500
Expanded public works programme (EPWP)	1 511 000	1 310 000
Financial management grant (FMG)	2 200 000	2 200 000
LG Seta mandatory grant	398 751	249 785
Human settlements grant	49 400	111 149
Energy Efficiency Demand Side Management (EEDSM)	150 000	-
	146 341 301	**138 142 434**
Capital grants		
Municipal infrastructure grant (MIG)	35 532 850	29 231 500
Waste Grant	494 945	1 054 306
Energy Efficiency Demand Side Management (EEDSM)	2 850 000	-
Intergrated National Electrificiation Programme (INEP)	1 860 000	-
Small Town Revitalisation Grant	3 204 725	-
Disaster Relief Grant	33 564 699	15 792 301
	77 507 219	**46 078 107**
	223 848 520	**184 220 541**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

28. Government grants & subsidies (continued)

Equitable Share

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

Operating and maintenance cost of municipalities.

Finance management grant (FMG)

Current-year receipts	2 200 000	2 200 000
Conditions met - transferred to revenue	(2 200 000)	(2 200 000)
	-	-

The grant is received to ensure sound and sustainable management of the fiscal and financial affairs of the municipality. To promote and support reforms in financial management by building capacity in municipalities to implement the Municipal Finance Management Act.

Library grant

Current-year receipts	1 792 000	1 200 000
Conditions met - transferred to revenue	(1 792 000)	(1 200 000)
	-	-

To transform urban and rural community infrastructure, facilities and services through a recapitalised programme.

Small Town Revitalisation Grant

Current-year receipts	2 656 346	-
Conditions met - transferred to revenue	(3 204 725)	-
	(548 379)	-

The grant is provided to improve the infrastructure of the towns within Amahlathi.

Expanded public works programme (EPWP)

Current-year receipts	1 511 000	1 310 000
Conditions met - transferred to revenue	(1 511 000)	(1 310 000)
	-	-

The grant is provided to expand the Public Works programme and job creation efforts.

Waste Grant

Balance unspent at beginning of year	1 471 802	2 526 108
Conditions met - transferred to revenue	(494 945)	(1 054 306)
	976 857	**1 471 802**

Conditions still to be met - remain liabilities (see note 20).

To support in respect of waste management activities.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

28. Government grants & subsidies (continued)

Staff training (LG SETA)

Current-year receipts	398 750	249 785
Conditions met - transferred to revenue	(398 750)	(249 785)
	-	-

The grant was obtained from the Sectoral Education Training Authority (SETA) for training of staff. In terms of the Skills Development Act regarding monies by SETA's published in Government Notice 990 in Government Gazette No. 34940, LGSETA is required to disburse in quarterly intervals.

Energy Efficiency Demand Side Management

Current-year receipts	3 000 000	-
Conditions met - transferred to revenue	(3 000 000)	-
	-	-

The EEDSM programme supports municipalities in their efforts to reduce electricity consumption by optimising their use of energ.

INEP

Current-year receipts	1 860 000	-
Conditions met - transferred to revenue	(1 860 000)	-
	-	-

The Integrated National Electrification Programme (INEP) is responsible for planning, project management and funding the bulk infrastructure (e.g. MV lines and substations), grid and non-grid new connections for households that cannot afford to pay on their own to receive access to electricity.

Disaster Relief Grant

Balance unspent at beginning of year	14 419 699	4 700 000
Current-year receipts	19 145 000	25 512 000
Conditions met - transferred to revenue	(33 564 699)	(15 792 301)
	-	**14 419 699**

For flood and natural disaster intervention.

Human settlements grant

Current-year receipts	49 400	111 149
Conditions met - transferred to revenue	(49 400)	(111 149)
	-	-

Municipal Infrastructure Grant

Current-year receipts	37 403 000	30 770 000
Conditions met - transferred to revenue	(37 403 000)	(30 770 000)
	-	-

The grant was received from the Department of Cooperative Governance and Traditional Affairs. The purpose of the grant is to provide specific finance for basic Municipal Infrastructure backlogs for poor households, micro enterprises and social institutions servicing poor communities.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

29. Public contributions and donations

Computer equipment	133 563	-

Donations in kind relating to the receipt of computer equipment was received during the year. No conditions was attached to the donations received.

30. Employee related costs

Basic	87 681 708	93 124 702
Medical aid - company contributions	6 098 663	4 897 665
UIF	515 955	595 678
Defined contribution plans	430 662	1 925 612
Cellphone and other allowances	1 085 629	2 305 974
Overtime payments	1 387 068	1 621 769
Acting allowances	666 978	224 733
Travel allowance	4 532 504	5 494 679
Housing benefits and allowances	2 429 783	2 522 375
Industrial council levy	35 593	35 811
Pension fund contribution	13 601 869	15 466 466
Bonus provision	6 476 209	6 155 952
Leave provision	37 843	1 834 655
	124 980 464	**136 206 071**

Remuneration of Municipal Manager

Annual Remuneration	1 191 244	1 211 883
Travel allowance	240 000	240 000
Bonus	60 000	-
Contributions to UIF, Medical and Pension Funds	2 125	2 262
Cellphone allowance	16 800	16 800
Backpay	51 825	56 089
Leave	20 340	-
	1 582 334	**1 527 034**

Remuneration of Chief Finance Officer

Annual Remuneration	718 995	171 367
Travel allowance	200 000	20 000
Acting allowance	4 922	-
Contributions to UIF, Medical and Pension Funds	1 771	377
Cellphone allowance	14 000	2 800
Backpay	-	74 270
Leave	-	82 097
Other allowances	98 500	-
	1 038 188	**350 911**

Mr C Samuels was appointed as acting Chief Financial Offier for the period 1 July 2024 till 31 August 2024.

Mrs B Ngwendu was appointed as Chief Financial Officer from 1 September 2024.

Figures in Rand	2025	2024

30. Employee related costs (continued)

Remuneration of Director Corporate Services

Annual Remuneration	1 218 556	1 210 197
Cellphone allowance	16 800	16 800
Contributions to UIF, Medical and Pension Funds	2 125	2 262
Backpay	42 363	78 606
Leave	20 340	-
	1 300 184	**1 307 865**

Remuneration of Director Planning and Development

Annual Remuneration	988 556	988 106
Travel allowance	180 000	180 000
Bonus	50 000	-
Contributions to UIF, Medical and Pension Funds	2 125	2 262
Cellphone allowance	16 800	16 800
Backpay	42 363	45 849
Other	20 340	-
	1 300 184	**1 233 017**

Remuneration of Director Engineering Services

Annual Remuneration	1 218 556	1 178 051
Contributions to UIF, Medical and Pension Funds	2 125	2 262
Cellphone allowance	16 800	16 800
Acting allowance	-	2 393
Backpay	42 363	28 677
Leave	20 340	-
	1 300 184	**1 228 183**

Remuneration of Director Community Services

Annual Remuneration	988 556	979 690
Travel allowance	180 000	180 000
Bonus	50 000	-
Contributions to UIF, Medical and Pension Funds	2 125	2 262
Cellphone allowance	16 800	16 800
Backpay	42 363	24 384
Leave	20 340	-
	1 300 184	**1 203 136**

31. Remuneration of councillors

Mayor	978 310	1 033 383
Speaker	814 188	819 300
Councillors' salaries	8 225 384	7 823 444
Councillors' allowances	3 988 016	3 919 114
	14 005 898	**13 595 241**

Additional information

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

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

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

32. Vending management fee

Management fees - third party	281 694	261 373

33. Depreciation and amortisation

Property, plant and equipment	30 516 553	24 749 474
Investment property	1 252	3 336
Intangible assets	11 094	25 936
	30 528 899	**24 778 746**

34. Impairment loss on assets

Impairments		
Property, plant and equipment	10 533 016	1 161 270

35. Finance costs

Interest expense	4 892 565	4 199 693
Interest on overdue accounts	2 176 257	11 324 263
	7 068 822	**15 523 956**

Finance costs relate to interest incurred during the year. R28 924 of the interest relate to interest payments made.

36. Debt impairment

Debt impairment	28 601 670	24 703 463

37. Bulk purchases

Electricity - Eskom	59 229 954	51 809 374

38. Contracted services

Outsourced Services		
Administrative and Support Staff	-	8 906
Animal Care	495 000	540 000
Burial Services	45 500	14 000
Catering Services	698 073	432 639
Cleaning Services	53 131	12 280
Professional Staff	54 379	58 916
Electrical	1 567 995	1 021 547
Consultants and Professional Services		
Business and Advisory	4 252 531	2 954 727
Legal Cost	4 785 131	2 079 901
Contractors		
Event Promoters	707 320	968 773
Graphic Designers	71 667	-
Maintenance of Buildings and Facilities	344 174	307 485
Maintenance of Equipment	7 619	395
Maintenance of Unspecified Assets	2 291 377	3 465 703
Safeguard and Security	286 072	260 473
	15 659 969	**12 125 745**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

39. Fair value adjustments

Biological assets - (Fair value model)	98 177	-

The biological assets were revalued by Mr M Engelbrecht (B.Econ), an independent Forest Economist as at 30 June 2024. The Faustmann valuation technique was applied for the valuation of biological assets.

40. General expenses

Advertising	293 728	356 618
Audit fees	2 265 692	3 449 626
Bank charges	626 572	568 818
Consumables	261 208	178 165
Insurance	1 030 961	898 314
Fuel and oil	2 310 971	3 262 436
Postage and courier	9 330	10 100
Printing and stationery	705 451	646 138
Project maintenance costs	1 126 311	1 207 813
Royalties and license fees	282 669	329 384
Subscriptions and membership fees	1 616 473	1 233 074
Telephone	1 857 875	2 343 903
Training	634 967	428 838
Electricity, sanitation and water	6 343 390	3 769 282
Uniforms	156 468	136 565
Free basic electricity	213 794	282 433
Skills development levy	975 482	1 088 854
Other expenses	4 099 843	4 155 978
	24 811 185	**24 346 339**

41. Auditors fees

Fees	2 265 692	3 449 626

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

42. Cash generated from operations

Surplus	67 290 389	7 691 186
Adjustments for:		
Depreciation and amortisation	30 528 899	24 778 746
Loss on sale of assets and liabilities	1 581 219	453 804
Gain on foreign exchange	(33 269)	-
Fair value adjustments	(98 177)	1 743 607
Finance costs	5 192 181	5 005 407
Impairment deficit	10 533 016	1 161 270
Debt impairment	28 601 670	24 703 463
Movements in retirement benefit assets and liabilities	227 346	(2 058 642)
Movements in provisions	(2 263 654)	(8 731 342)
Inventory losses or write-downs	(9 992)	(184)
Non-cash donations and other in-kind benefits	(133 563)	-
Other revenue	(29 317 993)	(11 884 357)
Actuarial Gains	(3 147 880)	(6 466 387)
Changes in working capital:		
Inventories	(2 762)	3 193
Receivalbes from exchange transactions	(17 398 615)	(10 852 787)
Receivables from non-exchange transactions	(1 805 381)	(4 280 722)
VAT receivable	(221 154)	210 468
Other receivables	(785 578)	(284 425)
Payables from exchange transactions	(48 840 393)	21 901 623
VAT accruals	(579 012)	406 874
Unspent conditional grants and receipts	(14 914 645)	8 665 393
Consumer deposits	112 853	(44 982)
Financial Liability	33 517 571	-
Finance lease obligation	(222 266)	(5 405)
	57 810 810	**52 115 801**

43. Financial instruments disclosure

Categories of financial instruments

2025

Financial assets

	At amortised cost	Total
Receivables from exchange transactions	44 594 414	44 594 414
Cash and cash equivalents	12 554 267	12 554 267
Other receivables	2 883 130	2 883 130
	60 031 811	**60 031 811**

Financial liabilities

	At amortised cost	Total
Payables from exchange transactions	134 695 930	134 695 930
Financial liabilities - current	4 610 553	4 610 553
Financial liabilities - non-current	28 907 019	28 907 019
	168 213 502	**168 213 502**

2024

Financial assets

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

43. Financial instruments disclosure (continued)

	At amortised cost	Total
Receivables from exchange transactions	27 195 799	27 195 799
Cash and cash equivalents	22 980 213	22 980 213
Other receivables	2 097 552	2 097 552
	52 273 564	**52 273 564**

Financial liabilities

	At amortised cost	Total
Finance lease obligations	222 266	222 266
Payables from exchange transactions	183 701 960	183 701 960
	183 924 226	**183 924 226**

44. Commitments

Authorised capital expenditure

	2025	2024
Already contracted for but not provided for		
Property, plant and equipment	21 836 114	24 963 521
Total capital commitments		
Already contracted for but not provided for	21 836 114	24 963 521

Total commitments

	2025	2024
Total commitments		
Authorised capital expenditure	21 836 114	24 963 521

This committed expenditure relates to property, plant and equipment and will be financed by a combination of Municpal Infrastructure Grant, Disaster Recovery Grant, other conditional grants and internally generated funds.

Figures in Rand	2025	2024

45. Contingencies

2025

Contingent liabilities:

The total contingent liabilities status at the end of June 2025 amount to R5 870 662.21.The municipality has four pending legal cases relating to claims for outstanding payments and four claims relating to damages or loss suffered. The summary of the matters as at 30 June 2025 are as follows

Case Number 1797/2021
The applicant instituted a claim against the municipality relating to an outstanding payment which amounts to R2 304,760.77. The municipality is awaiting the plaintiff's discovery. The likelihood of the municipality to losing the case is medium to low.

Case Number 3400/2019
The applicant instituted a claim against the municipality relating to an outstanding payment which amounts to R603 670.30. The case is still pending and the likelihood of the municipality losing the case is low.

Case Number 2389/2020
The applicant instituted a claim against the municipality relating to damages/loss suffered which amount to R1 035 719.32. The case is still pending. The likelihood of the municipality losing this case is low.

Case Number 1570/2022
The applicant instituted a claim relating to damages into a motor vehicle which amount to R62 235.92. The case is still pending. The likelihood of the municipality losing the case is medium to low.

Case Number 1378/2023
The applicant instituted an action against the municipality claiming an amount of R400 000.00. The case is still pending. The likelihood of the municipality losing this case is low.

Case Number 02/2023
The applicant instituted action against the municipality claiming an amount of R17 085.90. The case is still pending and the likelihood of the municipality losing the case is low

Case Number 130/2023
Applicant instituted an action against the municipality claiming outstanding payment of R69 000.00. The case is still pending. The likelihood of the municipality losing this case is low.

Case Number 576/2024
The applicant instituted an action against the municipality for loss of rental income amounting to R878 190.00. The case is still pending and the likelihood of the municipality losing this case is low

Case Number: 2025-056535:
The applicant instituted an action against the municipality. A notice of review application has been received. No amount has been claimed, however the legal practioner estimate the financial implications of the case to be R500 000.00. The case is still pending. The likelihood of the municipality losing the case is medium to low.

2024

Contingent liabilities:

The total contingent liabilities status at the end of June 2024 amount to R7 613 641.91.The municipality has six pending legal cases relating to claims for outstanding payments and 5 claims relating to damages or loss suffered. The summary of the matters as at 30 June 2024 are as follows

45. Contingencies (continued)

Case Number 1797/2021
The applicant instituted a claim against the municipality relating to an outstanding payment which amounts to R2 304,760.77. The municipality is awaiting the plaintiff's discovery. The likelihood of the municipality to losing the case is medium to low.

Case Number 3400/2019
The applicant instituted a claim against the municipality relating to an outstanding payment which amounts to R603 670.30. The case is still pending and the likelihood of the municipality losing the case is low.

Case Number 454/2021
The applicant instituted a claim against the municipality relating to an outstanding payment which amount to R1 227 668.85. The case is still pending and the likelihood of the municipality losing the case is medium to low.

Case Number 2389/2020
The applicant instituted a claim against the municipality relating to damages/loss suffered which amount to R1 035 719.32. The case is still pending. The likelihood of the municipality loosing this case is low.

Case Number 1570/2022
The applicant instituted a claim relating to damages into a motor vehicle which amount to R62 235.92. The case is still pending. The likelihood of the municipality to loose the case is medium to low.

Case Number 456/2023
The applicant instituted a claim relating to loss of rental income amounting to R878 190.00. The likelihood of the municipality losing this case is low.

Case Number 64/2024
The applicant instituted an action against the municipality claiming an outstanding payment of R137 120.85. The case is still pending. The likelihood of the municipality losing the case is medium to low.

Case Number 1378/2023
The applicant instituted an action against the municipality claiming an amount of R400 000.00. The case is still pending. The likelihood of the municipality losing this case is low.

Case Number 02/2023
The applicant instituted action against the municipality claiming an amount of R17 085.90. The case is still pending and the likelihood of the municipality losing the case is low

Case Number 130/2023
Applicant instituted an action against the municipality claiming outstanding payment of R69 000.00. The case is still pending. The likelihood of the municipality losing this case is low.

Case Number 576/2024
The applicant instituted an action against the municipality for loss of rental income amounting to R878 190.00. The case is still pending and the likelihood of the municipality losing this case is low

46. Related parties

Relationships	
Accounting Officer	Refer to accounting officers' report note 6
Councillors	Refer to general information page
Members of key management	Dr Z Shasha - Municipal Manager
	Mrs B Ngwendu - Chief Financial Officer
	Mr S Mnweba - Director Planning and Development
	Mrs N Nqulo - Director Corporate Services
	Mrs A Noholoza - Director Community Services
	Mrs N Dlova - Director Engineering Services

Refer to note 30 for Management remuneration disclosure.

Related party balances

No expenditure was incurred during the year under review

Remuneration of Councillors

Notes to the Annual Financial Statements

Figures in Rand

46. Related parties (continued)

Management class: Councillors

2025

Name	Councillors' salaries	Telephone allowance	Travel allowance	3G Card	Subsistence	Backpay	Total
NC Nongqayi (Mayor)	712 977	43 200	244 562	3 804	20 772	32 558	1 057 873
NP Mlahleki (Speaker)	570 383	43 200	195 650	3 804	1 151	24 861	839 049
P Qaba (EXCO)	534 735	43 200	183 422	3 804	-	24 419	789 580
XM Tokwe (EXCO)	534 735	43 200	183 422	3 804	-	24 419	789 580
B Xongwana (EXCO)	534 735	43 200	183 422	3 804	11 728	24 419	801 308
NA Kato-Manyika (EXCO)	534 735	43 200	183 422	3 804	-	24 419	789 580
RB Pickering (EXCO)	264 453	43 200	88 099	3 804	-	15 219	414 775
PM Onceya-Sauti	295 491	43 200	104 210	3 804	805	22 101	469 611
A Hobo	4 909	-	1 636	-	-	-	6 545
N Ngxakangxaka	225 626	43 200	77 391	3 804	-	10 296	360 317
T Balindlela	218 754	36 000	73 051	3 170	-	13 420	344 395
N Mbulawa	225 626	43 200	77 391	3 804	-	10 296	360 317
M Gantsho	225 626	43 200	77 391	3 804	-	10 296	360 317
NV Mjandana	225 626	43 200	77 391	3 804	-	10 296	360 317
N Nyangwa	225 626	43 200	77 391	3 804	-	10 296	360 317
NC Mkiva	225 626	43 200	77 391	3 804	-	10 296	360 317
N Charlie	225 626	43 200	77 391	3 804	-	10 296	360 317
ZA Qonto	289 575	43 200	99 348	3 804	1 234	13 223	450 384
NZ Klaas	225 626	43 200	77 391	3 804	-	10 296	360 317
M Busakwe	225 626	43 200	77 391	3 804	-	10 296	360 317
ZE Mfulana	5 455	-	1 818	-	-	-	7 273
X Neti	225 626	43 200	77 391	3 804	-	10 296	360 317
M Nqini	225 626	43 200	77 391	3 804	-	10 296	360 317
M Neku	225 626	43 200	77 391	3 804	-	10 296	360 317
NO Sidinana	5 455	-	1 818	-	-	-	7 273
PA Simandla	225 626	43 200	77 391	3 804	-	10 296	360 317
N Ncevu	225 626	43 200	77 391	3 804	-	10 296	360 317
ME Maweni	225 626	43 200	77 391	3 804	-	10 296	360 317
N Salaze	225 626	43 200	77 391	3 804	-	10 296	360 317

46. Related parties (continued)

O Mgunculu	225 626	43 200	77 391	3 804	-	10 296	360 317
P Budaza	225 626	43 200	75 753	3 804	-	5 386	353 769
Z Ngozi	207 422	39 600	69 141	3 487	-	3 125	322 775
SC Mqwebedu Matini	207 422	39 600	69 141	3 487	-	3 750	323 400
Z Gavini	38 437	9 120	12 812	803	-	13 479	74 651
NJ Ulana	-	6 000	3 600	-	8 112	-	17 712
P Zwelakhe-Gayika	-	6 000	3 600	-	11 376	-	20 976
	9 020 941	**1 302 720**	**3 093 574**	**113 655**	**55 178**	**419 830**	**14 005 898**

2024

Name	Councillors' salaries	Telephone allowance	Travel allowance	3G Card	Subsistence	Backpay	Total
NC Nongqayi (Mayor)	686 073	45 600	228 691	4 008	24 679	44 332	1 033 383
NP Mlahleki (Speaker)	548 859	45 600	182 953	4 008	1 127	36 754	819 301
P Qaba (EXCO)	514 556	45 600	171 519	4 008	2 636	32 384	770 703
XM Tokwe (EXCO)	514 556	45 600	171 519	4 008	-	29 483	765 166
T Balindlela (EXCO)	287 061	45 600	95 687	4 008	-	16 448	448 804
B Xongwana (EXCO)	514 556	45 600	171 519	4 008	24 341	29 483	789 507
NA Kato-Manyika (EXCO)	514 556	45 600	171 519	4 008	-	39 218	774 901
PM Onceya-Sauti	278 633	45 600	92 878	4 008	-	15 965	437 084
A Hobo	144 300	31 200	48 100	2 740	-	12 440	238 780
N Ngxakangxaka	217 117	45 600	72 372	4 008	-	12 440	351 537
RB Pickering	217 117	45 600	72 372	4 008	-	12 440	351 537
N Mbulawa	217 117	45 600	72 372	4 008	-	12 440	351 537
M Gantsho	217 117	45 600	72 372	4 008	-	12 440	351 537
NV Mjandana	217 117	45 600	72 372	4 008	-	12 440	351 537
N Nyangwa	217 117	45 600	72 372	4 008	-	12 440	351 537
NC Mkiva	217 117	45 600	72 372	4 008	-	12 440	351 537
N Charlie	217 117	45 600	72 372	4 008	-	12 440	351 537
ZA Qonto	278 633	45 600	92 878	4 008	6 618	17 905	445 642
NZ Klaas	217 117	45 600	72 372	4 008	-	12 440	351 537
M Busakwe	217 117	45 600	72 372	4 008	-	12 440	351 537
ZE Mfulana	180 708	38 400	60 236	3 374	-	12 440	295 158
X Neti	217 117	45 600	72 372	4 008	-	12 440	351 537

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46. Related parties (continued)

M Nqini	217 117	45 600	72 372	4 008	-	12 440	351 537
M Neku	217 117	45 600	72 372	4 008	-	12 440	351 537
NO Sidinana	180 708	38 400	60 236	3 374	-	12 440	295 158
PA Simandla	217 117	45 600	72 372	4 008	-	12 440	351 537
N Ncevu	217 117	45 600	72 372	4 008	-	12 440	351 537
ME Maweni	217 117	45 600	72 372	4 008	-	12 440	351 537
N Salaze	217 117	45 600	72 372	4 008	-	12 440	351 537
O Mgunculu	217 117	45 600	72 372	4 008	-	22 777	361 874
P Budaza	54 612	10 800	18 204	951	-	-	84 567
NJ Ulana	-	6 000	3 600	-	15 456	-	25 056
P Zwelakhe - Gayika	-	6 000	3 600	-	24 428	-	34 028
	8 605 917	**1 362 000**	**2 875 835**	**118 655**	**99 285**	**533 549**	**13 595 241**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

47. Prior period errors

Presented below are those items contained in the statement of financial position, statement of financial performance and cash flow statement that have been affected by prior-year adjustments:

Statement of financial position

2023

	Note	As previously reported	Correction of error	Restated
Other receivables - previously Prepayments		1 765 021	48 106	1 813 127
Input VAT Accrual		8 950 584	186	8 950 769
Property, plant and equipment		397 166 168	9 380	397 175 548
Output VAT Accrual		(7 592 853)	6 962 075	(630 778)
Accumulated surplus		(249 393 169)	(7 019 747)	(256 412 916)
		150 895 751	**-**	**150 895 750**

2024

	Note	As previously reported	Correction of error	Restated
Input VAT Accrual		10 768 611	134 681	10 903 292
Other receivables		625 343	1 472 209	2 097 552
Property, plant and equipment		421 112 829	436 382	421 549 211
Payables from exchange transactions		(183 734 975)	(1 108 915)	(184 843 890)
Unspent conditional grants		(15 782 968)	(108 533)	(15 891 501)
Output VAT Accrual		(10 945 169)	7 955 180	(2 989 989)
Accumulated surplus		(255 323 098)	(8 781 004)	(264 104 102)
		(33 279 427)	**-**	**(33 279 427)**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

47. Prior period errors (continued)

Input VAT accrual		
Balance previously reported		10 768 611
Correction of Retention payables		64 051
Correction of Prepayments		(13 371)
Correction of Payables from exchange transactions		80 587
Correction of Other receivables - Accrued revenue		3 414
Restated 30 June 2024 balance		**10 903 292**

Other receivables		
Balance previously reported		625 343
Correction of expenditure captured in the incorrect financial year		-
- Effect on VAT receivable		13 415
- Effect on General Expenditure		89 143
- Effect on Input VAT accrual		(3 456)
- Effect on Vending management		(23 036)
- Effect on Prepaid electricity		1 214 038
- Effect on Output VAT accrual		182 105
Restated 30 June 2024 balance		**2 097 552**

Property, plant and equipment		
Balance previously reported		421 112 829
Correction of Retention payables		427 030
Correction of Transport assets understated in the prior financial year		9 352
Restated 30 June 2024 balance		**421 549 211**

Payables from exchange transactions		
Balance previously reported		(183 734 975)
Correction of trade creditor understated		
- Effect on Input VAT Accrual		(80 587)
- Effect on Contracted services		(537 247)
Correction of retention understated in the prior financial year		-
- Effect on Input VAT Accrual		(64 051)
- Effect on Property, plant and equipment		(427 030)
		(184 843 890)

Unpsent conditional grants and receipts		
Balance previously reported		(15 782 968)
Correction of Grants and subsidies understated in the prior financial year		
- Effect on Grants and subsidies		(108 533)
Restated 30 June 2024 balance		**(15 891 501)**

Output VAT accrual		
Balance previously reported		(10 945 169)
Correction of output VAT on Debt impairment		
- Effect on Accumulated surplus		6 968 535
- Effect on debt impairment		1 168 751
Correction of Other receivables - Accrued revenue		(182 106)
Restated 30 June 2023 balance		**(2 989 989)**

47. Prior period errors (continued)

Statement of financial performance

2024

	Note	As previously reported	Correction of error	Restated
Service charges		62 808 426	1 170 969	63 979 395
Rental of facilities and equipment		500 304	(254 004)	246 300
Interest received - receivables from exchange transactions		7 740 079	(36 027)	7 704 052
Miscellaneious and other revenue		688 405	254 003	942 408
Government grants and subsidies		184 329 074	(108 533)	184 220 541
Interest received - receivables from non-exchange transactions		7 437 534	36 028	7 473 562
General expenditure		(24 435 482)	89 143	(24 346 339)
Vending management fee		(239 575)	(21 798)	(261 373)
Debt impairment		(25 872 214)	1 168 751	(24 703 463)
Contracted services		(11 588 498)	(537 247)	(12 125 745)
Surplus for the year		**201 368 053**	**1 761 285**	**203 129 338**

Errors

Prior year property, plant and equipment understated

During the prior year, the auditor general identified that retention payables; and property, plant and equipment was understated. This has been corrected in the current year.

This effects the VAT receivable, Property, plant and Equipment; and Trade and other payables for the 2024 financial year in the Statement of Financial Position. An additional understatement of Transport assets effected Property, plant and equipment for the 2023 financial year.

This error as result of the understatement of transport assets affected depreciation in the 2023 and 2024 Statement of Financial Performance.

This has no effect on the Cash Flow Statement.

Prior year other receivables understated

Management identified that prepayments and revenue accrued for the 2024 financial year was understated.

This affects Other receivables, Input VAT accrual and Output VAT accrual for the 2023 and 2024 financial years in the Statement of Financial Posistion

This affect General Expenditure in the Statement of Financial Performance for the 2024 financial year and Service charges and vending management fee in the Statement of Financial Performance for the 2023 and 2024 financial years.

This has no effect on the Cash Flow Statement.

Prior year grants and subsidies understated

Management identified that the Disaster Grant revenue recognised for the 2024 was understated.

This affects Unspent conditional grants and subsidies paid for the 2024 financial year in the Statement of Financial Position.

This affects the grant and subsidies line item in the Statement of Financial Performance

This has no effect on the Cash Flow Statement.

Prior year VAT on Receivables from exchange transactions provision for debt impairment

47. Prior period errors (continued)

During the preparation of the financial statements it was identified that no Output VAT accrual was accounted for regarding Provision for debt impairment.

This affects accumulated surplus for the 2023 and 2024 financial years in the Statement of Financial Position.

This affects debt impairment item in the Statement of Financial Performance.

This has no effect on the Cash Flow Statement.

Revenue from exchange transactions

During the preparation of the financial statements it was identified that other revenue was previously misallocated to rental of facilities and equipment and Interest from non-exchange receivables was misallocated to interest from exchange receivables..

This affects accumulated surplus for the 2024 financial year in the Statement of Financial Position

This affects the above mentioned revenue items in the Statement of Financial Performance.

This has no effect on the Cash Flow Statement.

Irregular expenditure

Opening balance	138 500 884	-
Adjustments made	3 738 369	-
Restated opening balance	**142 239 253**	**-**

Adjustment made to opening balance of irregular expenditure is due to an understatemetn of irregular expenditure attributable to the establishment of panels during the 2024 financial year, as it was subsequently noted when evidence was prepared for consideration by Council and MPAC.

48. Risk management

Financial risk management

Credit risk

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

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

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

Financial instrument	2025	2024
Receivables from exchange transactions	44 594 414	27 195 799
Cash and cash equivalents	12 554 267	22 980 213
Other receivables	2 883 130	2 097 552

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

48. Risk management (continued)

Market risk

Risk from biological assets

The municipality is exposed to financial risks arising from changes in wood prices. The municipality does not anticipate that wood prices will decline significantly in the foreseeable future. The municipality has not entered into derivative contracts to manage the risk of a decline in wood prices. The municipality reviews its outlook for wood prices regularly in considering the need for active financial risk management.

Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments, projected grant receipts and cash forecasting. Cash flow forecasts are prepared and borrowing facilities are monitored.

At 30 June 2025	1 month past due	2 months past due	3 months and more past due	Total past due
Past due but not impaired				
Receivables from exchange transactions - consumer debtors	5 759 280	2 819 713	36 015 421	44 594 414
Receivables from non-exchange transactions	1 536 037	1 037 953	29 309 194	31 883 184
Past due impaired				
Receivables from exchange transactions - consumer debtors	1 460 564	1 430 982	115 647 185	118 538 731
Receivables from non-exchange transactions	469 390	471 390	54 537 851	55 478 631

At 30 June 2024	1 month past due	2 months past due	3 months and more past due	Total past due
Past due but not impaired				
Receivables from exchange transactions - consumer debtors	7 379 711	110 137	19 705 906	27 195 754
Receivables from non-exchange transactions	1 645 807	1 155 237	22 996 037	25 797 081
Past due impaired				
Receivables from exchange transactions - consumer debtors	3 399 152	450	85 615 872	89 015 474
Receivables from non-exchange transactions	1 318 867	6 044	52 390 616	53 715 527

At 30 June 2025	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Payables from exchange transactions	134 695 930	-	-	-
Financial liability - current	4 610 553	-	-	-
Financial liability - non-current	-	14 010 320	14 896 699	-

At 30 June 2024	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Payables from exchange transactions	183 701 960	-	-	-

Notes to the Annual Financial Statements

49. Going concern

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

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continues to procure funding for the ongoing operations for the municipality.

The municipality is facing a number of financial risks that negatively impact its ability to sustain its current level of operations in the near fufture, before taking into account government grants. The key financial risks identified include:

- An inability to pay creditors within due dates.
- An inability to sufficiently maintain, renew and safeguard the municipality's revenue-generating assets
- Negative key financial ratios.
- Net current liability was realised.

There is a material uncertainty related to existing conditions that may cast significant doubt on the entity’s ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

The actions taken by management to mitigate the impact of these risks include:
- Management maintains detailed financial plans and manages working capital elements as necessary.
- Budget controls are in place to ensure that over-expenditure is eliminated.
- The treasury will continue to provide funding to the municipality in the foreseeable future.
- Implementation of financial improvemnet plan.
- The approved municipal budget has an operating surplus.
- Council of the municipality has approved cost containment policy in line with the MFMA: Cost Containment Regulations.

50. Events after the reporting date

There are no events after the reporting date:

51. Unauthorised expenditure

	2025	2024
Opening balance as previously reported	161 902 892	324 323 571
Add: Unauthorised expenditure - current	19 131 084	-
Less: Amount recovered - prior period	-	(162 420 679)
Closing balance	**181 033 976**	**161 902 892**

All cases of unauthorised expenditure is currently under investigation.

Unauthorised expenditure comprise over expenditure on the following expenditure items:
- Depreciation and amortisation
- Impairment loss
- Finance costs
- Debt impairment
- Bulk purchases
- Operational costs
- Loss on the sale of assets.

52. Fruitless and wasteful expenditure

	2025	2024
Opening balance as previously reported	10 470 373	7 326 735
Add: Fruitless and wasteful expenditure identified - current	4 766 229	10 680 148
Less: Amount written off - current	(7 970 717)	(7 536 510)
Closing balance	**7 265 885**	**10 470 373**

Fruitless and wasteful expenditure is presented inclusive of VAT

52. Fruitless and wasteful expenditure (continued)

All cases of fruitless and wasteful expenditure is currently under investigation.

53. Irregular expenditure

	2025	2024
Opening balance as previously reported	142 239 253	115 735 454
Add: Irregular expenditure - current	31 481 251	27 686 139
Less: Amount written off - current	(135 649 484)	(1 182 340)
Closing balance	**38 071 020**	**142 239 253**

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

	Disciplinary steps taken/criminal proceedings		
Irregular expenditure on Payroll	Due process was not followed before standardisation of salaries were paid	-	15 261 673
Irregular expenditure on contracts	SCM Processes were not followed	29 319 164	9 226 659
Supplier failed to honour SARS arrangement		2 162 087	2 576 606
Supplier not tax compliant		-	94 544
Travel allowance policy not implemented correctly		-	526 657
		31 481 251	**27 686 139**

Cases under investigation

All cases of irregular expenditure is currently under investigation.

Amount written-off

During the prior financial year, council adopted the council committee recommendation to write-off an amount of R 1 182 340 from the total irregular expenditure amount as it was proven without reasonable doubt that the amount was not recoverable. These amounts relate to the 2018, 2019, 2020 and 2023 financial years.

SCM processes not followed	32 778 522	1 182 340
Irregular expenditure on Payroll	102 870 962	-
	135 649 484	**1 182 340**

Notes to the Annual Financial Statements

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54. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Opening balance	4 697 665	4 454 473
Current year subscription / fee	1 582 728	1 178 721
Amount paid - current year	(2 755 000)	(935 529)
	3 525 393	**4 697 665**

There were no prepaid expenditure relating Contributions to organised local government at year end.

The municipality entered into a payment arrangment with SALGA.

Material electrical distribution losses

Losses identified - current period	12 005 255	18 355 470

The municipality lost 5 500 867 kwh (2024: 9 372 845 kwh) representing 19.98% (2024: 35.31%) of total bulk purchases of electricity from Eskom during the year. The losses are attributed to normal losses and illegal connections.

Audit fees

Opening balance	321 908	1 793 683
Current year subscription / fee	2 265 692	3 449 626
Amount paid - current year	(2 561 386)	(4 921 401)
	26 214	**321 908**

PAYE and UIF

Opening balance	987 676	5 471 007
Current year subscription / fee	24 238 930	23 150 075
Amount paid - current year	(23 153 285)	(27 633 406)
	2 073 321	**987 676**

Pension and Medical Aid Deductions

Opening balance	4 879 091	2 826 400
Current year subscription / fee	20 040 217	34 805 505
Amount paid - current year	(23 810 490)	(32 752 814)
	1 108 818	**4 879 091**

VAT

VAT receivable	1 066 503	845 349

VAT input accrual and output accruals are disclosed in note 7 and 19 .

Councillors' arrear consumer accounts

No Councillors had arrear accounts outstanding for more than 90 days at 30 June 2025:

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

Supply chain management regulations

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

The reasons for the deviations can be summaries as follows:

	Impractical	Sole Supplier	Total
Budget and Treasury	140 660	219 377	360 037
Community Services	56 146	131 330	187 476
Corporate Services	85 927	31 099	117 026
Engineering Services	2 815 005	38 435	2 853 440
Executive Services	10 000	20 160	30 160
	3 107 738	**440 401**	**3 548 139**

Incident		
Buffalo Toyota	18 362	7 612
Caseware Africa	219 377	205 025
Datnis Nissan	-	21 855
Eyabantu Professional Services	26 000	9 413
Fort Hare Trading Solutions	140 660	-
Institute of Energy Professional	11 730	-
JEB Power Projects	173 656	38 606
Kanu Equipment South Africa	48 878	-
Lexis Nexis	55 323	-
Lighting Structures	-	19 784
Management Integrity Evaluation	9 237	10 712
Matimba Yeru Energy	2 099 104	-
Motor Vehilce Electrical	76 007	-
North and Robertson	-	36 018
Dibela Holdings (Pty) Ltd	-	83 800
Peugair Border CC	-	193 017
Rencor Engineering	-	76 199
Square Deal Engineering	16 181	-
Soma Workplace (Pty) Ltd	-	178 211
Stutt Delta Garage	127 779	34 186
T Birch & Co (Pty) Ltd	20 160	-
Toptrack Fort Three	15 213	-
Truvela Africa Electronics	-	12 310
Truworths Man	10 000	-
Titan Wheels	-	5 930
Work Dynamics	21 862	7 287
Yande Engineering	407 610	-
Zenith Car Rental	51 000	-
	3 548 139	**939 965**

55. Segment information

General information

Identification of segments

The municipality is organised and reports to management on the basis of two major functional areas: electricity, solid waste removal and roads. 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.

Segment surplus or deficit, assets and liabilities

2025

	Electricity	Solid waste removal	Roads	Total
Revenue				
Service charges	63 734 851	11 734 358	-	75 469 209
Government grants and subsidies	8 064 725	494 945	1 511 000	10 070 670
Total segment revenue	**71 799 576**	**12 229 303**	**1 511 000**	**85 539 879**
Service charges				5 198 166
Rental of facilities and equipment				286 013
Interest receivables from exchange transactions				9 496 922
Licences and permits				1 530 052
Miscellaneous and other revenue				1 237 539
Insurance refunds				742 017
Interest received from investments				3 420 580
Actuarial gains				3 147 880
Gain on foreign exchange				33 269
Fair value adjustment				98 177
Inventory adjustment				9 992
Property rates				22 003 286
Government grants and subsidies				213 777 850
Public contributions and donations				133 563
Fines penalties and forfeits				25 852
Interest receivables from non-exchange transactions				7 762 634
Motor vehicle registration				818 930
Other revenue				29 318 887
Total revenue reconciling items				**299 041 609**
Entity's revenue				**384 581 488**
Expenditure				
Employee related costs	5 898 724	10 672 954	29 398 772	45 970 450
Vending management fee	281 694	-	-	281 694
Depreciation and amortisation	961 426	3 988 607	20 455 375	25 405 408
Bulk purchases	59 229 954	-	-	59 229 954
Debt impairment	15 194 799	8 490 117	-	23 684 916
Contracted services	807 177	195 664	473 963	1 476 804
General expenses	336 908	154 779	252 039	743 726
Total segment expenditure	**82 710 682**	**23 502 121**	**50 580 149**	**156 792 952**
Total segmental surplus/(deficit)				**(71 253 073)**
Employee costs				(79 010 014)
Councillors remuneration				(14 005 898)
Depreciation and amortisation				(5 123 491)

Notes to the Annual Financial Statements

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55. Segment information (continued)

Impairment loss on assets				(10 533 016)
Finance costs				(7 068 822)
Contracted services				(14 183 165)
Debt impairment				(4 916 754)
General expenses				(24 067 459)
Lease rentals on operating lease				(8 309)
Loss on disposal of assets and liabilities				(1 581 219)
Total expenditure reconciling items				**(160 498 147)**
Entity's surplus (deficit) for the period				**67 290 389**
Assets				
Current assets	19 638 775	7 321 881	-	26 960 656
Non-current assets excluding additions	21 934 249	12 019 354	202 823 113	236 776 716
Non-current assets additions	-	2 500 533	39 465 956	41 966 489
Total segment assets	**41 573 024**	**21 841 768**	**242 289 069**	**305 703 861**
Current assets				76 631 191
Non-current assets excluding additions				157 426 877
Non-current assets additions				32 267 898
Total assets as per Statement of financial Position				**572 029 827**
Liabilities				
Segment liabilities	4 860 000	18 253 291	-	23 113 291
Unallocated liabilities				217 552 045
Total liabilities as per Statement of financial Position				**240 665 336**

2024

	Electricity	Solid waste removal	Roads	Total
Revenue				
Service charges	47 462 320	11 558 281	-	59 020 601
Government grants and subsidies	-	1 054 306	1 310 000	2 364 306
Total segment revenue	**47 462 320**	**12 612 587**	**1 310 000**	**61 384 907**
Service charges				4 958 795
Rental of facilities and equipment				246 300
Interest receivable from exchange transactions				7 704 052
Licences and permits				2 481 738
Miscellaneous and other revenue				942 408
Administration and management fees				10 733
Insurance refunds				4 750
Interest received - investments				3 455 509
Actuarial gains				6 466 387
Inventory adjustment				184
Property rates				24 168 893
Government grants and subsidies				181 856 234
Fines, penalties and forfeits				12 478
Interest receivables from non-exchange transactions				7 473 562
Motor vehicle registration				1 381 973
Other revenue				11 884 356
Total revenue reconciling items				**253 048 352**
Entity's revenue				**314 433 259**
Expenditure				
Employee related costs	4 295 049	11 767 457	29 547 285	45 609 791

Notes to the Annual Financial Statements

Figures in Rand

55. Segment information (continued)

Vending management fee	261 373	-	-	261 373
Depreciation and amortisation	967 280	1 490 835	17 834 965	20 293 080
Bulk purchases	51 809 374	-	-	51 809 374
Debt impairment	(750 387)	12 397 867	-	11 647 480
Contracted services	1 118 583	277 559	1 610 175	3 006 317
General expenses	584 151	148 894	266 817	999 862
Total segment expenditure	**58 285 423**	**26 082 612**	**49 259 242**	**133 627 277**
Total segmental surplus/(deficit)	**-**	**-**		**(72 242 370)**
Employee costs				(90 596 280)
Councillors remuneration				(13 595 241)
Depreciation and amortisation				(4 485 667)
Impairment losses on assets				(1 161 270)
Finance costs				(15 523 956)
Contracted services				(9 119 427)
Debt impairment				(13 055 983)
Lease rentals on operating lease				(33 084)
Loss on disposal of assets and liabilities				(453 804)
Fair value adjustments				(1 743 607)
General expenses				(23 346 477)
Total expenditure reconciling items				(173 114 796)
Entity's surplus (deficit) for the period				**7 691 186**
Assets				
Current assets	19 022 416	3 008 350	-	22 030 766
Non-current assets excluding additions	22 895 675	8 140 881	199 836 004	230 872 560
Non-current assets additions	-	7 867 080	23 595 393	31 462 473
Total segment assets	**41 918 091**	**19 016 311**	**223 431 397**	**284 365 799**
Current assets				72 072 286
Non-current assets excluding additions				156 500 171
Non-current assets additions				19 493 893
Total assets as per Statement of financial Position				**532 432 149**
Liabilities				
Segment liabilities	-	27 395 060	-	27 395 060
Unallocated liabilities				240 932 987
Total liabilities as per Statement of financial Position				**268 328 047**

Information about geographical areas

The municipality’s operations throughout Amahlathi Municipality in 4 towns in the Eastern Cape, ie., Stutterheim, Cathcart, Kei Road and Keiskamahoek. Segments were not organised on the basis of the differences in geographical areas of operation an the cost to develop such information would be excessive.

56. Accounting by principals and agents

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

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

56. Accounting by principals and agents (continued)

Entity as agent

Revenue recognised

The aggregate amount of revenue that the entity recognised as compensation for the transactions carried out on behalf of the principal is R799 850 (2024: R1 381 121).

Additional information

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

Reconciliation of the carrying amount of payables

	2025	2024
MV Licences and registration		
Opening balance	4 660	5 841
Amount received on behalf of the principal	5 590 916	6 986 319
Amounts transferred to the principal	(4 789 370)	(5 605 527)
Amounts recognised as revenue for services rendered	(799 850)	(1 381 973)
	6 356	**4 660**

	2025	2024
All categories		
Opening balance	4 660	5 841
Expenses incurred on behalf of the principal	5 590 916	6 986 319
Cash paid on behalf of the principal	(4 789 370)	(5 605 527)
Amounts transferred to the principal	(799 850)	(1 381 973)
	6 356	**4 660**

Entity as principal

Fee paid

	2025	2024
Fee paid as compensation to the agent	540 000	540 000

The municipality entered into an agreement with Amahlathi Society for the prevention of cruelty to animals (SPCA). In terms of the agreement the SCPA will be delegated all powers in terms of regulations relating to the destruction, sale or disposal of animals and any other legislation which may from time to time be applicable, insofar as such powers may be delegated.

The SPCA is required to conduct public awareness and education campaigns as well as be responsible for operating the pound.

57. Budget differences

Material differences between budget and actual amounts

A - Variance is due to the demand for services being less than estimated.

Notes to the Annual Financial Statements

57. Budget differences (continued)

B - Variance is due to the demand for municipal facilities increasing significantly during quarter four, after the budget was reduced

C - Variance is attributable to unforseen fluctuations in debtors payment patterns.

D - Variance is due to decrease in number of traffic related services, including motor vehicle licensing as it is dependent on walk-ins.

E - Variance is attributable to the increased number of business registrations and classification differences between budget schedules and GRAP.

F - Varinace is due to the availability of funds for short term investments being less than estimated and the terms being shorter than estimated.

G - Variance is due to a reduction in Agriculture property values.

H - The municipality did not anticipate that donations will be received during the year.

I - Variance is attributable to the debt waiver by Eskom linked to the payment arrangement entered into with Eskom.

J - Variance is due to the last number of capital projects being completed during the year.

K - Variance is due to work-in-progress projects assessed as impaired.

L - Variance is due to high Eskom debt and payment arrangement only entered into during January 2025.

M - Variance is due to the implementation of cost containement and cash management processes and reducing expenditure..

N - Variance is as result of the difference between the budget schedules and GRAP classifications.

O - Variance is attributable due to the disposal of municipal assets not being planned at budget stage.

P - Variance is attributable to fluctuations rates in the exchange rates.

Q - Variance is attributable to fluctuations in the market values in biological assets and employee benefits

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

57. Budget differences (continued)

R - Variance is due to the municipality no longer keeping high value inventory.

S - Variance is due to prepaid expenditure, accured revenue and a conditional grant being unpaid at year end.

T - Variance is due to the municipality's increased efforts in reducing trade payables.

U - Variance is due to incorrect understimation amortisation of intangible assets.

V - Variance is attributable to the Eskom payment arrangement entered into.

W - Variance is due to the correction of error relating to the accounting for VAT on receivables from exchange transactions provision for debt impairment.

X - Variance is due to both the rolled-over and current allocation of disaster grant funding spent in full during the year.

Y - Variance is due to the municipality not entering into any new leases during the year.

Z - Variance is due to the increased provision for landfill sites

AA - Variance is due to only finance costs relating the Auditor General being paid during the year.

AB - Variance is attributable to the inclusion of VAT in the budget schedules.

AC - Variance is as result of opening balances not accurately adjusted during the adjustments budget.Additional text