



MALUTI-A-PHOFUNG LOCAL MUNICIPALITY

Audited Annual Financial Statements
for the year ended 30 June 2025

MALUTI-A-PHOFUNG LOCAL MUNICIPALITY

(Registration number FS194)

Annual Financial Statements for the year ended 30 June 2025

General Information

Legal form of entity

MALUTI-A-PHOFUNG LOCAL MUNICIPALITY is a South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act. (Act no. 117 of 1998).

Nature of business and principal activities

The provision of services (electricity, water, sanitation and refuse) to communities in a sustainable manner, to promote social and economic development; and to promote a safe and healthy environment.

The following is included in the scope of operation

The municipality's operations are governed by:

- Constitution of the Republic of South Africa (Act 108 of 1996)
- Municipal Finance Management Act (Act no. 56 of 2003)
- Municipal Structures Act (Act no. 117 of 1998)
- Municipal Systems Act (Act no. 32 of 2000)
- Value Added Tax Act
- Municipal Property Rates Act (Act no. 6 of 2004)
- Water Services Act (Act no. 108 of 1997)
- Unemployment Insurance Act (Act no. 30 of 1966)
- Basic Conditions of Employment Act (Act no. 75 of 1997)
- Employment Equity Act (Act no. 55 of 1998)
- Housing Act (Act no. 107 of 1997) and various other Acts and Regulations.

Mayoral committee

MB Lebesa
HF Mdakane
EM Mofokeng
NI Letlala
M Crocket
PK Khumalo
IDJ Nhlapo
AN Motaung
MB Bohlale
MM Lakaje-Mosia
MJ Melato Dlamini
MW Dlamini
MJ Lebesa

Executive Mayor

Speaker

Chief Whip

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Councillors

ML Mokoena
HD Dlamini
J Rantsane
A Sothoane
AN Motaung
MJ Ralethohlane
ME Mahamotsa
M Crockett
KP Moloi
PG Makae
MJ Malaoane
NP Mokoena
MJ Mokoena
ME Moloi
E Quinta
DJ Mokoena
TD Moloi
PK Khumalo
MF Ngozo
M Lefuma
TA Lesenyeho
ML Nchocho
TP Maboea
ML Masobe
MB Bohlale
A Ramochela
JM Mokoenihi
MM Dlamini
SR Khumalo
S Hlalele
ME Lebusa
KL Motaung
MC Moloi
MJ Moloi
JM Mokoena
DE Sefatsa
LB Sesoai
PP Sefudi Mollo
TJ Mahlambi
BG Hlubi
MJ Lebesa
C Kalamer
MJ Melato Dlamini
TJ Nthinya
AM Oates
MJ Mopeloa
DJ Nhlapo
TR Thebe
PJ Titeli
DA Sedikwe
SJ Motaung
KE Molefe
MS Mkhwanazi
I Naledi
MA Mofokeng Tsoeu
PA Motloung
MA Nhlapo
TG Mokotso
MM Lakaje-Mosia
NI Letlala
HF Mdakane
MB Lebesa
EM Mofokeng

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General Information

	NV Makhalemele TE Thulo TR Mohlekwa N Ramohloli S Mkhwanazi MF Ratsoana MW Dlamini
Grading of local authority	The Maluti-A-Phofung Municipality is a grade 5 Local Authority in terms of item IV of Government Notice R999 of 2 October 2001, published in terms of the Remuneration of Public Office Bearers Act, 1998 (Act no. 20 of 1998).
Accounting Officer	Advocate MM Mofokeng
Chief Finance Officer (CFO)	TR Marumo (Acting)
Business address	Cnr Moremoholo & Motloun Street Phuthaditjhaba 9870
Postal address	Private Bag X805 Phuthaditjhaba 9870
Bankers	First National Bank Standard Bank ABSA Bank Limited NEDBANK
Auditors	The Auditor-General of South Africa (AGSA)
Attorneys	Niemann Grobbelaar Ponoane Attorneys Lethabo Mokoena Attorneys Noge Attorneys Tsotetsi & Mchunu Attorneys Kaibes Inc. Peyper Attorneys MC Radebe Attorneys Sibeko Inc Lessing & Van Jaarsveld Attorneys Balden Vogel
Preparer	The annual financial statements were internally compiled by: Office of the CFO

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Abbreviations used:

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
DORA	Division of Revenue Act
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
CIGFARO	Chartered Institute of Government, Finance, Audit and Risk Officers
IPSAS	International Public Sector Accounting Standards
SAPS	South African Police Service
MMC	Member of Mayoral Committee
MFMA	Municipal Finance Management Act (Act 56 of 2003)
mSCOA	Municipal Standard Chart of Accounts
MIG	Municipal Infrastructure Grant (Previously CMIP)
MPAC	Municipal Public Accounts Committee
ASB	Accounting Standards Board
SCM	Supply Chain Management

MALUTI-A-PHOFUNG LOCAL MUNICIPALITY

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Annual Financial Statements for the year ended 30 June 2025

Accounting Officer's Responsibilities and Approval

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

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

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

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

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

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

The municipality is wholly dependent on the municipality 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, he is supported by the municipality's management team, external auditors and other oversight governance structures of Council.

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

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 is presented on page 9.

The annual financial statements set out on pages 10 to 110, which have been prepared on the going concern basis, were approved by the accounting officer on 18 May 2026 and were signed on its behalf by:



Advocate MM Mofokeng
Municipal Manager (Accounting officer)
MALUTI-A-PHOFUNG LOCAL MUNICIPALITY



MALUTI –A- PHOFUNG MUNICIPALITY

ANNUAL REPORT OF THE AUDIT AND PERFORMANCE COMMITTEE 2024/205

In line with the legal prescripts, MFMA Act of 2003 sec 166, the Audit Committee hereby submits its report of Maluti-A-Phofung Local Municipality and its entity. This report covers activities performed by the Audit Committee for 2024/25 Financial year,

The Audit Committee term runs from 01 November 2022 – 31 October 2025. The term is extended by 6 Months from 01 November 2020 to 30 April 2026.

None of the members are officials of the Municipality or its entity. All five (5) members of the Audit Committee are independent, with no interests in the management or conduct of the municipality.

Audit and Performance Committee Members for 2024/2025 are;

1. Mrs Jane Masite - Chairperson
2. Mr Siyakhula Simelane - Member
3. Mr Sidwell Mofokeng - Member
4. Mr Rendani Makhado - Member
5. Mr Norman Baloyi - Member

The Committee further reports that it has adopted formal terms of reference (Audit Committee Charter) which regulate its affairs according to the Audit Committee Charter and has discharged its responsibilities as contained therein. Which is reviewed and approved annually by the Council.

1. **THE COMMITTEE MET ON THE FOLLOWING DATES; Six (6) meetings held;**
 - **28 AUGUST 2024 - SPECIAL AUDIT COMMITTEE MEETING (AFS Review)**
 - **09 OCTOBER 2024 – ORDINARY AUDIT COMMITTEE MEETING**
 - **19 JANUARY 2025 – SPECIAL AUDIT COMMITTEE MEETING (In-committee with MM)**
 - **22 JANUARY 2025 – ORDINARY AUDIT COMMITTEE MEETING**
 - **24 JANUARY 2025 – SPECIAL AUDIT COMMITTEE MEETING (WITH AGSA (AG Report)**
 - **15 MAY 2025 – ORDINARY AUDIT COMMITTEE MEETING**

The Audit and Performance Audit Committee provided advices on the following, amongst others;

1. Performance Management Reports;
2. Adequacy , reliability and accuracy of financial reporting and information;
3. Compliance with MFMA, Dora and other applicable legislations;
4. Risk Management;
5. Internal Audit Activity;
6. Effective Governance;
7. Internal Controls processes

The effectiveness of internal control

The system of controls is designed to provide cost effective assurance that assets are safeguarded and that liabilities and working capital are efficiently managed.

In line with the MFMA sec 165, on governance and internal control processes, the Internal Audit provides the Audit Committee and management with assurance that the internal controls are appropriate and effective. This is achieved by means of the risk management process, as well as the identification of corrective actions and suggested enhancements to the controls and processes.

From the various reports of the Municipality's Internal Audit Unit, it was noted that, there were breaches of internal controls and in some areas; controls that are put in place were neither effective nor adequate. The committee provide limited assurance on the adequacy and effectiveness of governance, risk management and internal control processes.

Conclusion

The Audit Committee table the Report to Council for consideration.

This Committee remains committed to discharge its responsibilities and duties as outline under section 166(2) of the Municipal Finance Management Act and any other pieces of legislation and it is also satisfied that it has adopted appropriate formal terms of reference as its Audit Committee Charter and discharge its responsibilities as contained therein.



.....
Ms Jane Masite

Chairperson of the Audit Committee

29 August 2025

MALUTI-A-PHOFUNG LOCAL MUNICIPALITY

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Annual Financial Statements for the year ended 30 June 2025

Accounting Officer's Report

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

1. Review of activities

Main business and operations

The municipality is engaged in the provision of basic services (electricity, water, sanitation and refuse) to communities in a sustainable manner, to promote social and economic development; and to promote a safe and healthy environment. and operates principally in South Africa.

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

Net deficit of the municipality was 345 784 092 (2024: deficit 1 135 713 908).

2. 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.

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's did not have any interest in contracts during the financial year.

5. Accounting policies

The annual financial statements prepared in accordance with the South African Statements of Generally Accepted Accounting Practice (GAAP), including any interpretations of such Statements issued by the Accounting Practices Board, and 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	Changes
Advocate MM Mofokeng	South African	Appointed 01 November 2024

7. Auditors

The Auditor-General of South Africa (AGSA) will continue in office for the next financial period.

The annual financial statements set out on pages 10 to 110, which have been prepared on the going concern basis, were approved by the accounting officer on 18 May 2026 and were signed on its behalf by:



Advocate MM Mofokeng
Municipal Manager (Accounting officer)
MALUTI-A-PHOFUNG LOCAL MUNICIPALITY

MALUTI-A-PHOFUNG LOCAL MUNICIPALITY

(Registration number FS194)

Annual Financial Statements for the year ended 30 June 2025

Statement of Financial Position as at 30 June 2025

Figures in Rand	Note(s)	2025	2024
Assets			
Current Assets			
Inventories	3	93 363 921	93 549 295
Receivables from exchange transactions	4	73 487 319	58 124 362
Receivables from non-exchange transactions	5&7	243 261 858	216 445 719
Consumer debtors	6	202 029 449	324 582 091
VAT receivable	8	1 101 173 715	1 090 991 962
Cash and cash equivalents	9	107 916 059	87 957 780
		1 821 232 321	1 871 651 209
Non-Current Assets			
Investment property	10	47 163 425	47 163 425
Property, plant and equipment	11	3 534 421 410	3 411 019 754
Interests in other entities	12	300	300
Other financial assets	13	3 062 411	2 827 352
		3 584 647 546	3 461 010 831
Total Assets		5 405 879 867	5 332 662 040
Liabilities			
Current Liabilities			
Payables from exchange transactions	14	14 354 337 059	13 951 529 839
Consumer deposits	15	26 263 266	25 506 209
		14 380 600 325	13 977 036 048
Non-Current Liabilities			
Employee benefit obligation	16	127 903 736	127 329 000
Provisions	17	80 383 982	65 521 074
		208 287 718	192 850 074
Total Liabilities		14 588 888 043	14 169 886 122
Net Assets		(9 183 008 176)	(8 837 224 082)
Accumulated surplus		(9 183 008 176)	(8 837 224 084)
Total Net Assets		(9 183 008 176)	(8 837 224 084)

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Statement of Financial Performance

Figures in Rand	Note(s)	2025	2024
Revenue			
Revenue from exchange transactions			
Service charges	20	523 255 382	499 052 387
Rendering of services		2 556 392	1 879 408
Interest received (trading)		107 556 012	22 602 575
Rental of fixed assets		1 982 305	1 622 482
Sale of goods and rendering of services	21	2 855 982	3 219 187
Interest received - investment	22	21 183 242	6 767 096
Gain or loss on disposal of assets and liabilities		6 675 822	-
Actuarial gains/losses	23	16 067 264	11 177 000
Inventories losses/write-downs		5 734	122
Total revenue from exchange transactions		682 138 135	546 320 257
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	24	107 972 235	99 784 962
Interest, Dividends and Rent on Land	25	40 646 910	9 066 108
Debt Relief -Eskom Interest Write off		385 738 440	-
Transfer revenue			
Government grants & subsidies	26	1 098 819 071	1 088 803 239
Public contributions and donations	27	-	688 034
Fines, Penalties and Forfeits	28	207 248	735 987
Total revenue from non-exchange transactions		1 633 383 904	1 199 078 330
Total revenue	19	2 315 522 039	1 745 398 587
Expenditure			
Employee related costs	29	(531 006 917)	(515 399 894)
Employee costs - Remuneration of councillors	30	(37 194 471)	(25 442 222)
Administration and management fees	31	(73 237)	(31 000)
Depreciation and amortisation	32	(71 536 502)	(78 343 058)
Finance costs	33	(96 268 127)	(63 759 161)
Debt Impairment	34	(436 119 788)	(957 702 967)
Bad debts written off		(1 179 577)	-
Bulk purchases	35	(1 091 922 641)	(867 195 023)
Contracted Services	36	(100 370 842)	(81 784 146)
Transfers and Subsidies	37	(181 472 000)	(171 200 000)
Gain or loss on disposal of assets and liabilities		-	(76 011)
General expenses	38	(114 162 029)	(120 179 013)
Total expenditure		(2 661 306 131)	(2 881 112 495)
Deficit for the year		(345 784 092)	(1 135 713 908)

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Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus / deficit	Total net assets
Opening balance as previously reported	(12 209 725 024)	(12 209 725 024)
Adjustments		
Prior year adjustments 43	4 508 214 848	4 508 214 848
Balance at 01 July 2023 as restated*	(7 701 510 176)	(7 701 510 176)
Changes in net assets		
Surplus/(Deficit) for the year	(1 135 713 908)	(1 135 713 908)
Total changes	(1 135 713 908)	(1 135 713 908)
Balance at 01 July 2024	(8 837 224 084)	(8 837 224 084)
Changes in net assets		
Surplus/(Deficit) for the year	(345 784 092)	(345 784 092)
Total changes	(345 784 092)	(345 784 092)
Balance at 30 June 2025	(9 183 008 176)	(9 183 008 176)
Note(s)		

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Cash Flow Statement

Figures in Rand	Note(s)	2025	2024
Cash flows from operating activities			
Receipts			
Taxation		207 248	735 987
Sale of goods and services		650 199 507	798 837 349
Government grants and subsidies		1 098 819 073	1 088 803 239
Interest income		21 183 242	6 767 096
Other Income		428 811 746	231 452 862
		2 199 220 816	2 126 596 533
Payments			
Employee costs		(552 652 128)	(529 829 635)
Suppliers		(1 335 169 064)	(1 483 002 043)
Finance costs		(96 268 127)	(63 759 161)
		(1 984 089 319)	(2 076 590 839)
Net cash flows from operating activities	39	215 131 497	50 005 694
Cash flows from investing activities			
Purchase of property, plant and equipment	11	(194 938 158)	(144 463 682)
Proceeds from sale of financial assets		(235 059)	(225 478)
Net cash flows from investing activities		(195 173 217)	(144 689 160)
Net increase/(decrease) in cash and cash equivalents		19 958 280	(94 683 466)
Cash and cash equivalents at the beginning of the year		87 957 780	182 641 246
Cash and cash equivalents at the end of the year	9	107 916 060	87 957 780

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Annual Financial Statements for the year ended 30 June 2025

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand

Statement of Financial Performance

Revenue

Revenue from exchange transactions

Service charges	651 816 008	192 198 558	844 014 566	523 255 382	(320 759 184)	BC1
Rendering of services	5 741 546	(794 674)	4 946 872	2 556 392	(2 390 480)	BC2
Interest received (trading)	18 204 265	102 162 320	120 366 585	107 556 012	(12 810 573)	BC3
Rental income	2 664 608	1 173 374	3 837 982	1 982 305	(1 855 677)	BC4
Other income - (rollup)	4 662 863	3 546 340	8 209 203	2 855 982	(5 353 221)	BC5
Interest received - investment	8 000 000	4 119 779	12 119 779	21 183 242	9 063 463	BC6
Total revenue from exchange transactions	691 089 290	302 405 697	993 494 987	659 389 315	(334 105 672)	

Revenue from non-exchange transactions

Taxation revenue

Property rates	115 244 000	(5 971 502)	109 272 498	107 972 235	(1 300 263)	BC7
Interest, Dividends and Rent on Land	7 268 136	32 821 680	40 089 816	40 646 910	557 094	BC8
Interest - Taxation revenue	-	-	-	385 738 440	385 738 440	BC9

Transfer revenue

Government grants & subsidies	858 919 998	(1 563 998)	857 356 000	857 356 000	-	BC10
Fines, Penalties and Forfeits	4 869 500	(4 009 524)	859 976	207 248	(652 728)	BC11

Total revenue from non-exchange transactions	986 301 634	21 276 656	1 007 578 290	1 391 920 833	384 342 543	
Total revenue	1 677 390 924	323 682 353	2 001 073 277	2 051 310 148	50 236 871	

Expenditure

Employee related costs	(520 059 649)	(17 103 939)	(537 163 588)	(531 006 917)	6 156 671	BC12
Employee related costs - Remuneration of councillors	(35 032 885)	(1 316 096)	(36 348 981)	(37 194 471)	(845 490)	BC13
Administration and management fees	-	-	-	(73 237)	(73 237)	BC14
Depreciation and amortisation	-	(82 899 272)	(82 899 272)	(71 536 502)	11 362 770	BC15
Finance costs	(41 000 000)	(174 000 000)	(215 000 000)	(96 268 127)	118 731 873	BC16
Debt Impairment	-	(13 000 000)	(13 000 000)	(436 119 788)	(423 119 788)	BC17
Bad debts written off	-	(22 000 000)	(22 000 000)	(1 179 577)	20 820 423	BC18
Bulk purchases	(750 574 447)	(317 140 914)	(1 067 715 361)	(1 091 922 641)	(24 207 280)	BC19
Contracted Services	(101 562 151)	(82 669 946)	(184 232 097)	(100 370 842)	83 861 255	BC20
Transfers and Subsidies	(181 472 000)	(6 000 000)	(187 472 000)	(181 472 000)	6 000 000	BC21
Expenses (by function)	(78 285 352)	(18 228 087)	(96 513 439)	(114 162 029)	(17 648 590)	BC22
Total expenditure	(1 707 986 484)	(734 358 254)	(2 442 344 738)	(2 661 306 131)	(218 961 393)	

Operating deficit	(30 595 560)	(410 675 901)	(441 271 461)	(609 995 983)	(168 724 522)	
Gain on disposal of assets and liabilities	-	-	-	6 675 822	6 675 822	BC23
Other losses	(4 440)	(5 560)	(10 000)	-	10 000	BC24

MALUTI-A-PHOFUNG LOCAL MUNICIPALITY

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Annual Financial Statements for the year ended 30 June 2025

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Actuarial gains/losses	-	-	-	16 067 264	16 067 264	BC25
Inventories losses/write-downs	-	-	-	5 734	5 734	BC26
Transfers and subsidies - capital (monetary allocations)	235 912 998	9 152 002	245 065 000	241 463 071	(3 601 929)	BC27
	235 908 558	9 146 442	245 055 000	264 211 891	19 156 891	
Deficit before taxation	205 312 998	(401 529 459)	(196 216 461)	(345 784 092)	(149 567 631)	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	205 312 998	(401 529 459)	(196 216 461)	(345 784 092)	(149 567 631)	

MALUTI-A-PHOFUNG LOCAL MUNICIPALITY

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Annual Financial Statements for the year ended 30 June 2025

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand

Statement of Financial Position

Assets

Current Assets

Inventories	12 266 132	(11 082 372)	1 183 760	93 363 921	92 180 161	BD1
Receivables from exchange transactions	-	-	-	73 487 319	73 487 319	BD2
Receivables from non-exchange transactions	649 041 238	(107 883 504)	541 157 734	243 261 858	(297 895 876)	BD3
VAT receivable	1 320 805 361	292 050 624	1 612 855 985	1 101 173 715	(511 682 270)	BD4
Consumer debtors	942 595 125	(409 313 122)	533 282 003	202 029 449	(331 252 554)	BD5
Cash and cash equivalents	83 936 724	484 867 348	568 804 072	107 916 059	(460 888 013)	BD6
	3 008 644 580	248 638 974	3 257 283 554	1 821 232 321	(1 436 051 233)	

Non-Current Assets

Investment property	803 254 844	(202 944 844)	600 310 000	47 163 425	(553 146 575)	BD7
Property, plant and equipment	6 079 885 648	(4 043 780 734)	2 036 104 914	3 534 421 410	1 498 316 496	BD8
Interests in other entities	300	-	300	300	-	BD9
Other financial assets	-	-	-	3 062 411	3 062 411	BD10
	6 883 140 792	(4 246 725 578)	2 636 415 214	3 584 647 546	948 232 332	
Total Assets	9 891 785 372	(3 998 086 604)	5 893 698 768	5 405 879 867	(487 818 901)	

Liabilities

Current Liabilities

Payables from exchange transactions	11 753 347 615	(3 139 621 279)	8 613 726 336	14 354 337 059	5 740 610 723	BD11
Consumer deposits	27 293 740	(1 057 477)	26 236 263	26 263 266	27 003	BD12
	11 780 641 355	(3 140 678 756)	8 639 962 599	14 380 600 325	5 740 637 726	

Non-Current Liabilities

Employee benefit obligation	-	-	-	127 903 736	127 903 736	BD13
Provisions	263 966 074	(220 469 724)	43 496 350	80 383 982	36 887 632	BD14
VAT Payable	632 211 840	193 184 632	825 396 472	-	(825 396 472)	BD15
	896 177 914	(27 285 092)	868 892 822	208 287 718	(660 605 104)	
Total Liabilities	12 676 819 269	(3 167 963 848)	9 508 855 421	14 588 888 043	5 080 032 622	
Net Assets	(2 785 033 897)	(830 122 756)	(3 615 156 653)	(9 183 008 176)	(5 567 851 523)	

Net Assets

Net Assets Attributable to Owners of Controlling Entity

Reserves

Accumulated surplus	(2 785 033 897)	(830 122 756)	(3 615 156 653)	(9 183 008 176)	(5 567 851 523)	BD16
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Annual Financial Statements for the year ended 30 June 2025

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand

Cash Flow Statement

Cash flows from operating activities

Receipts

Property rates	75 584 651	8 802 328	84 386 979	-	(84 386 979)	
Service charges	305 564 375	417 561 118	723 125 493	-	(723 125 493)	
Other revenue	1 528 156 685	(3 575 614 322)	(2 047 457 637)	-	2 047 457 637	
Interest income	8 150 000	2 624 165	10 774 165	-	(10 774 165)	
Transfers and Subsidies - Operational	858 919 998	(1 563 998)	857 356 000	-	(857 356 000)	
Transfers and Subsidies - Capital	235 913 000	9 152 000	245 065 000	-	(245 065 000)	
	3 012 288 709	(3 139 038 709)	(126 750 000)	-	126 750 000	

Payments

Suppliers	(2 227 382 989)	318 938 656	(1 908 444 333)	-	1 908 444 333	
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Net cash flows from operating activities	784 905 720	(2 820 100 053)	(2 035 194 333)	-	2 035 194 333	
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Cash flows from investing activities

Purchase of property, plant and equipment	(225 992 846)	(41 130 436)	(267 123 282)	-	267 123 282	
Increase (decrease) in consumer deposits	366 684	-	366 684	-	(366 684)	

Net cash flows from investing activities	(225 626 162)	(41 130 436)	(266 756 598)	-	266 756 598	
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Net increase/(decrease) in cash and cash equivalents	559 279 558	(2 861 230 489)	(2 301 950 931)	-	2 301 950 931	
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Cash and cash equivalents at the beginning of the year	64 625 759	517 781 198	582 406 957	-	(582 406 957)	
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Cash and cash equivalents at the end of the year	623 905 317	(2 343 449 291)	(1 719 543 974)	-	1 719 543 974	
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NB: The explanations to the differences noted in the Statement of Comparison of Budget and Actual Amounts are outlined in the note dealing with budget differences 53.

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Annual Financial Statements for the year ended 30 June 2025

Significant Accounting Policies

Figures in Rand	Note(s)	2025	2024
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1. Significant accounting policies

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

1.1 Basis of preparation

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

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

These accounting policies are consistent with the previous period.

1.2 Presentation currency

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

1.3 Going concern assumption

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

1.4 Materiality

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

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

The entity does not retrospectively adjust the accounting of past items (or group of items) that were previously assessed as immaterial, unless an error occurred.

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Annual Financial Statements for the year ended 30 June 2025

Significant Accounting Policies

1.5 Interests in other entities

Consolidated financial statements

Benefits are the advantages an entity obtains from its involvement with other entities. Benefits may be financial or non-financial. The actual impact of an entity's involvement with another entity can have positive or negative aspects.

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.

Consolidated annual financial statements are the annual financial statements of an economic entity in which the assets, liabilities, net assets, revenue, expenses and cash flows of the controlling entity and its controlled entities are presented as those of a single economic entity.

An entity controls another entity when the entity is exposed, or has rights, to variable benefits from its involvement with the other entity and has the ability to affect the nature or amount of those benefits through its power over the other entity.

A controlled entity is an entity that is controlled by another entity. A controlling entity is an entity that controls one or more entities.

A decision maker is an entity with decision making rights that is either a principal or an agent for other parties.

An economic entity is a controlling entity and its controlled entities.

An investment entity is an entity that obtains funds from one or more investors for the purpose of providing those investor(s) with investment management services, has the purpose of investing funds solely for returns from capital appreciation, investment revenue, or both, and measures and evaluates the performance of substantially all of its investments on a fair value basis.

A non-controlling interest is the net assets in a controlled entity not attributable, directly or indirectly, to a controlling entity.

Power consists of existing rights that give the current ability to direct the relevant activities of another entity.

Protective rights are rights designed to protect the interest of the party holding those rights without giving that party power over the entity to which those rights relate.

Relevant activities are activities of the potentially controlled entity that significantly affect the nature or amount of the benefits that an entity receives from its involvement with that other entity.

Removal rights are rights to deprive the decision maker of its decision making authority.

Investments in associates and/or joint ventures

An associate is an entity over which the investor has significant influence.

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.

Consolidated annual financial statements are the annual financial statements of an economic entity in which assets, liabilities, net assets, revenue, expenses and cash flows of the controlling entity and its controlled entities are presented as those of a single economic entity.

The equity method is a method of accounting whereby the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the investor's share of the investee's net assets. The investor's surplus or deficit includes its share of the investee's surplus or deficit and the investor's net assets includes its share of changes in the investee's net assets that have not been recognised in the investee's surplus or deficit.

A joint arrangement is an arrangement of which two or more parties have joint control.

Joint control is the agreed sharing of control by way of a binding arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

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Annual Financial Statements for the year ended 30 June 2025

Significant Accounting Policies

1.5 Interests in other entities (continued)

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

A joint venturer is a party to a joint venture that has joint control of that joint venture.

Significant influence is the power to participate in the financial and operating policy decisions of another entity but is not control or joint control of those policies.

If an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the entity continues to apply the equity method and does not remeasure the retained interest.

Equity method

On initial recognition, the investment in an associate or a joint venture is recognised at cost and the carrying amount is increased or decreased to recognise the municipality as investor's share of the surplus or deficit of the investee after the date of acquisition. The municipality as investor's share of the investee's surplus or deficit is recognised in the municipality as investor's surplus or deficit. Distributions received from an investee reduce the carrying amount of the investment. Adjustments to the carrying amount may also be necessary for changes in the municipality as investor's proportionate interest in the investee arising from changes in the investee's equity that have not been recognised in the investee's surplus or deficit. Such changes include those arising from the revaluation of property, plant and equipment and from foreign exchange translation differences. The municipality as investor's share of those changes is recognised in net assets of the municipality as investor.

An investment in an associate or a joint venture accounted for using the equity method is classified as a non-current asset.

The municipality with joint control of, or significant influence over, an investee, accounts for its investment in an associate or a joint venture using the equity method except when that investment qualifies for exemption.

Exemptions from applying the equity method

The entity need not apply the equity method to its investment in an associate or a joint venture if the entity is a controlling entity that is exempt from preparing consolidated financial statements by the scope exception in the Standard of GRAP on Consolidated Financial Statements.

The entity need not apply the equity method to its investment in an associate or a joint venture due to the fact that all of the following apply:

- the entity itself is a controlled entity and the information needs of users are met by its controlling entity's consolidated financial statements, and, in the case of a partially owned entity, all its other owners, including those not otherwise entitled to vote, have been informed about, and do not object to, the entity not applying the equity method.
- the entity's debt or equity instruments are not traded in a public market (a domestic or foreign stock exchange or an over-the-counter market, including local and regional markets).
- the entity did not file, nor is it in the process of filing, its financial statements with a securities commission or other regulatory organisation, for the purpose of issuing any class of instruments in a public market.
- the ultimate or any intermediate controlling entity of the entity produces financial statements available for public use that comply with the Standards of GRAP, in which controlled entities are consolidated or are measured at fair value in accordance with the Standard of GRAP on Consolidated Financial Statements.

An investment in an associate or a joint venture is held by, or is held indirectly through, an entity that is a venture capital organisation, or a mutual fund, unit trust and similar entities including investment-linked insurance funds, and therefore the entity elected to measure that investment at fair value in accordance with the Standard of GRAP on Financial Instruments. The entity makes this election separately for each associate or joint venture, at the initial recognition of the associate or joint venture.

Discontinuing the use of the equity method

The municipality discontinues the use of the equity method from the date when its investment ceases to be an associate or a joint venture as follows:

- If the investment becomes a controlled municipality, the municipality accounts for its investment in accordance with the Standards of GRAP on Transfer of Functions Between Entities Under Common Control, Transfer of Functions Between Entities Not Under Common Control, Mergers and Consolidated Financial Statements.

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Annual Financial Statements for the year ended 30 June 2025

Significant Accounting Policies

1.5 Interests in other entities (continued)

- If the retained interest in the former associate or joint venture is a financial asset, the entity measures the retained interest at fair value. The fair value of the retained interest is regarded as its fair value on initial recognition as a financial asset in accordance with Standard of GRAP on Financial Instruments. If the municipality is precluded by the Standard of GRAP on Financial Instruments from measuring the retained interest at fair value, the municipality measures the retained interest at the carrying amount of the investment at the date that it ceases to be an associate or joint venture, and that carrying amount is regarded as its cost on initial recognition as a financial asset in accordance with the Standard of GRAP on Financial Instruments. The municipality recognises in surplus or deficit any difference between:
 - the fair value (or, where relevant, the carrying amount) of any retained interest and any proceeds from disposing of a part interest in the associate or joint venture; and
 - the carrying amount of the investment at the date the equity method was discontinued.
- When an municipality discontinues the use of the equity method, the municipality accounts for all amounts previously recognised directly in the municipality's net assets in relation to that investment on the same basis as would have been required if the investee had directly disposed of the related assets or liabilities.

Change in ownership interest

If the municipality's ownership interest in an associate or a joint venture is reduced, but the investment continues to be classified either as an associate or a joint venture respectively, the municipality transfers directly to accumulated surpluses or deficits the proportion of the gain or loss that had previously been recognised in net assets relating to that reduction in ownership interest if that gain or loss would be required to be transferred directly to accumulated surpluses or deficits on the disposal of the related assets or liabilities.

Equity method procedures

The economic entity's share in an associate or a joint venture is the aggregate of the holdings in that associate or joint venture by the controlling entity and its controlled entities. The holdings of the economic entity's other associates or joint ventures are ignored for this purpose. When an associate or a joint venture has controlled entities, associates or joint ventures, the surplus or deficit and net assets taken into account in applying the equity method are those recognised in the associate's or joint venture's annual financial statements (including the associate's or joint venture's share of the surpluses or deficits and net assets of its associates and joint ventures), after any adjustments necessary to give effect to uniform accounting policies.

Gains and losses resulting from upstream and downstream transactions between an municipality (including its consolidated controlled entities) and its associate or joint venture are recognised in the municipality's annual financial statements only to the extent of unrelated investors' interests in the associate or joint venture. The investor's share in the associate's or joint venture's surpluses or deficits resulting from these transactions is eliminated. The contribution of a non-monetary asset to an associate or a joint venture in exchange for an equity interest in the associate or joint venture is accounted for in this accord also.

When downstream transactions provide evidence of a reduction in the net realisable value of the assets to be sold or contributed, or of an impairment loss of those assets, those losses are recognised in full by the investor. When upstream transactions provide evidence of a reduction in the net realisable value of the assets to be purchased or of an impairment loss of those assets, the investor recognises its share in those losses.

If, in addition to receiving an equity interest in an associate or a joint venture, the municipality receives monetary or non-monetary assets, the municipality recognises in full in surplus or deficit the portion of the gain or loss on the contribution relating to the monetary or non-monetary assets received.

An investment is accounted for using the equity method from the date on which it becomes an associate or a joint venture. On acquisition of the investment, any difference between the cost of the investment and the municipality's share of the net fair value of the investee's identifiable assets and liabilities is accounted for in terms of the Standards of GRAP on Transfer of Functions (as appropriate). Appropriate adjustments to the municipality's share of the associate's or joint venture's surplus or deficit after acquisition are made in order to account, for example, for depreciation of the depreciable assets based on their fair values at the acquisition date. Similarly, appropriate adjustments to the municipality's share of the associate's or joint venture's surplus or deficit after acquisition are made for impairment losses such as for property, plant and equipment.

The most recent available annual financial statements of the associate or joint venture are used by the municipality in applying the equity method. When the end of the reporting period of the municipality is different from that of an associate or a joint venture the municipality either:

- obtains, for the purpose of applying the equity method, additional financial information as of the same date as the annual financial statements of the municipality; or

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Annual Financial Statements for the year ended 30 June 2025

Significant Accounting Policies

1.5 Interests in other entities (continued)

- uses the most recent annual financial statements of the associate or joint venture adjusted for the effects of significant transactions or events that occur between the date of those annual financial statements and the date of the municipality's annual financial statements.

The municipality's annual financial statements is prepared using uniform accounting policies for like transactions and events in similar circumstances. If an associate or a joint venture uses accounting policies other than those of the municipality for like transactions and events in similar circumstances, adjustments are made to make the associate's or joint venture's accounting policies conform to those of the municipality when the associate's or joint venture's annual financial statements are used by the municipality in applying the equity method. Notwithstanding the aforementioned, if the municipality has an interest in an associate or a joint venture that is an investment entity, the municipality retains, when applying the equity method, the fair value measurement applied by that investment entity associate or joint venture to its interest in controlled entities.

If an associate or a joint venture has outstanding cumulative preference shares that are held by parties other than the municipality and are classified as equity, the municipality computes its share of surplus or deficit after adjusting for the dividends or similar distributions on such shares, whether or not the dividends or similar distributions have been declared.

If the municipality's share of the deficit of an associate or a joint venture equals or exceeds its interest in the associate or joint venture, the municipality discontinues recognising its share of further deficits. The interest in an associate or a joint venture is the carrying amount of the investment in the associate or joint venture determined using the equity method together with any long-term interests that, in substance, form part of the municipality's net investment in the associate or joint venture. Such items may include preference shares and long-term receivables or loans, but do not include trade receivables, trade payables or any long-term receivables for which adequate collateral exists, such as secured loans. Deficits recognised using the equity method in excess of the municipality's investment in ordinary shares are applied to the other components of the municipality's interest in an associate or a joint venture in the reverse order of their seniority.

After the municipality's interest is reduced to zero, additional deficits are provided for, and a liability is recognised, only to the extent that the municipality has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture. If the associate or joint venture subsequently reports surpluses, the municipality resumes recognising its share of those surpluses only after its share of the surpluses equals the share of deficits not recognised.

Impairment losses

After application of the equity method, including recognising the associate's or joint venture's deficits, the entity applies the Standard of GRAP on Financial Instruments to determine whether it is necessary to recognise any additional impairment loss with respect to its net investment in the associate or joint venture. The entity also applies the Standard of GRAP on Financial Instruments to determine whether any additional impairment loss is recognised with respect to its interest in the associate or joint venture that does not constitute part of the net investment and the amount of that impairment loss. Whenever application of the Standard of GRAP on Financial Instruments indicates that the investment in an associate or a joint venture may be impaired, the municipality applies the Standard of GRAP on Impairment of Cash-Generating Assets and/or the Standard of GRAP on Impairment of Non-Cash-Generating Assets.

The recoverable amount of an investment in an associate or a joint venture is assessed for each associate or joint venture, unless the associate or joint venture does not generate cash inflows from continuing use that are largely independent of those from other assets of the municipality.

Separate financial statements

An investment in an associate or a joint venture is accounted for in the entity's separate financial statements in accordance with the Standard of GRAP on Separate Financial Statements.

Joint arrangements

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.

A joint arrangement is an arrangement of which two or more parties have joint control.

Joint control is the agreed sharing of control by way of a binding arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

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Significant Accounting Policies

1.5 Interests in other entities (continued)

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement.

A joint operator is a party to a joint operation that has joint control of that joint operation.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

A joint venturer is a party to a joint venture that has joint control of that joint venture.

A party to a joint arrangement is an entity that participates in a joint arrangement, regardless of whether that entity has joint control of the arrangement.

A separate vehicle is a separately identifiable financial structure, including separate legal entities or entities recognised by statute, regardless of whether those entities have a legal personality.

Joint arrangements, joint control and types of joint arrangement

A joint arrangement has the following characteristics:

- The parties are bound by a binding arrangement.
- The binding arrangement gives two or more of those parties joint control of the arrangement.

A joint arrangement is either a joint operation or a joint venture.

Joint control is the sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. The sharing of control is agreed by way of a binding arrangement. The municipality that is a party to an arrangement assesses whether the binding arrangement gives all the parties, or a group of the parties, control of the arrangement collectively. All the parties, or a group of the parties, control the arrangement collectively when they must act together to direct the activities that significantly affect the benefits from the arrangement. The municipality applies judgement when assessing whether all the parties, or a group of the parties, have joint control of an arrangement. The municipality shall make this assessment by considering all facts and circumstances. If facts and circumstances change, the municipality reassess whether it still has joint control of the arrangement.

The municipality determines the type of joint arrangement in which it is involved. The classification of a joint arrangement as a joint operation or a joint venture depends upon the rights and obligations of the parties to the arrangement. The municipality applies judgement when assessing whether a joint arrangement is a joint operation or a joint venture. The municipality determines the type of joint arrangement in which it is involved by considering its rights and obligations arising from the arrangement. The municipality assesses its rights and obligations by considering the structure and legal form of the arrangement, the terms of the binding arrangement and, when relevant, other facts and circumstances. If facts and circumstances change, the municipality reassess whether the type of joint arrangement in which it is involved has changed. See 1.6 on Significant judgements and sources of estimation uncertainty (Interests in Other Entities), for more information.

Financial statements and parties to a joint arrangement

Joint operations

The municipality as a joint operator, recognises in relation to its interest in a joint operation:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output arising from the joint operation;
- its share of the revenue from the sale of the output by the joint operation; and
- its expenses, including its share of any expenses incurred jointly.

The municipality as a joint operator accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the Standards of GRAP applicable to the particular assets, liabilities, revenues and expenses.

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Annual Financial Statements for the year ended 30 June 2025

Significant Accounting Policies

1.5 Interests in other entities (continued)

The municipality as a party that participates in, but does not have joint control of, a joint operation, also accounts for its interest in the arrangement in accordance with the aforementioned, if that party has rights to the assets, and obligations for the liabilities, relating to the joint operation. If the municipality as a party that participates in, but does not have joint control of a joint operation and does not have rights to the assets, and obligations for the liabilities, relating to that joint operation, it accounts for its interest in the joint operation in accordance with the Standards of GRAP applicable to the particular assets, liabilities, revenue and expenses.

Joint ventures

The municipality as a joint venturer recognises its interest in a joint venture as an investment and accounts for that investment using the equity method in accordance with the Standard of GRAP on Investments in Associates and Joint Ventures, unless the municipality is exempted from applying the equity method as specified in that Standard.

The municipality as a party that participates in, but does not have joint control of, a joint venture accounts for its interest in the arrangement in accordance with the Standard of GRAP on Financial Instruments, unless it has significant influence over the joint venture, in which case it accounts for it in accordance with the Standard of GRAP on GRAP Investments in Associates and Joint Ventures.

Separate financial statements

In its separate annual financial statements, the municipality as a joint operator or joint venturer accounts for its interest in:

- a joint operation in accordance with this accounting policy; and
- a joint venture in accordance with the Standard of GRAP on Separate Financial Statements.

In its separate annual financial statements, the municipality as a party that participates in, but does not have joint control of, a joint arrangement accounts for its interest in:

- a joint operation in accordance with this accounting policy; and
- a joint venture in accordance with the Standard GRAP on Financial Instruments, unless the municipality has significant influence over the joint venture, in which case it applies the Standard of GRAP on Separate Financial Statements.

1.6 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:

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

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

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

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

Allowance for slow moving, damaged and obsolete stock

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

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Annual Financial Statements for the year ended 30 June 2025

Significant Accounting Policies

1.6 Significant judgements and sources of estimation uncertainty (continued)

Fair value estimation

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

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

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

The carrying amount of available-for-sale financial assets would be an estimated - lower or - higher were the discounted rate used in the discount cash flow analysis to differ by 10% from management's estimates.

Impairment testing

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

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

Contingent provisions on entity combinations

Contingencies recognised in the current year required estimates and judgments, refer to note on entity combinations.

Useful lives of waste and water network and other assets

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

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 16.

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Significant Accounting Policies

1.6 Significant judgements and sources of estimation uncertainty (continued)

Effective interest rate

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

Allowance for doubtful debts

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

Accounting by principals and agent

The municipality makes assessments on whether it is the principal or agent in principal-agent relationships. Significant judgements applied are as follow [State significant judgements made].

Additional information is disclosed in Note 54.

Impairment of statutory receivables

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

In estimating the future cash flows, the municipality considers both the amount and timing of the cash flows that it will receive in future. Consequently, where the effect of the time value of money is material, the municipality discounts the estimated future cash flows using a rate that reflects the current risk free rate and, 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 are 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.

Materiality

Applying materiality is pervasive to the preparation of financial statements. Materiality is a key consideration in deciding how to apply the Standards of GRAP when preparing the financial statements. Information is material if its omission or misstatement has the potential to influence the decisions of users or affect the discharge of accountability by the entity.

Applying materiality in the preparation of annual financial statements requires the entity to make key assessments and decisions. Key assessments and decisions made in considering materiality, are as follows:

- Identification of users and their information needs
- Assessing information based on nature and size, by developing qualitative considerations and quantitative thresholds
- Application of materiality in preparing the financial statements:
 - Developing accounting policies
 - Deciding what information to disclose
 - Deciding how to present information
 - Assessing omissions, misstatements and errors

The assessments and decisions are considered throughout the financial reporting cycle, and not only when annual financial statements are prepared.

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1.7 Investment property

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

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

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

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

Investment property is initially recognised at 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.

Fair value

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

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

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

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

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

Any difference between the fair value of the property at that date and its previous carrying amount shall be recognised in surplus and deficit.

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

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

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

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

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1.7 Investment property (continued)

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

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

1.8 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

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

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

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

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

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses except for X,X and X which is carried at revalued amount being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

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1.8 Property, plant and equipment (continued)

Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

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

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings as the asset is used. The amount transferred is equal to the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the asset.

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

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

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

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

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited in revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

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

Item	Depreciation method	Average useful life
Land	Straight-line	Indefinite
Buildings	Straight-line	30-50
Plant and machinery	Straight-line	3-10
Furniture and fixtures	Straight-line	10
Motor vehicles	Straight-line	5-30
Office equipment	Straight-line	3-10
IT equipment	Straight-line	3-10
Motor Vehicles Leased	Straight-line	5
Infrastructure	Straight-line	3-60
Community	Straight-line	5-30
Roads and pavings	Straight-line	3-50
Electricity Infrastructure	Straight-line	3-60
Water Infrastructure	Straight-line	5-55
Bins and containers	Straight-line	5-10

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1.8 Property, plant and equipment (continued)

Sewerage Infrastructure	Straight-line	10-60
Landfill site	Straight-line	17
Security	Straight-line	5
Recreational facilities	Straight-line	20-30
Specialised vehicles	Straight-line	10-30
Motor Vehicles Leased	Straight-line	5

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

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

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

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

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

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

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

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

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

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

1.9 Site restoration and dismantling cost

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

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1.9 Site restoration and dismantling cost (continued)

If the related asset is measured using the cost model:

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

If the related asset is measured using the revaluation model:

- (a) changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
 - a decrease in the liability (subject to (b)) is credited 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
 - an increase in the liability is recognised in surplus or deficit, except that it is debited to the revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.
- (b) 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; and
- (c) 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 end of the reporting period. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit or net assets under (a). If a revaluation is necessary, all assets of that class are revalued.

1.10 Separate financial statements

Consolidated financial statements are the financial statements of the economic entity in which the assets, liabilities, net assets, revenue, expenses and cash flows of the entity as a controlling entity, and its controlled entities, are presented as those of a single economic entity.

The equity method is a method of accounting whereby the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the investor's share of the investee's net assets. The investor's surplus or deficit includes its share of the investee's surplus or deficit and the investor's net assets includes its share of changes in the investee's net assets that have not been recognised in the investee's surplus or deficit.

An investment entity is an entity that obtains funds from one or more investors for the purpose of providing those investor(s) with investment management services, that has the purpose of investing funds solely for returns from capital appreciation, investment revenue, and which measures and evaluates the performance of substantially all of its investments on a fair value basis.

Separate financial statements are those presented by the entity, in which the entity could elect to account for its investments in controlled entities, joint ventures and associates either at cost, in accordance with the GRAP Standard on Financial Instruments or using the equity method as described in the accounting policies on Investments in Associates and Joint Ventures.

In the entity's separate financial statements, investments in controlled entities, associates and joint ventures are carried at cost;

In the entity's separate financial statements, investments in controlled entities are carried at cost;

In the entity's separate financial statements, investments in associates are carried at cost;

In the entity's separate financial statements, investments in joint ventures are carried at cost.

Separate financial statements are prepared in accordance with all applicable accounting policies, except:

- Similar investments in controlled entities are accounted for at cost;
- Joint ventures are accounted for at cost;
- Associates are accounted for at cost.

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1.10 Separate financial statements (continued)

The entity as a controlling entity, which is not itself an investment entity, measures its investment in a controlled investment entity in accordance with the above, in its separate financial statements.

When the entity as controlling entity ceases to be an investment entity, or becomes an investment entity, it accounts for the change from the date when the change in status occurred, as follows:

- When the entity ceases to be an investment entity, the entity accounts for an investment in a controlled entity in accordance with the above. The date of the change of status is the deemed acquisition date. The fair value of the controlled entity at the deemed acquisition date represents the transferred deemed consideration when accounting for the investment as above.
- When the entity becomes an investment entity, it accounts for an investment in a controlled entity at fair value. The difference between the previous carrying amount of the controlled entity and its fair value at the date of the change of status is recognised as a gain or loss in surplus or deficit. The cumulative amount of any gain or loss previously recognised directly in net assets in respect of those controlled entities is treated as if the investment entity had disposed of those controlled entities at the date of change in status.

When the entity elects to measure its investments in associates or joint ventures at fair value, it also accounts for those investments in the same way in its separate financial statements.

Where the entity as controlling entity is required to measure its investment in a controlled entity at fair value, it also accounts for that investment in the same way in its separate financial statements.

Dividends or similar distributions from a controlled entity, a joint venture or an associate are recognised in the separate financial statements of the entity when the entity's right to receive the dividend or similar distribution is established. The dividend or similar distribution is recognised in surplus or deficit unless the entity elects to use the equity method, in which case the dividend or similar distribution is recognised as a reduction from the carrying amount of the investment.

When a controlling entity reorganises the structure of its economic entity by establishing a new entity as its controlling entity in a manner that satisfies the following criteria:

- The new controlling entity obtains control of the original controlling entity either (a) by issuing equity instruments in exchange for existing equity instruments of the original controlling entity or (b) by some other mechanism which results in the new controlling entity having a controlling ownership interest in the original controlling entity;
- The assets and liabilities of the new economic entity and the original economic entity are the same immediately before and after the reorganisation; and
- The owners of the original controlling entity before the reorganisation have the same absolute and relative interests in the net assets of the original economic entity and the new economic entity immediately before and after the reorganisation;

and the new controlling entity accounts for its investment in the original controlling entity at cost in its separate financial statements, the new controlling entity measures cost at the carrying amount of its share of the net asset items shown in the separate financial statements of the original controlling entity at the date of the reorganisation

1.11 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.

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1.11 Financial instruments (continued)

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

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

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

A financial asset is:

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

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

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

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

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

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

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

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

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

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

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

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

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

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1.11 Financial instruments (continued)

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

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

- 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;
 - 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

Receivables from exchange transactions
Receivables from non-exchange transactions
Cash and cash equivalent
Long-term receivables (current)
Long-term receivables (non-current)
Investments in controlled entity
Consumer debtors
Other financial assets

Category

Financial asset measured at amortised cost
Financial asset measured at amortised cost
Financial asset measured at amortised cost
Financial asset measured at amortised cost
Financial asset measured at amortised cost
Financial asset measured at fair value
Financial asset measured at amortised cost
Financial asset measured at fair value

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

Class

Payables from exchange transactions
Consumer deposits
Other financial liabilities
Unspent conditional grants and receipts
Provisions

Category

Financial liability measured at amortised cost
Financial liability measured at amortised cost
Financial liability measured at amortised cost
Financial liability measured at amortised cost
Financial liability measured at amortised cost

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

Class

Residual interest¹
Residual interest

Category

Measured at fair value
Measured at cost

1.12 Statutory receivables

Identification

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1.12 Statutory receivables (continued)

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:

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Significant Accounting Policies

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

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

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

Derecognition

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

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

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.

1.13 Leases

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

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

Finance leases - lessor

The municipality recognises finance lease receivables as assets on the statement of financial position. Such assets are presented as a receivable at an amount equal to the net investment in the lease.

Finance revenue is recognised based on a pattern reflecting a constant periodic rate of return on the municipality's net investment in the finance lease.

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1.13 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 on 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.

1.14 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 formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

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1.14 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.

1.15 Cash and cash equivalents

Cash comprises cash on hand and demand deposits.

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

Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

Cash and cash equivalents comprise bank balances, cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less which are available on demand.

Some equity investments are included in cash equivalents when they are, in substance, cash equivalents.

Bank overdrafts which are repayable on demand forms an integral part of the entity's cash management activities, and as such are included as a component of cash and cash equivalents.

1.16 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 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.

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1.16 Impairment of cash-generating assets (continued)

Designation

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

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

- its objective is to use the asset or a cash-generating unit in a manner that generates a commercial return; such that
- the asset or cash-generating unit will generate positive cash flows, from continuing use and its ultimate disposal, that are expected to be significantly higher than the cost of the asset.

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

Identification

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

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

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

Value in use

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

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

Basis for estimates of future cash flows

In measuring value in use the municipality:

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

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1.16 Impairment of cash-generating assets (continued)

Composition of estimates of future cash flows

Estimates of future cash flows include:

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

Estimates of future cash flows exclude:

- cash inflows or outflows from financing activities; and
- income tax receipts or payments.

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

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

After the recognition of an impairment loss, 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.

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1.16 Impairment of cash-generating assets (continued)

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.

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1.16 Impairment of cash-generating assets (continued)

Reversal of impairment loss

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

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

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

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

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

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

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

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

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

Redesignation

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

1.17 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.

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

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

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

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

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.

1.18 Employee benefits

Identification

Employee benefits

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

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.

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1.18 Employee benefits (continued)

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.

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1.18 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.

Accounting for the constructive obligation

The entity accounts not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the entity's informal practices. Informal practices give rise to a constructive obligation where the entity has no realistic alternative but to pay employee benefits.

Statement of financial position

The entity recognises the net defined benefit liability (asset) in the statement of financial position. When the entity has a surplus in a defined benefit plan, it measures the net defined benefit asset at the lower of:

- (a) the surplus in the defined benefit plan; and
- (b) the asset ceiling, determined using the discount rate specified. Any adjustments arising from the limit is recognised in surplus or deficit.

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.

Attributing benefit to periods of service

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

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

Actuarial 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:

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1.18 Employee benefits (continued)

(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.

Past service cost

The entity recognises past service cost as an expense at the earlier of the following dates:

(a) when the plan amendment or curtailment occurs; and

(b) when the entity recognises related restructuring costs or termination benefits.

Gains and losses on settlement

The entity recognises a gain or loss on the settlement of a defined benefit plan when the settlement occurs.

Recognition and measurement: Plan assets

Fair value of plan assets

The fair value of any plan assets is deducted from the present value of the defined benefit obligation in determining the deficit or surplus.

Reimbursements

When, and only when, it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the entity:

(a) Recognises its right to reimbursement as a separate asset. The entity measures the asset at fair value.

(b) Disaggregate and recognise changes in the fair value of its right to reimbursement in the same way as for changes in the fair value of plan assets. The components of defined benefit cost recognised as below (see section on Components of defined benefit cost), may be recognised net of amounts relating to changes in the carrying amount of the right to reimbursement.

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Significant Accounting Policies

1.18 Employee benefits (continued)

Components of defined benefit cost

The entity recognises the components of defined benefit cost in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset, as follows:

- (a) service cost;
- (b) net interest on the net defined benefit liability (asset); and
- (c) remeasurements of the net defined benefit liability (asset).

Current service cost

The entity determines current service cost using actuarial assumptions determined at the start of the reporting period. However, if the entity remeasures the net defined benefit liability (asset) in accordance with the section on Past service cost gains and losses on settlement, it determines current service cost for the remainder of the reporting period after the plan amendment, curtailment or settlement using the actuarial assumptions used to remeasure the net defined benefit liability (asset) in accordance with the section on Past service cost gains and losses on settlement (part b).

Net interest on the net defined benefit liability (asset)

The entity determines net interest on the net defined benefit liability (asset) by multiplying the net defined benefit liability (asset) by the discount rate specified.

To determine net interest, the entity uses the net defined benefit liability (asset) and the discount rate determined at the start of the reporting period. However, if the entity remeasures the net defined benefit liability (asset) in accordance with the section on Past service cost gains and losses on settlement, the entity determines net interest for the remainder of the reporting period after the plan amendment, curtailment or settlement using:

- (a) the net defined benefit liability (asset) determined in accordance with the section on Past service cost gains and losses on settlement (part b); and
- (b) the discount rate used to remeasure the net defined benefit liability (asset) in accordance with the section on Past service cost gains and losses on settlement (part b).

In applying this, the entity also takes into account any changes in the net defined benefit liability (asset) during the period resulting from contributions or benefit payments.

Remeasurements of the net defined benefit liability (asset)

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).

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1.18 Employee benefits (continued)

Other long-term employee benefits

Recognition and measurement

For other long-term employee benefits, the entity recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- (a) service cost;
- (b) net interest on the net defined benefit liability (asset); and
- (c) remeasurements of the net defined benefit liability (asset).

Termination benefits

Recognition

The entity recognises a liability and expense for termination benefits at the earlier of the following dates: (a) when the entity can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of GRAP 19 and involves the payment of termination benefits.

Measurement

The entity measures termination benefits on initial recognition, and measures and recognise subsequent changes, in accordance with the nature of the employee benefit, provided that if the termination benefits are an enhancement to post-employment benefits, the entity applies the requirements for post-employment benefits. Otherwise:

- (a) If the termination benefits are expected to be settled wholly before twelve months after the end of the reporting period in which the termination benefit is recognised, the entity applies the requirements for short-term employee benefits.
- (b) If the termination benefits are not expected to be settled wholly before twelve months after the end of the reporting period, the entity applies the requirements for other long-term employee benefits.

1.19 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.

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1.19 Provisions and contingencies (continued)

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

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

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

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

A constructive obligation to restructure arises only when an entity:

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

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

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

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 41.

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

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

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

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, 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

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1.19 Provisions and contingencies (continued)

- 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.

Decommissioning, restoration and similar liability

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

If the related asset is measured using the cost model:

- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity tests the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.16 and 1.17.

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.

1.20 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.

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Significant Accounting Policies

1.21 Revenue from exchange transactions

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

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

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

Measurement

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

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

Sale of goods

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

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

Rendering of services

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

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

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

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

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by .

Interest

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

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

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1.21 Revenue from exchange transactions (continued)

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

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

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

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

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Significant Accounting Policies

1.22 Revenue from non-exchange transactions

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

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

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

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

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

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

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

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

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

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

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

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

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

Recognition

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

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

Measurement

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

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Significant Accounting Policies

1.22 Revenue from non-exchange transactions (continued)

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

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

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

Taxes

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

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

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

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

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

Taxation revenue are not grossed up for the amount of tax expenditures.

Transfers

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

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

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

Fines

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

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

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

Gifts and donations, including goods in-kind

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

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1.23 Turnover

Turnover comprises of sales to customers and service rendered to customers. Turnover is stated at the invoice amount and is exclusive of value-added taxation.

1.24 Investment income

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

1.25 Borrowing costs

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

Qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset when it is probable that they will result in future economic benefits or service potential to the municipality, and the costs can be measured reliably. The municipality applies this consistently to all borrowing costs that are directly attributable to the acquisition, construction, or production of all qualifying assets of the municipality. The amount of borrowing costs eligible for capitalisation is determined as follows:

- To the extent that the municipality borrows funds specifically for the purpose of obtaining a qualifying asset, the entity determines the amount of borrowing costs eligible for capitalisation as the actual borrowing costs incurred on that borrowing during the period, less any investment income on the temporary investment of those borrowings.
- To the extent that a municipality borrows funds generally and uses them for the purpose of obtaining a qualifying asset, the entity determines the amount of borrowing costs eligible for capitalisation by applying a capitalisation rate to the expenditure on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to all borrowings of the municipality that are outstanding during the period. However, the municipality excludes from this calculation borrowing costs applicable to borrowings made specifically for the purpose of obtaining a qualifying asset until substantially all the activities necessary to prepare the asset for its intended use or sale are complete. The amount of borrowing costs that the municipality capitalises during a period does not exceed the amount of borrowing costs it incurred during that period.

The capitalisation of borrowing costs commences when all the following conditions have been met:

- expenditures for the asset have been incurred;
- borrowing costs have been incurred; and
- activities that are necessary to prepare the asset for its intended use or sale are undertaken.

When the carrying amount or the expected ultimate cost of the qualifying asset exceeds its recoverable amount or recoverable service amount or net realisable value or replacement cost, the carrying amount is written down or written off in accordance with the accounting policy on Impairment of Assets and Inventories as per accounting policy number 1.14, 1.16 and 1.17. In certain circumstances, the amount of the write-down or write-off is written back in accordance with the same accounting policy.

Capitalisation is suspended during extended periods in which active development is suspended.

Extended periods are periods that exceed X months.

Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

When the municipality completes the construction of a qualifying asset in parts and each part is capable of being used while construction continues on other parts, the municipality ceases capitalising borrowing costs when it completes substantially all the activities necessary to prepare that part for its intended use or sale.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

1.26 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.

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1.26 Accounting by principals and agents (continued)

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

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

Identifying whether an entity is a principal or an agent

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

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

Binding arrangement

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

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

Assessing which entity benefits from the transactions with third parties

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

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

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

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

Recognition

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

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

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

1.27 Comparative figures

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

1.28 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and

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1.28 Unauthorised expenditure (continued)

- 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.

Unauthorised 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).

1.29 Fruitless and wasteful expenditure

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

Fruitless and wasteful 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).

1.30 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).

1.31 Segment information

A segment is an activity of an entity:

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

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

Measurement

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

1.32 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.

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1.32 Budget information (continued)

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

The approved budget covers the fiscal period from 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.

The Statement of comparative and actual information has been included in the annual financial statements as the recommended disclosure when the annual financial statements and the budget are on the same basis of accounting as determined by National Treasury.

Comparative information is not required.

1.33 Related parties

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

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.

1.34 Events after reporting date

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

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

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

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1.34 Events after reporting date (continued)

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.

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Notes to the Annual Financial Statements

Figures in Rand	2025	2024
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2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

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

The impact of this standard is currently being assessed.

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

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

Applicability of going concern in the public sector

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

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

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

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

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

Disclosure on going concern

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

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

The effective date of these revisions have not yet been set.

The municipality expects to adopt the standard for the first time in the 2025/2026 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

MALUTI-A-PHOFUNG LOCAL MUNICIPALITY

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Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

GRAP 103 (amended): Heritage Assets

Background

The Accounting Standards Board (the Board) completed its post-implementation review of the Standard of GRAP on Heritage Assets (GRAP 103) (hereafter referred to as “the review”) in 2020. Based on the feedback received as part of the review, the Board agreed to reconsider certain principles in GRAP 103.

The objective of the project was to revise and clarify principles in GRAP 103 following feedback received from the review and actions agreed by the Board.

Key amendments to GRAP 103

The Board agreed that the definition of a heritage asset in GRAP 103 should be reconsidered to better align it with the legislative explanation of a heritage resource in the National Heritage Resources Act, 1999, and the classification by the South African Heritage Resources Agency.

The proposed definition focuses on assets that have “cultural significance” and defines a heritage asset as “an asset that has cultural significance, and is held indefinitely for the benefit of present and future generations”. “Cultural significance” has also been defined and described in GRAP 103 based on legislation.

The characteristics displayed by heritage assets, and the range of assets that could be heritage assets, have also been aligned with legislation.

The amendments further relate to the Classification of dual purpose heritage assets, Determining a reliable value for a heritage asset, Protective rights imposed on heritage assets, Re-assessing if a reliable value becomes available subsequently, Aggregation of individually insignificant heritage assets, Impairment of heritage assets, Mandatory disclosures of heritage assets borrowed or on loan.

The effective date of these revisions have not yet been set.

The effective date of the standard is for years beginning on or after .

The municipality expects to adopt the standard for the first time in the 2025/2026 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 104 (as revised): Financial Instruments

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

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

The most significant changes to the Standard affect:

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

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Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

- Disclosures

The effective date of the 01 April 2025 as set by the Minister of Finance.

The municipality expects to adopt the revisions for the first time in the 2025/26 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

The revised GRAP 104 Standard will change how the municipality calculates expected credit losses on its consumer receivables. While the new forward-looking impairment model requires more detailed estimation techniques, the overall financial impact for the municipality is expected to be limited. A large portion of outstanding consumer debt from residents is already considered doubtful based on historical collection levels and is currently fully or significantly impaired. As a result, the transition to the expected-credit-loss model is not anticipated to materially increase impairment provisions. For customers with active payment arrangements or prepaid services, the credit risk remains low, which further limits the impact of the revised impairment requirements.

Although the quantitative impact is expected to be minimal, the municipality will be required to include additional disclosures relating to credit risk, expected-credit-loss methodologies, segmentation of debtor categories, and financial instrument classifications to comply with the revised GRAP 104 Standard.

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Figures in Rand	2025	2024
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3. Inventories

Consumable stores	988 717	1 094 205
Water for distribution	827 704	907 590
Vacant sites held for resale	91 547 500	91 547 500
	93 363 921	93 549 295

Consumable inventory held by municipality decreased by R105 488 in the current year (2024: decrease R48 903).

Water for distribution decreased by R79 886 in the current year (2024: increase of R907 590).

Vacant sites increased by R86 182 500 due to correction of prior period error.

None of the inventories were pledged as security during the period under review.

4. Receivables from exchange transactions

Consumer debtors - Electricity (Top 100)	68 457 663	53 493 826
Eskom deposits	5 029 656	4 630 536
	73 487 319	58 124 362

5. Receivables from non-exchange transactions

Fines	(2 100)	(2 100)
Consumer debtors - Rates	243 263 958	216 447 819
	243 261 858	216 445 719

Statutory receivables general information

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

Opening balance	(484 287 034)	(292 149)
Provision for impairment	(59 885 939)	(483 994 885)
	(544 172 973)	(484 287 034)

6. Consumer debtors

Gross balances

Electricity	354 456 619	338 024 183
Water	861 905 109	746 232 458
Waste water	341 537 743	287 466 700
Refuse	348 301 231	292 901 332
Sundry Debtors	50 781 039	48 123 346
	1 956 981 741	1 712 748 019

Less: Allowance for impairment

Electricity	(236 350 515)	(262 249 379)
Water	(776 050 293)	(569 655 865)
Waste water	(286 519 185)	(223 025 355)
Refuse	(297 660 392)	(227 241 706)
Sundry Debtors	(158 371 907)	(105 993 623)
	(1 754 952 292)	(1 388 165 928)

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Notes to the Annual Financial Statements

Figures in Rand	2025	2024
6. Consumer debtors (continued)		
Net balance		
Electricity	118 106 104	75 774 804
Water	85 854 816	176 576 593
Waste water	55 018 558	64 441 345
Refuse	50 640 839	65 659 626
Sundry Debtors	(107 590 868)	(57 870 277)
	202 029 449	324 582 091
Electricity		
Current (0 -30 days)	1 849 025	5 415 160
31 - 60 days	1 989 782	3 747 223
61 - 90 days	1 845 365	3 463 267
91 - 120 days plus	348 772 447	325 398 534
	354 456 619	338 024 184
Water		
Current (0 -30 days)	11 683 413	7 692 941
31 - 60 days	10 630 022	10 319 836
61 - 90 days	11 272 569	10 867 238
91 - 120 days plus	828 711 485	717 447 524
	862 297 489	746 327 539
Waste water		
Current (0 -30 days)	5 302 637	3 884 263
31 - 60 days	5 152 812	3 829 368
61 - 90 days	5 089 901	3 819 997
91 - 120 days plus	325 980 548	275 933 071
	341 525 898	287 466 699
Refuse		
Current (0 -30 days)	5 335 249	4 017 484
31 - 60 days	5 188 897	3 871 473
61 - 90 days	5 119 823	3 828 169
91 - 120 days plus	332 654 681	281 184 206
	348 298 650	292 901 332
Sundry debtors		
Current (0 -30 days)	348 177	256 197
31 - 60 days	344 387	252 719
61 - 90 days	391 707	234 768
91 - 120 days	49 561 298	47 284 581
Less; Impairment	(158 236 437)	(105 898 542)
	(107 590 868)	(57 870 277)

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Notes to the Annual Financial Statements

Figures in Rand	2025	2024
6. Consumer debtors (continued)		
Summary of debtors by customer classification		
Consumers		
Current (0 -30 days)	25 087 644	17 913 523
31 - 60 days	24 210 531	19 376 735
61 - 90 days	24 729 292	19 984 511
91 - 120 days	1 846 453 967	1 614 275 292
	1 920 481 434	1 671 550 061
Industrial/ commercial		
Current (0 -30 days)	9 221 433	6 367 080
31 - 60 days	4 499 560	4 748 291
61 - 90 days	4 254 790	4 434 269
91 - 120 days	312 502 803	277 279 098
	330 478 586	292 828 738
National and provincial government		
Current (0 -30 days)	5 891 426	6 196 459
31 - 60 days	5 282 498	6 565 063
61 - 90 days	5 233 838	6 247 419
91 - 120 days	438 699 253	431 159 408
	455 107 015	450 168 349
Total		
Current (0 -30 days)	13 069 746	22 587 964
31 - 60 days	15 033 018	23 315 319
61 - 90 days	17 160 190	23 509 029
91 - 120 days	18 184 692	22 510 350
121 - 365 days	1 691 504 646	1 697 342 413
	1 754 952 292	1 789 265 075
Less: Allowance for impairment	(1 552 922 843)	(1 464 682 984)
	202 029 449	324 582 091
Less: Allowance for impairment		
Electricity	(236 350 515)	(262 249 379)
Water	(776 050 293)	(569 655 865)
Refuse	(297 660 392)	(227 241 706)
Sewerage	(286 519 185)	(223 025 355)
Sundry Debtors	(158 371 907)	(105 993 623)
	(1 754 952 292)	(1 388 165 928)
Reconciliation of allowance for impairment		
Balance at beginning of the year	(1 388 165 928)	(921 641 596)
Contributions to allowance	(366 786 364)	(466 524 332)
	(1 754 952 292)	(1 388 165 928)
7. Consumer debtors disclosure		
Gross balances		
Consumer debtors - Rates	787 436 931	700 734 853

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Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand	2025	2024
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7. Consumer debtors disclosure (continued)

Less: Allowance for impairment

Consumer debtors - Rates	(544 172 973)	(484 287 034)
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Net balance

Consumer debtors - Rates	243 263 958	216 447 819
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Rates

Current (0 -30 days)	15 682 001	1 854 514
31 - 60 days	10 686 688	1 721 600
61 - 120 days	761 439 236	697 158 739
Impairment Provisions	(544 543 967)	(484 287 034)
	243 263 958	216 447 819

8. VAT receivable

VAT Control	1 101 173 715	1 090 991 962
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9. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	31 408	7 866
Main bank balances	27 346 392	54 453 904
Short-term deposits	76 453 985	42 412 497
Traffic fines	41 124	31 964
Prepaid electricity account	4 043 150	(8 948 451)
	107 916 059	87 957 780

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 - current - 62026153221	8 643 786	34 999 748	4 127 635	27 346 392	56 443 904	144 279 330
First National Bank - savings - 62045863009	5 250 895	310 925	883 381	4 008 490	(8 948 451)	883 381
First National Bank - call account - 62212896346	41 124	31 964	3 144	41 124	31 964	3 144
First National Bank - call account - 62756806661	5 406	333 439	1 378	55	333 439	1 378
ABSA bank investment - 9358605812	14 632 720	42 077 792	37 265 032	14 632 720	42 077 792	37 265 032
Standard bank investment - Account Type - 348526407	61 098 898	-	-	61 098 898	-	-
Nedbank investment - 037881162791/000013	1 367	1 266	206 151	1 367	1 266	206 151
Nedbank investment - 037881162791/000013	715 593	-	-	715 593	-	-
Total	90 389 789	77 755 134	42 486 721	107 844 639	89 939 914	182 638 416

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Notes to the Annual Financial Statements

Figures in Rand

10. Investment property

	2025			2024		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	47 163 425	-	47 163 425	47 163 425	-	47 163 425

Reconciliation of investment property - 2025

	Opening balance	Total
Investment property	47 163 425	47 163 425

Reconciliation of investment property - 2024

	Opening balance	Transfers Out	Prior Period Error	Total
Investment property	600 310 038	(546 592 797)	(6 553 816)	47 163 425

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.

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Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

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11. 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	459 272 797	-	459 272 797	459 272 797	-	459 272 797
Buildings	215 195 248	(67 628 251)	147 566 997	215 195 248	(60 877 211)	154 318 037
Plant and machinery	19 074 538	(17 566 471)	1 508 067	17 837 825	(17 188 897)	648 928
Furniture and fixtures	12 197 705	(11 390 828)	806 877	12 004 905	(11 175 670)	829 235
Motor vehicles	93 246 890	(55 806 837)	37 440 053	75 479 025	(50 400 002)	25 079 023
Office equipment	6 951 144	(6 941 828)	9 316	6 951 144	(6 936 290)	14 854
IT equipment	16 973 434	(13 671 264)	3 302 170	16 947 241	(12 445 267)	4 501 974
Computer software	-	-	-	-	1 034	1 034
Infrastructure	7 786 688 864	(6 716 188 932)	1 070 499 932	7 777 417 228	(6 661 807 824)	1 115 609 404
Community	173 938 360	(42 081 550)	131 856 810	173 938 360	(38 909 845)	135 028 515
Work-in-progress	1 682 158 391	-	1 682 158 391	1 515 715 440	-	1 515 715 440
Weapons systems	56 169	(56 169)	-	56 169	(55 656)	513
Total	10 465 753 540	(6 931 332 130)	3 534 421 410	10 270 815 382	(6 859 795 628)	3 411 019 754

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Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand

11. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2025

	Opening balance	Additions	Transfers In	Transfers Out	Depreciation	Total
Land	459 272 797	-	-	-	-	459 272 797
Buildings	154 318 037	-	-	-	(6 751 040)	147 566 997
Plant and machinery	648 928	1 236 713	-	-	(377 574)	1 508 067
Furniture and fixtures	829 235	192 800	-	-	(215 158)	806 877
Motor vehicles	25 079 023	4 404 930	13 362 935	-	(5 406 835)	37 440 053
Office equipment	14 854	-	-	-	(5 538)	9 316
IT equipment	4 501 974	26 193	-	-	(1 225 997)	3 302 170
Computer software	1 034	-	-	-	(1 034)	-
Infrastructure	1 115 609 404	9 271 636	-	-	(54 381 108)	1 070 499 932
Community	135 028 515	-	-	-	(3 171 705)	131 856 810
Work-in-progress	1 515 715 440	179 805 886	-	(13 362 935)	-	1 682 158 391
Weapons systems	513	-	-	-	(513)	-
	3 411 019 754	194 938 158	13 362 935	(13 362 935)	(71 536 502)	3 534 421 410

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11. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2024

	Opening balance	Additions	Transfers In	Transfers Out	Depreciation	Impairment loss	Total
Land	-	-	546 592 797	(87 320 000)	-	-	459 272 797
Buildings	161 069 077	-	-	-	(6 751 040)	-	154 318 037
Plant and machinery	1 031 789	2 219	-	-	(384 898)	(182)	648 928
Furniture and fixtures	586 080	456 737	-	-	(212 959)	(623)	829 235
Motor vehicles	29 602 025	654 837	-	-	(4 916 536)	(261 303)	25 079 023
Office equipment	20 681	-	-	-	(5 538)	(289)	14 854
IT equipment	3 195 577	2 592 790	-	-	(1 286 182)	(211)	4 501 974
Computer software	2 814	-	-	-	(1 780)	-	1 034
Infrastructure	1 159 928 808	17 292 500	-	-	(61 611 904)	-	1 115 609 404
Community	138 200 220	-	-	-	(3 171 705)	-	135 028 515
Work-in-progress	1 392 250 841	123 464 599	-	-	-	-	1 515 715 440
Weapons systems	1 029	-	-	-	(516)	-	513
	2 885 888 941	144 463 682	546 592 797	(87 320 000)	(78 343 058)	(262 608)	3 411 019 754

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.

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Figures in Rand	2025	2024
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12. Interests in other entities

Investments in controlled entities

Name	Jurisdiction	Determination of ownership interest	% ownership interest 2025	% ownership interest 2024	Carrying amount 2025	Carrying amount 2024
MAP Water			100,00 %	100,00 %	300	300
					300	300
					300	300

Disestablishment of MAP water

We draw attention to the fact that on the 28 February 2024, the Council of Maluti-A-Phofung Local Municipality (parent) passed a resolution to disestablish MAP Water (Soc) Ltd.

On the 20 November 2024, The Council of Maluti-A-Phofung Local Municipality further resolved to terminate the Service Level Agreement. Council further approved the transferring of water services delivery function back to the Municipality's Infrastructure Unit on a permanent basis and to establish a directorate for Water and Sanitation.

The Council further approved the transfer of all permanent staff of the entity to the municipality in terms of section 197 of the Labour Relations Act 65 of 1995, subject to necessary legal processes that must be followed.

These events or conditions, along with other matters, indicate that a material uncertainty exists that may cast significant doubt on the entity's ability to continue as a going concern. As at the approval of the Annual Financial Statements, there was not an approved disestablishment plan in place nor the implementation plan which outlines the process and the timelines regarding the disestablishment of the entity.

It is against this background that the municipality continues to account for the investment in controlled entity as a non-current asset until such time that a clear implementation plan is approved and the dissolution process can be reliably estimated with reference to the financial period in question.

13. Other financial assets

Designated at fair value

Sanlam Shares	3 062 411	2 827 352
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Non-current assets

Designated at fair value	3 062 411	2 827 352
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Notes to the Annual Financial Statements

Figures in Rand	2025	2024
14. Payables from exchange transactions		
Accrued bonus	12 668 299	12 416 710
Accrued leave pay	49 281 145	45 343 866
Auditor General	407 970	123 035
Bulk Electricity	9 374 608 132	8 296 290 893
Bulk Water	522 788 662	492 686 678
Cash suspense account	401 975 271	204 757 559
MAP Water	306 306 296	303 517 439
MAP Water - Payment due	130 853 790	160 071 870
Payment received in advance	201 646 974	176 425 798
Retentions	9 154 414	7 369 555
Third party payments	(153 699 298)	(145 398 735)
Trade payables	3 489 698 450	4 396 232 729
Wesbank Petrol Cards	8 646 954	1 692 442
	14 354 337 059	13 951 529 839
15. Consumer deposits		
Electricity	24 515 367	24 515 367
Water	1 747 899	990 842
	26 263 266	25 506 209

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Notes to the Annual Financial Statements

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16. Employee benefit obligations

Defined benefit plan

Long service employee benefit plan

According to the rules of the long service awards scheme which the municipality instituted and operates, an employee (who is on the current condition service) is entitled to a cash allowance calculated in terms of the rules of the scheme after 10, 15, 20, 25 and 30 years of continued service. The liability was calculated by One Pangaea Expertise and Solutions ('OPES') Consultants and Actuaries.

It is management's best estimate that the current portion of the liability is the contributions expected to be paid on the plans for the following annual financial period.

The total number of employees who were eligible for LSA benefits as at 30 June 2025 totaled 1110.

Post retirement medical aid plan

Actuarial valuation on post-employment medical aid benefit was performed by One Pangaea Expertise and Solutions ('OPES') Consultants and Actuaries. The valuation considered all in service employee, retired employees and their dependants who participate in the medical aid arrangements and are entitled to a post-employment medical aid subsidy. It is management's best estimate that the current portion of the liability is the contributions expected to be paid on the plans for the following annual financial period.

The total number of employees who were eligible for Post Retirement Medical Aid benefits as at 30 June 2025 totaled 667.

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

Carrying Value

Present value of post employment medical aid liability	94 556 850	93 437 000
Present value of long service award liability	33 346 886	33 892 000
	127 903 736	127 329 000

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

Long Service Awards:	-	-
Opening balance	33 892 000	33 521 000
Service cost	2 829 000	2 816 000
Interest cost	3 468 000	4 183 000
Benefits paid	(5 667 193)	(5 068 000)
Actuarial losses	(1 174 921)	(1 560 000)
	33 346 886	33 892 000
Post Medical Aid:		
Opening balance	93 437 000	89 088 000
Service cost	5 062 000	4 898 000
Interest cost	13 174 000	11 714 000
Actuarial (gains) / losses	(15 785 511)	(11 204 000)
Benefits paid	(1 330 639)	(1 059 000)
	94 556 850	93 437 000

Key assumptions used

Discount Rate Long service awards	8,97 %	10,58 %
CPI (Consumer Price Inflation) -Long service awards	3,42 %	5,72 %

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Figures in Rand	2025	2024
16. Employee benefit obligations (continued)		
Normal Salary Increase Rate -Long service awards	4,42 %	6,72 %
Net Effective Discount Rate Long service awards	4,35 %	3,61 %
Discount Rate post-employment medical aid benefits liability	12,28 %	13,85 %
CPI (Consumer Price Inflation) post-employment medical aid benefits liability	6,23 %	8,21 %
Normal Salary Increase Rate post-employment medical aid benefits liability	7,73 %	9,21 %
Net Effective Discount Rate post-employment medical aid benefits liability	4,22 %	4,24 %

17. Provisions

Reconciliation of provisions - 2025

	Opening Balance	Change in discount factor	Reduction due to re- measurement or settlement	Total
Environmental rehabilitation	65 521 074	6 884 312	7 978 595	80 383 982

Reconciliation of provisions - 2024

	Opening Balance	Change in discount factor	Reduction due to re- measurement or settlement	Total
Environmental rehabilitation	62 357 203	6 968 906	(3 805 035)	65 521 074
	62 357 203	6 968 906	(3 805 035)	65 521 074

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17. Provisions (continued)

Environmental rehabilitation provision

The operation of a landfill results in an obligation to rehabilitate the landfill and prevent any further pollution after closure thereof in terms of the National Environmental Management Act, Act 107 of 1998, Government Notice 718 of 3 July 2009, and the landfill permits issued under section 20 of the Environment Conservation Act, Act 73 of 1989, or the waste management licenses issued under section 50 of the National Environmental Management: Waste Act, Act 59 of 2008. The technical requirements for final decommissioning and rehabilitation of landfills are embodied in the Minimum Requirements for Waste Disposal by Landfill, as amended by more recent regulations.

Landfill operations continue until all the available permitted airspace has been filled. Once this happens, the site is closed and capped with a layer of impermeable clay and a layer of the top soil. Grass and other suitable vegetation types are planted to stabilize the soil and improve the appearance. Environmental monitoring continues for a period of up to 30 years after the closure of the site. No appointment for the closure of the sites has been made, and therefore only rough estimates have been compiled without site visits with no detailed inspections or investigations. Basic information on the size and classification of each site was supplied.

The provision has been determined by an independent firm of consultants through investigation to determine the best estimated rehabilitation cost for the waste disposal sites at the end of its useful lives.

Key financial assumptions used	Qwaqwa landfill	Harrismith and Pereng landfills
CPI	2.88878%	2.8878%
Discount rate	8.3878%	8.6387%
Net effective discount rate	5.5%	5.75%

Discount Rate

The rate most consistent with the remaining life of the landfills published at the end of the quarter that includes the financial year-end date was used.

- For landfills with an expected remaining life of three years or less, the rate associated with a maximum period of 3 years is used.
- For landfills with an expected remaining life of four or five years, the rate associated with a maximum period of 5 years is used.
- For landfills with an expected remaining life of more than five years, the rate associated with a maximum period of 10 years is used.

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17. Provisions (continued)

GRAP 19 states that where the effect of the time value of money is material, the amount of the provision shall be the present value of the expenditures expected to be required to settle the obligation. In view of the long operational life of landfills, the time value of money is considered material. GRAP 19 prescribes that the discount rate shall be the pre-tax rate that reflects current market assessments of the time value of money, and the risks specific to the liability. Normally corporate bond rates are used to determine the discount rate. In line with GRAP 25 Defined benefit plans, government bond rates may also be used to determine the discount rate. The liability for this purpose is in most cases determined for municipality. Therefore, government bond rates are considered a more appropriate indicator of the risk associated with the entity than corporate bond rates to determine the discount rate. The government bond rate most consistent with the estimated term of the liability should be used. As inflation-linked RSA retail bond rates have longer terms than fixed RSA retail bond rates, inflation-linked rates are used.

Harrismith Landfill Site:

The landfill site is situated approximately 61 meters from 42 Hill, which is a township of Harrismith. Harrismith is a town in the Free State, and it is situated approximately 86 km from Ladysmith in the Kwa-Zulu Natal Province. The Harrismith landfill site is responsible for accommodating the solid waste of 42nd Hill, Bergsig, Hardustria, Harrismith SP, Kings Hill, Lotusville, Westerson and Wilgepark. The total population of the mentioned towns accumulates to 32 686 in 2022. (Census 2011 adjusted to 2022 at 1.46% annually).

The site is accessed by a gravel road which is linked directly to 42nd Hill and its coordinates are 28.2574449°S 29.0912089°E. The estimated total footprint of the item is approximately 173 000 m² and the total fully utilized area is approximately 86 700 m². A total of 34 000 m² has been partially utilized, leaving room for further utilization. The total cubes of fill within the partially utilized area is 14 239.84 m³.

The remaining life is calculated at 14 years, up to 2038 based on the annual population growth and available air space.

Phuthaditjhaba Landfill site:

The landfill site is situated approximately 1.9km from Phuthaditjhaba. Phuthaditjhaba is a town in the Free State province, and it is situated approximately 52 km from Harrismith. The New Phuthaditjhaba landfill site is responsible for accommodating the solid waste of Boitekong, Phuthaditjhaba A, Phuthaditjhaba B, Phuthaditjhaba C, Phuthaditjhaba D, Phuthaditjhaba H, Phuthaditjhaba K, Phuthaditjhaba L, Phuthaditjhaba N, Phuthaditjhaba SP, Phuthaditjhaba-H and Phuthaditjhaba J. The total population of the mentioned towns is approximately 64 109 in 2022. (Census 2011 adjusted to 2022 at 1.46% annually).

The site is accessed by a gravel road which then joins another gravel roads which links to Phuthaditjhaba. The coordinates of the landfill site are 28.2574449°S 29.0912089°E. The estimated total footprint of the item is approximately 438 000 m².

The remaining life is calculated at 36 years, up to 2060 based on the annual population growth and available air space.

18. Unspent conditional grants and receipts

Movement during the year

Additions during the year	251 681 071	287 172 193
Income recognition during the year	(251 681 071)	(287 172 193)
	-	-

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 26 for reconciliation of grants from National/Provincial Government.

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

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19. Revenue

Rendering of services	2 556 392	1 879 408
Service charges	523 255 382	499 052 387
Interest received (trading)	107 556 012	22 602 575
Rental income	1 982 305	1 622 482
Other income	2 855 982	3 219 187
Interest received - investment	21 183 242	6 767 096
Property rates	107 972 235	99 784 962
Interest, Dividends and Rent on Land	40 646 910	9 066 108
Government grants & subsidies	1 098 819 071	1 088 803 239
Public contributions and donations	-	688 034
Fines, Penalties and Forfeits	207 248	735 987
	1 907 034 779	1 734 221 465

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

Service charges	523 255 382	499 052 387
Rendering of services	2 556 392	1 879 408
Interest received (trading)	107 556 012	22 602 575
Rental income	1 982 305	1 622 482
Other income	2 855 982	3 219 187
Interest received - investment	21 183 242	6 767 096
	659 389 315	535 143 135

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

Taxation revenue

Property rates	107 972 235	99 784 962
Interest, Dividends and Rent on Land	40 646 910	9 066 108

Transfer revenue

Government grants & subsidies	1 098 819 071	1 088 803 239
Public contributions and donations	-	688 034
Fines, Penalties and Forfeits	207 248	735 987

1 247 645 464 1 199 078 330

20. Service charges

Sale of electricity	343 793 444	325 273 905
Sale of water	81 910 323	84 651 209
Sewerage and sanitation charges	48 889 415	45 253 992
Refuse removal	48 662 200	43 873 281
	523 255 382	499 052 387

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21. Sale of goods and rendering of services

Building plan income	768 060	830 179
Call outs	48 394	627
Camping fees	522	562 205
Other income 1	153 617	-
Cemetery and burial fees	1 387 108	1 314 100
Containers	1 352	2 722
Entrance fees	21 753	25 783
Escort and parking fees	70 147	42 939
Management fees	22 017	38 313
Other income	225 766	68 080
Identification pegs	-	4 348
Rental of facilities	73 265	195 416
Tender documents	49 969	58 386
Valuation roll	34 012	76 089
	2 855 982	3 219 187

22. Investment revenue

Interest revenue

Interest received - bank and investments	21 183 242	6 767 096
--	------------	-----------

23. Actuarial gains/losses

Long service gains/(losses)	4 013 114	3 812 000
Medical gains/(losses)	12 054 150	7 365 000
	16 067 264	11 177 000

24. Property rates

Rates received

Residential	23 799 014	24 167 372
Commercial	34 751 089	33 019 305
State	46 005 377	39 166 141
Municipal	-	(10 236)
Small holdings and farms	3 416 755	3 442 380
	107 972 235	99 784 962

Valuations

Residential	4 646 104 438	4 724 426 553
Commercial	4 462 004 185	4 132 116 741
National and provincial government	2 673 212 603	1 511 273 118
Municipal	1 619 584 420	1 628 618 836
	13 400 905 646	11 996 435 248

Valuations on land and buildings are performed every 5 years. The last general valuation came into effect on 1 July 2021.

25. Interest, dividends and Rent on Land

Interest - Receivables	40 646 910	9 066 108
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26. Government grants & subsidies

Operating grants

Equitable share	847 138 000	801 631 046
Expanded public works grant	2 655 000	5 848 000
Financial management grant	3 000 000	3 100 000
	852 793 000	810 579 046

Capital grants

Water Services infrastructure grant	47 510 000	51 683 000
Municipal infrastructure grant	198 516 071	161 715 836
Informal Settlements Upgrading Programme Grant (ISUPG)	-	64 825 357
	246 026 071	278 224 193
	1 098 819 071	1 088 803 239

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Unconditional grants received	847 138 000	801 631 046
Conditional grants received	251 681 071	287 172 193
	1 098 819 071	1 088 803 239

Equitable Share

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

This grant is primarily used to subsidise the provision of basic services to indigent households. All registered indigent households receive a monthly subsidy based on the service charges for water, electricity, sewerage, refuse, which is fully subsidised from the grant. The following limits are however in place, Indigent households receive 6kl free water and 50kwh free electricity per month.

An amount of R4,7 Million was withheld from the equitable share as a result of the 2022/2023 MIG Unspent conditional Grant. This amount was deducted from the 2023/2024 Equitable share allocation.

Expanded public works grant

Current-year receipts	2 655 000	5 848 000
Conditions met - transferred to revenue	(2 655 000)	(5 848 000)
	-	-

Conditions still to be met - remain liabilities (see note 18).

Provide explanations of conditions still to be met and other relevant information.

Water Services infrastructure grant

Current-year receipts	47 510 000	51 683 000
Conditions met - transferred to revenue	(47 510 000)	(51 683 000)
	-	-

Conditions still to be met - remain liabilities (see note 18).

Provide explanations of conditions still to be met and other relevant information.

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26. Government grants & subsidies (continued)

Financial management grant

Current-year receipts	3 000 000	3 100 000
Conditions met - transferred to revenue	(3 000 000)	(3 100 000)
	-	-

Conditions still to be met - remain liabilities (see note 18).

Provide explanations of conditions still to be met and other relevant information.

Municipal infrastructure grant

Balance unspent at beginning of year	-	4 715 046
Current-year receipts	197 555 000	165 502 000
Conditions met - transferred to revenue	(197 555 000)	(165 502 000)
Unspent grant withheld from Equitable Share	-	(4 715 046)
	-	-

Conditions still to be met - remain liabilities (see note 18).

Provide explanations of conditions still to be met and other relevant information.

Informal Settlements Upgrading Programme Grant (ISUPG)

Current-year receipts	-	64 825 357
Conditions met - transferred to revenue	-	(64 825 357)
	-	-

Conditions still to be met - remain liabilities (see note 18).

Provide explanations of conditions still to be met and other relevant information.

Changes in level of government grants

Based on the allocations set out in the Division of Revenue Act, (Act 24 of 2024), no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

27. Public contributions and donations

Asset donations	-	688 034
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Reconciliation of conditional contributions

Current-year receipts	-	688 034
Conditions met - transferred to revenue	-	(688 034)
	-	-

Conditions still to be met - remain liabilities (see note 18)

Provide explanations of conditions still to be met and other relevant information

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28. Fines, Penalties and Forfeits		
Pound Fees Fines	40 672	11 168
Municipal Traffic Fines	166 576	724 819
	207 248	735 987

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29. Employee related costs		
13th Cheques	25 409 906	24 212 592
Acting allowances	1 994 859	2 920 667
Bargaining Council	155 565	131 177
Basic	326 387 454	311 658 368
Car allowance	13 324 137	13 525 819
Pension	52 186 926	47 504 498
Housing benefits and allowances	1 675 815	1 616 190
Leave pay provision charge	6 143 934	2 863 136
Long-service awards	5 550 905	5 806 660
Medical aid - company contributions	28 425 309	18 060 662
Uniform allowance	3 274 410	6 968 873
Standby allowance	924 030	1 885 646
Overtime payments	13 991 687	23 827 708
Short term benefit	2 944 783	2 737 226
Skills Development Levy - SDL	4 259 869	9 434 356
Shift allowance	32 610 928	29 526 816
Telephone / Cellphone allowance	1 055 316	1 080 714
Travel, motor car, accommodation, subsistence and other allowances	277 687	432 071
Unemployment Insurance Fund	1 915 674	2 358 792
Workmen's Compensation Fund	-	481 168
	522 509 194	507 033 139

Remuneration of municipal manager

Annual Remuneration	1 158 775	696 497
Car Allowance	183 793	60 000
Cellphone allowance	10 500	15 000
Contributions to UIF, Medical and Pension Funds	1 239	177
Skills development levy	12 652	-
	1 366 959	771 674

2024

01/07/2023 - 30/09/2023 MR S MAKHUBU acted as Municipal manager with the Acting allowance amounting to R59 477,25

01/10/2023 - 30/04/2024 MR HA GOLIATH acted as Municipal manager with the Acting allowance amounting to R422 562,64

01/05/2024 - 30/06/2024 MR MM SEFANTSI acted as Municipal manager with the Acting allowance amounting to R372 504,68

2025

1/8/2024 - 30/11/2024 MR HA GOLIATH acted as Municipal manager with the Acting allowance amounting to R192 295,23

1/12/2024 - ADV MM MOFOKENG was appointed as the Municipal Manager.

Remuneration of chief finance officer

Annual Remuneration	1 446 665	1 262 639
Car Allowance	233 321	282 140
Contributions to UIF, Medical and Pension Funds	125 993	312 355
Cellphone allowance	13 500	18 000
Skills development levy	15 213	13 863
	1 834 692	1 888 997

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29. Employee related costs (continued)

During the current financial year on the 03/01/2025 - 30/01/2025 MRS NP KHUMALO acted as Chief Financial Officer with the Acting allowance amounting to R24 092,13

Remuneration of Director Local Economic Development

Annual Remuneration	1 087 875	1 090 537
Car Allowance	241 164	150 000
Cellphone allowance	-	18 000
Contributions to UIF, Medical and Pension Funds	2 125	2 125
Skills development levy	-	12 285
	1 331 164	1 272 947

Remuneration of Director Community Services,Sports,Parks, Art & Culture

Annual Remuneration	1 499 014	1 415 038
Car Allowance	293 291	240 000
Contributions to UIF, Medical and Pension Funds	1 948	2 125
Cellphone allowance	16 500	18 000
Skills development levy	16 915	16 454
	1 827 668	1 691 617

Remuneration of Director Public Safety

Annual Remuneration	908 833	-
Car Allowance	229 659	-
Contributions to UIF, Medical and Pension Funds	2 125	-
Cellphone allowance	18 000	-
	1 158 617	-

Remuneration of Director Corporate Services

Annual Remuneration	1 069 062	1 122 943
Car Allowance	304 110	288 000
Contributions to UIF, Medical and Pension Funds	31 554	246 022
Cellphone Allowance	-	21 000
Skills development levy	-	13 940
Other	-	59 477
	1 404 726	1 751 382

Remuneration of Director of Municipal Infrastructure

Annual Remuneration	510 922	1 567 692
Car Allowance	301 044	167 840
Cellphone allowance	-	18 000
Contributions to UIF, Medical and Pension Funds	111 282	2 125
Skills development levy	-	17 200
Cellphone allowance	15 078	-
	938 326	1 772 857

Mr. HW Ungerer was a director from 01/07/2024 - 31/10/2024

Mr. MS Nhlapo acted as a director from 01/12/2024 - 30/06/2025 with an allowance amounting to R 164 917.23

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29. Employee related costs (continued)		
Remuneration of Director Human Settlements /Housing		
Annual Remuneration	836 556	-
Car Allowance	240 976	-
Contributions to UIF, Medical and Pension Funds	35 173	-
Cellphone allowance	10 578	-
Skills development Levy	43 626	-
	1 166 909	-
30. Remuneration of councillors		
Executive Major	1 203 438	887 873
Mayoral Committee Members	11 300 052	2 757 149
Speaker	410 252	721 984
Councillors	23 916 717	20 226 051
Chief Whip	364 012	849 165
	37 194 471	25 442 222
31. Administrative expenditure		
Administration and management fees - third party	73 237	31 000
32. Depreciation and amortisation		
Property, plant and equipment	71 536 502	78 343 058
33. Finance costs		
Non-current borrowings	72 741 815	44 698 290
Other interest paid	23 526 312	19 060 871
	96 268 127	63 759 161
34. Debt impairment		
Debt impairment	436 119 788	957 702 967
35. Bulk purchases		
Electricity - Eskom	1 068 419 208	842 498 991
Water	23 503 433	24 696 032
	1 091 922 641	867 195 023

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35. Bulk purchases (continued)

Electricity losses

Units purchased	486 098 740	460 294 670
Units sold	(118 355 799)	(124 751 411)
Total loss	367 742 941	335 543 259

Comprising of:		
Estimated Line Losses	156 574 176	130 709 792
Losses due to faulty meters, tampering or theft	633 101 436	504 517 920
Total	789 675 612	635 227 712

Percentage Loss:		
Technical losses	15 %	15 %
Non-technical losses	61 %	58 %
Total	76 %	73 %

Water losses

Units purchased	20 741 702	19 824 202
Units sold	(6 091 871)	(6 529 040)
Total	14 649 831	13 295 162

Comprising of:		
Estimated Line Losses	34 643 999	33 582 523
Losses due to unmetered connections, tampering or theft	129 337 594	116 419 412
Total	163 981 593	150 001 935

Percentage Loss:		
Technical losses	15 %	15 %
Non-technical losses	56 %	52 %
Total	71 %	67 %

36. Contracted services

Presented previously

Fleet Services	19 396	5 507
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Outsourced Services

Burial Services	132 000	226 760
Catering Services	-	211 449
Internal Auditors	372 670	321 879
Medical Services [Medical Health Services & Support]	-	92 000
Personnel and Labour	-	74 550
Professional Staff	38 838 533	41 791 870
Security Services	50 584 285	18 338 443
Traffic Fines Management	4 675	979 156

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36. Contracted services (continued)		
Consultants and Professional Services		
Business and Advisory	4 717 320	13 758 041
Contractors		
Audio-visual Services	-	22 000
Employee Wellness	-	66 450
Maintenance of Equipment	-	129 920
Medical Services	15 600	-
Prepaid Electricity Vendors	5 686 363	5 766 121
	100 370 842	81 784 146
37. Transfer and subsidies		
Other subsidies		
MAP Water	181 472 000	171 200 000
38. General expenses		
Advertising	571 468	519 082
Animal Costs	315 967	505 180
Auditors remuneration	18 400 963	12 317 815
Bank charges	624 143	1 943 887
Consulting and professional fees	25 280	137 390
Consumables	6 460 578	22 655 844
Fuel and oil	12 861 380	8 031 897
Hire	40 050	131 060
Indigent subsidy	1 606 006	1 486 416
Insurance	71 572	7 991 619
Magazines, books and periodicals	452 782	998 009
Motor vehicle expenses	705 333	481 128
Operating lease assets	3 415 486	170 239
Printing and stationery	3 591	(108 300)
Provision for restoration costs of landfill site	14 947 501	3 163 871
Remuneration of EPWP	9 661 617	9 369 752
Remuneration of Ward Committees	2 208 000	1 997 500
Repairs and maintenance	29 929 344	35 743 774
Software expenses	3 433 253	3 222 071
Sports council project	-	122 942
Subscriptions and membership fees	7 532 532	8 247 319
Transport and freight	-	197 401
Travel - local	895 183	740 917
Uniforms	-	112 200
	114 162 029	120 179 013

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39. Cash generated from operations		
Deficit	(345 784 092)	(1 135 713 908)
Adjustments for:		
Depreciation and amortisation	71 536 502	78 343 058
(Loss) gain on sale of assets and liabilities	(6 675 822)	76 011
Debt impairment	436 119 788	957 702 967
Bad debts written off	1 179 577	-
Movements in retirement benefit assets and liabilities	574 736	39 264 000
Movements in provisions	14 862 908	7 138 742
Inventory losses or write-downs	5 734	122
Prior period adjustments	-	744 133 446
Employee - Accrued bonus-13th Cheque	251 589	407 898
Employee - Leave accrual	3 937 279	444 666
Water valuation adjustments	(79 886)	907 590
Provision for rehabilitation adjustment	14 862 908	126 653 865
Other non-cash items	(33 844 886)	28 350 930
Changes in working capital:		
Inventories	185 374	278 813
Receivables from exchange transactions	(15 362 957)	(488 392 934)
Consumer debtors	(313 567 146)	(655 926 214)
Other receivables from non-exchange transactions	(26 816 139)	443 734 182
Payables from exchange transactions	402 807 220	(162 946 668)
VAT	10 181 753	70 431 339
Unspent conditional grants and receipts	-	(4 715 046)
Consumer deposits	757 057	(167 165)
	215 131 497	50 005 694

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40. Commitments

Authorised capital expenditure

Already contracted for but not provided for

• Property, plant and equipment	122 805 500	203 089 926
• Other financial assets	4 067 491	-
	126 872 991	203 089 926

Total capital commitments

Already contracted for but not provided for	126 872 991	203 089 926
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Authorised operational expenditure

Total commitments

Total commitments

Authorised capital expenditure	126 872 991	203 089 926
--------------------------------	-------------	-------------

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

Operating leases - as lessee (expense)

Minimum lease payments due

- within one year	1 707 764	-
- in second to fifth year inclusive	2 561 646	-
	4 269 410	-

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

41. Contingencies

There is no reimbursement from any third parties for potential obligations of the municipality.

Contingent liabilities

	2025	2024
Summons	202 635 065	175 323 251
Applications	203 508 367	192 685 487
Letter of demand	31 169 526	53 090 246
For Municipal	7 844 305	12 285 263
	445 157 263	433 384 247

The municipality has kept a register for the above contingent liabilities

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42. Related parties		
Relationships		
Accounting Officer	Refer to accounting officers' report note 6	
Controlled entities	Refer to note 12	
Councillors	Refer to note 31	
MB Lebesa		
HF Mdakane		
EM Mofokeng		
NI Letlala		
M Crocket		
PK Khumalo		
IDJ Nhlapo		
AN Motaung		
MB Bohlale		
MM Lakaje-Mosia		
Members of key management	Refer to note 30	
Related party transactions		
Total service charges		
Maluti-a-Phofung Water (SOC) Ltd - water and sewer	21 062 766	24 681 050
Equitable share and DWA grant payment		
Maluti-a-Phofung Water (SOC) Ltd	181 472 000	171 200 000
MAP Water Suppliers paid by MAP		
Maluti-a-Phofung Water (SOC) Ltd	(223 018 425)	(4 592 967)

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43. Prior-year adjustments

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

2024

	Note	As previously reported	Correction of error	Re-classification	Restated
Inventories		6 459 205	(229 910)	87 320 000	93 549 295
Receivables from exchange transactions		546 517 299	(163 810 843)	(324 582 091)	58 124 365
Consumer Debtors		-	-	324 582 091	324 582 091
VAT receivable		1 142 752 968	(51 761 006)	-	1 090 991 962
Investment Property		600 310 038	(6 553 816)	(546 592 797)	47 163 425
Property, Plant and Equipment		2 572 619 608	376 930 849	461 469 297	3 411 019 754
Other financial assets		899 716	1 927 636	-	2 827 352
Payables from exchange transactions		(9 452 709 846)	(4 498 819 993)	-	(13 951 529 839)
Consumer Deposits		(25 781 527)	20 100	255 218	(25 506 209)
Employee Benefit Obligation		(88 065 000)	(39 264 000)	-	(127 329 000)
Provisions		61 132 790	(126 653 865)	-	(65 521 075)
		(4 635 864 749)	(4 508 214 848)	2 451 718	(9 141 627 879)

Statement of financial performance

2024

	Note	As previously reported	Correction of error	Re-classification	Restated
Service Charges		(498 078 716)	-	(973 671)	(499 052 387)
Rendering of services		(656 579)	-	(1 222 829)	(1 879 408)
Rental of Fixed assets		(1 367 264)	-	(255 218)	(1 622 482)
Interest received - trading		(22 602 576)	-	22 602 576	-
Interest received - investment		(6 316 139)	(450 957)	-	(6 767 096)
Actuarial gains/(losses)		-	(11 177 000)	-	(11 177 000)
Property rates-penalties imposed		(9 066 108)	-	9 066 108	-
Fines, Interest received, Rent on Land		-	-	(31 668 684)	(31 668 684)
Government grants & subsidies		(1 023 977 882)	-	(64 825 357)	(1 088 803 239)
Public contributions and donations		(65 513 391)	-	64 825 357	(688 034)
Employee related costs		447 690 139	51 800 601	15 909 154	515 399 894
Administration and management fees		24 727 032	-	(24 696 032)	31 000
Depreciation and amortisation		93 877 105	(15 534 047)	-	78 343 058
Finance costs		44 698 290	19 060 871	-	63 759 161
Debt Impairment		950 415 082	-	7 287 884	957 702 966
Bulk purchases		842 498 991	-	24 696 032	867 195 023
Transfers and Subsidies		165 645 025	5 554 975	-	171 200 000
Internal billing recoveries		7 287 884	-	(7 287 884)	-
General expenses		133 000 296	3 163 871	(15 985 154)	120 179 013
Gain or loss on disposal of assets		-	-	76 000	76 000
Deficit for the year		1 082 261 189	52 418 314	(2 451 718)	1 132 227 785

Errors

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43. Prior-year adjustments (continued)

The following prior period errors adjustments occurred:

Inventories

The sharp rise in inventories stemmed from the previously unrecorded Skoonplaas Unsold-land parcels developments that were not reflected in the previous year's AFS.

We also corrected the water inventory which was previously not recognised.

VAT receivable

The VAT was affected by the corrections made to the trade and other payables which had VAT implications.

Receivables from exchange transactions

The account balance was corrected in the prior period to ensure that the closing balance of electricity debtors reconciles to the closing balance as per the electricity debtors report received from Eskom's billing system.

Investment property

The account balance was adjusted to reconcile the register with the AFS.

Other financial assets

The account balance was adjusted in line with the investment statements in the prior period. This was due to the fact that this information was not previously obtained and recorded in the accounting records.

Property, Plant and Equipment

The PPE was corrected due to errors which were discovered during the preparation of the 2024/25 AFS. The corrections were made to reconcile the accounting records with the asset registers.

Consumer deposits

The account balance was adjusted to align the accounting records with the consumer deposits sub-ledgers in the prior period.

Payables from exchange transactions

The payables balance was corrected in the prior period to take into account correction of errors relating to 13th Cheque, Leave accrual and the correction of the Eskom bulk account including other trade payables.

Employee benefit obligation

The account balance was adjusted to align the prior year balance with the actuarial reports with regards to the employee benefit liability determined as at the end of the prior year.

Provisions

The account balance was corrected in the prior year to ensure that the accounting records are reconciling to the actual report received from actuaries.

Actuarial (gains)/ losses

The actuarial gains correction were made in the prior year as a result of the reconciliation of the actuarial report to the accounting records.

Interest received - Investment

The account balance correction was due to prior year error discovered during the preparation of the current financial

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43. Prior-year adjustments (continued)

statements where interest was not accounted for.

Employee related costs

The employee related costs were affected by the correction of an error regarding 13th Cheque accrual and the leave provision.

Depreciation and amortisation

The Depreciation correction in the prior year resulted from the reconciliation of the asset registers to the accounting records.

Finance costs

The finance costs expense in the prior year is as a result of the correction of an error related to the employee benefit obligation.

Transfers and subsidies

The transfers and subsidies were adjusted as a result of the error which was corrected which relates to the transfers which were due to MAP Water.

Expenses [by function] (General expenses)

The expenses corrections in the prior was due to correction of an error relating to the landfill sites provision which also impacted the statement of financial performance.

Reclassifications

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43. Prior-year adjustments (continued)

The following reclassifications adjustment occurred:

Inventories

Land parcels held for sale were reclassified from the land register to inventories in the prior period.

Consumer Debtors

Consumer Debtors were reclassified out of Receivables from exchange transaction so as to separately disclose these debtors which are billed and processed in the municipality's billing system.

Receivables from exchange transaction

Reclassification was done out of exchange receivables to ensure that only receivables relating to electricity which is been billed and collected by Eskom is disclosed under this account balance.

Investment property

Land was reclassified from this account balance to Property, Plant and Equipment. So as to ensure that the item is correctly disclosed in line with its nature.

Property, Plant and Equipment

Reclassification was made from investment property into the Property, Plant and Equipment into the land register.

Consumer Deposits

Reclassification of transactions were made out of consumer deposits to the statement of financial performance under rental of fixed assets.

Service Charges

Reclassification relating to electricity connection revenue was made from service charges to rendering of services line item.

Rendering of Services

Reclassification from service charges with regards to electricity connection revenue was made into the rendering of services.

Interest received - trading

Reclassification of was made out of this line item into the Fines, Interest received, Rent on land in the prior year.

Rental of Fixed Assets

Reclassification was made from consumer deposits to this line item in the prior year in order to correctly disclose the line item in line with the nature of the transactions.

Property rates-penalties imposed

Reclassification of this line item was made in the prior year into the line item relating to Fines, Interest received, Rent on land.

Fines, Interest received, Rent on Land

The line item is as a result of the reclassifications made from property rates penalties imposed and the interest received-trading.

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43. Prior-year adjustments (continued)

Government grants & subsidies

The line items was affected by reclassification made in the prior year affecting the the grants.

Public contributions and donations

The line item was reclassified to government grants to ensure that the presentation is in line with the nature of the funds received.

Employee related costs

The line item was affected by transactions reclassified from expenses (General Expenses) in the prior year due to incorrect mapping.

Adminstration and management fees

The line item was affected by the reclassification of transactions which related to the bulk purchase and were incorrectly mapped to administration and management fees.

Debt Impairment

The line item was affected by the reclassification made from internal billing recoveries due to incorrect mapping in the prior year.

Bulk Purchases

The line item was affected by reclassification made in the prior year from administration and management fees.

Internal billing recoveries

The line item was affected by the reclassification made to debt impairment due to incorrect mapping in the prior year.

Expenses (by function)

The line item was affected by transactions reclassified to employee related costs in the prior year due to incorrect mapping.

Gain or loss on disposal of assets

The line item was affected by the reclassification made from expenses (by function) line item in the prior year.

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44. Risk management

Financial risk management

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

Liquidity risk

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

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions.

The municipality's risk to liquidity is a result of funds not being available to cover future commitments.

The municipality's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the entity's reputation.

The municipality manages liquidity risk through proper management of working capital, ongoing review of future commitments, capital expenditure and actual versus forecast cash flows.

At 30 June 2025	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Total
Trade and other payables from exchange transactions	13 688 765 370	-	-	13 688 765 370
Consumer deposit	26 263 266	-	-	26 263 266
At 30 June 2024	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables from exchange transactions	13 512 585 906	-	-	13 512 585 906
Consumer deposit	25 506 209	-	-	25 506 209

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the municipality. The municipality has a sound credit control and debt collection policy and the collateral obtained comprises of consumer deposits, and these deposits are charged as per the Council approved tariffs where appropriate, as a means of mitigating the risk of financial loss from defaults. The municipality uses its own trading records to assess its major customers. The municipality's exposure of its counterparties is monitored regularly.

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

Credit risk relating to trade receivables is managed in accordance with the municipalities' credit control and debt collection policy. The municipality's exposure to credit risk is monitored on an ongoing basis. The municipality is compelled in terms of its constitutional mandate to provide all its residents with basic minimum services without recourse to an assessment of creditworthiness. Subsequently, the municipality has no control over the approval of new customers who acquire properties in the designated municipal area and consequently incur debt for rates, water and electricity services rendered to them.

The municipality credit exposure is spread over a large number and wide variety of consumers and is not concentrated in any particular sector or geographical area. Adequate provision has been made for anticipated bad and doubtful debts. Additional information relating to the analysis of consumer debtors is given in note to the annual financial statements.

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44. Risk management (continued)

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

Financial instrument		
Trade and other receivables from exchange transactions	73 487 319	58 124 362
Consumer debtors	202 029 449	324 582 091
Other financial assets	3 062 411	2 827 352
Bank and cash balances	107 916 059	87 957 780

Market risk

Interest rate risk

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

Price risk

The municipality is exposed to price risk as it holds investments in equity-securities.

45. Going concern

We draw attention to the fact that at 30 June 2025, the municipality had an accumulated surplus (deficit) of (9 183 008 176) and that the municipality's total liabilities exceed its assets by (9 183 008 176).

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.

46. Events after the reporting date

The accounting officer is not aware of any matters or circumstances arising since the end of the financial year, that may require adjustment or disclosure in the Annual Financial Statements.

47. Unauthorised expenditure

Opening balance as previously reported	4 724 142 622	3 863 482 514
Add: Unauthorised expenditure - current	378 796 483	99 199 551
Add: Unauthorised expenditure - prior period	-	761 460 557
Less: Amount authorised - prior period	(4 627 522 567)	-

Closing balance	475 416 538	4 724 142 622
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The over expenditure incurred by municipal departments during the year is attributable to the following categories:

Non-cash	487 875 747	922 513 988
Cash	4 736 308	2 587 080
	492 612 055	925 101 068

Analysed as follows: non-cash

Employee related cost	1 157 719	-
Depreciation and amortisation	7 200 479	256 832
Finance charges	20 058 312	-
Provision of impairment	451 119 254	463 994 885
	479 535 764	464 251 717

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47. Unauthorised expenditure (continued)

Analysed as follows: cash

Interest	1 537 000	-
Transfers and subsidies	3 199 308	-
Capital expenditure	-	2 587 000
	4 736 308	2 587 000

Unauthorised expenditure: Budget overspending – per municipal department:

Community Services	-	352 934 826
Human Settlements	4 370 199	-
Infrastructure	285 416 917	-
Finance	25 961 071	524 247 366
Sports, Arts, Parks, Culture	63 048 296	-
	378 796 483	877 182 192

48. Fruitless and wasteful expenditure

Opening balance as previously reported	2 722 357 511	2 438 507 662
Correction of prior year errors(Written off) - Reversal	(385 738 440)	-
Correction of prior year errors(Add prior year's additions)	-	19 893 994
Fruitless and wasteful expenditure-current year	278 135 067	263 955 855
Closing balance	2 614 754 138	2 722 357 511

49. Irregular expenditure

Opening balance as previously reported	1 280 271 599	1 081 899 506
Add: Irregular expenditure -correction of prior year error	-	142 948 247
Add: Irregular expenditure - current year	134 209 736	55 423 846
Closing balance	1 414 481 335	1 280 271 599

50. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Opening balance	8 233 004	7 383 813
Current year subscription / fee	7 532 532	8 246 419
Amount paid - current year	(8 234 204)	(13 415)
Amount paid - previous years	-	(7 383 813)
	7 531 332	8 233 004

Audit fees

Opening balance	123 035	2 522 083
Current year subscription / fee	21 161 107	12 162 934
Amount paid - current year	(20 876 172)	(2 399 048)
Amount paid - previous years	-	(12 162 934)
	407 970	123 035

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

PAYE and UIF

Current year subscription / fee	86 310 384	86 987 717
Amount paid - current year	(86 310 384)	(86 987 717)
	-	-

Pension and Medical Aid Deductions

Current year subscription / fee	84 155 592	75 530 839
Amount paid - current year	(84 155 592)	(75 530 839)
	-	-

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

Councillors' arrear consumer accounts

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

30 June 2025	Outstanding less than 90 days	Outstanding more than 90 days	Total
E QUINTA	4 364	16 948	21 312
JM & DA MHLONGO & TSHABALALA	3 453	93 477	96 930
M TSHABALALA	1 871	10 261	12 132
N MAHLAMBI	9 337	129 391	138 728
JM MOKOENA	1 010	-	1 010
P TSOEU	989	2 781	3 770
MJ LEBESA	4 422	5 931	10 353
M J LEBESA	1 409	10 285	11 694
MM SEJAKE	4 186	85 751	89 937
MJ TSEEKE	2 053	19 657	21 710
PJ TITELI	13 878	9 839	23 717
MJ RALETHOHLANE	2 042	-	2 042
MC MOLOI	183	-	183
PASTOR MARY CROCKET	3 746	32 160	35 906
MJ MELATO	6 027	95 837	101 864
P A MOTLOUNG	6 177	137 088	143 265
MI MAHAMOTSA	13 294	62 964	76 258
MA NHLAPO	3 005	55 708	58 713
ML NCHOCHO	3 310	59 894	63 204
J RANTSANE	183	1 975	2 158
	84 939	829 947	914 886

30 June 2024	Outstanding less than 90 days	Outstanding more than 90 days	Total
N MAHLAMBI	1 954	130 947	132 901
AN MOTAUNG	2 915	130 388	133 303
GROOTFONTEIN 153 PTN 0	498	-	498
OATE'S DALE 1873 PTN0	568	-	568
MJ LEBESA	821	14 093	14 914
M J LEBESA	370	4 204	4 574
MM SEJAKE	656	89 076	89 732
MJ TSEEKE	708	23 392	24 100
PJ TITELI	942	18 513	19 455
MJ RALETHOHLANE	858	10 214	11 072
MC MOLOI	150	150	300
F.D.C	1 324	42 068	43 392
P A MOTLOUNG	2 090	138 061	140 151
MI MAHAMOTSA	1 543	75 950	77 493
MA NHLAPO	1 042	59 771	60 813
ML NCHOCHO	1 147	64 299	65 446
MD MOLEFE	876	4 156	5 032
MB BOHLALE	539	423	962
DJ MOKOENA	150	151	301
J RANTSANE	150	152	302
	19 301	806 008	825 309

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

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

Levies - Skills Development Levy (SDL)

Current year subscription/fee	4 565 406	4 435 838
Amount paid - current year	(4 565 406)	(4 435 838)
	-	-

Compensation Fund (COIDA)

Opening balance	-	2 407 031
Current year subscription/fee	2 708 724	418 766
Amount paid - current year	-	(2 825 797)
	2 708 724	-

51. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting officer and includes a note to the annual financial statements.

Buses and gym equipment were procured during the financial year under review and the process followed in procuring those goods deviated from the provisions of paragraph 12(1)(d)(i) as stated above. The reasons for these deviations were documented and reported to the accounting officer who considered them and subsequently approved the deviation from the normal supply chain management regulations.

Emergency (i)	6 565 726	1 858 722
Single Provider (ii)	-	1 904 056
Impractical or impossible to procure (v)	28 944 647	51 183 980
Less: Correction of prior period (moved to irregular expenditure)	-	(19 333 960)
	35 510 373	35 612 798

52. Segment information

General information

Identification of segments

The municipality is organised and reports to management on the basis of Community and Public Safety, Economic and Environmental Services, Trading Services, Municipal Governance and Administration and Other Sundry Services. The segments were organised around the type of service delivered and the target market. Management uses these same segments for determining strategic objectives. Segments were aggregated for reporting purposes in line with National Treasury Budget guidelines.

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.

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52. BBBEE Performance (continued)

Aggregated segments

The municipality operates in in 3 towns within the Free State Province. Segments were aggregated on the basis of services delivered as management considered that the economic characteristics of the segments throughout Maluti-A-Phofung were sufficiently similar to warrant aggregation.

Types of goods and/or services by segment

These reportable segments as well as the goods and/or services for each segment are set out below:

Reportable segment	Goods and/or services
Segment 1	Community and social services
Segment 2	Local economic development and planning services
Segment 3	Technical services
Segment 4	Governance & Administration (Not reportable Segment)
Segment 5	Other Sundry Services

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52. BBBEE Performance (continued)

Segment surplus or deficit, assets and liabilities

2025

	Community and public safety	Economic and environmental services	Trading services	Governance and administration	Other Sundry Services	Total
Revenue						
Revenue from exchange transactions	4 119 637	30 652 934	572 788 534	23 162 846	-	630 723 951
Revenue from non-exchange transactions	23 302 215	961 693	580 671 610	1 005 440 916	-	1 610 376 434
Total segment revenue	27 421 852	31 614 627	1 153 460 144	1 028 603 762	-	2 241 100 385
Entity's revenue						2 241 100 385
Expenditure						
Operating Expenditure	155 952 414	44 797 492	1 286 059 532	531 368 520	3 008 575	2 021 186 533
Depreciation and Amortisation	5 902 551	-	1 222 606	568 697	-	7 693 854
Impairment Loss	423 323 140	-	100 603	145 624	-	423 569 367
Interest Expenses	-	-	423 905 467	3 069 000	-	426 974 467
Total segment expenditure	585 178 105	44 797 492	1 711 288 208	535 151 841	3 008 575	2 879 424 221
Total segmental surplus/(deficit)	(557 756 253)	(13 182 865)	(557 828 064)	493 451 921	(3 008 575)	(638 323 836)

Following a change in the composition of its reportable segments, the corresponding items of segment information for earlier periods has been restated.

2024

	Community and public safety	Economic and environmental services	Trading services	Governance and administration	Segment 5	Total
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52. BBBEE Performance (continued)

Revenue

Revenue from non-exchange transactions	11 233 841	17 603 609	256 658 763	913 586 674	- 1 199 082 887
Revenue from exchange transactions	3 948 691	810 480	519 400 437	9 834 599	- 533 994 207
Total segment revenue	15 182 532	18 414 089	776 059 200	923 421 273	- 1 733 077 094
Entity's revenue					1 733 077 094

Expenditure

Operating Expenditure	119 788 711	46 884 536	1 099 026 225	498 145 043	3 475 818 1 767 320 333
Depreciation and Amortisation	5 438 318	21 812 837	65 839 660	710 281	- 93 801 096
Impairment Loss/ Debt Impairment	-	-	365 779 756	591 923 211	- 957 702 967
Total segment expenditure	125 227 029	68 697 373	1 530 645 641	1 090 778 535	3 475 818 2 818 824 396
Total segmental surplus/(deficit)	(110 044 497)	(50 283 284)	(754 586 441)	(167 357 262)	(3 475 818)(1 085 747 302)

Following a change in the composition of its reportable segments, the corresponding items of segment information for earlier periods has been restated.

53. Budget differences - Statement of Comparison of Budget and Actual Amounts

Material differences between budget and actual amounts

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53. Budget differences - Statement of Comparison of Budget and Actual Amounts (continued)

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

Statement of financial performance:

BC1-Service charges. Due to the annual increase in service charges as approved by Council.

BC2-Rendering of services. The targeted revenue was not achieved due to the slow uptake of the services by the community and the municipality's ability to service these requests.

BC3-Interest received (trading). The interest from trading services performed as planned and the variance is within the norm.

BC4-Rental income. Did not perform as budgeted, this was mainly impacted by the condition of our properties for rental.

BC5-Other income. This comprises sundry income from traffic services, burial and other services rendered by the municipality. This line item did not perform as expected.

BC6-Interest received-Investment. This item outperformed the budget due to the effective cash management activities of the municipality.

BC7-Property rates. The budget was in line with the performance of the line item and no material variances were noted.

BC8-Interest on rates. This line item performed in the line with the anticipated budget projections.

BC9-Interest-Taxation revenue. This was no budget allocation for the Eskom debt relief interest write-off, as the municipality did not anticipate the write-off.

BC10-Government grants & subsidies. The grants were all received in line with the approved budget.

BC11-Fines, penalties and forfeits. This anticipated revenue line item did not perform as expected due to other systemic issues which the municipality is addressing.

BC12-Employee related costs. The item performed within the budget projections and there was no overspending experienced.

BC13-Employee related costs-remuneration of councillors. The item performed within budget, an additional adjustment was made during the year to cover the upper limits increments.

BC14-Administration and management fees. There was no budget allocation for this line item.

BC15-Depreciation and amortisation. This item was not originally budgeted for, but an adjustment was made to cater for this expenditure.

BC16-Finance costs. The budget was adjusted to take into account the Eskom debt interest. However, during the financial year Eskom wrote off a portion of interest on the outstanding debt.

BC17-Debt impairment. The budget for this line item is been faced in bearing in mind the impact thereof on the overall municipal tariffs.

BC18-Bad debts written off. The municipality anticipated an increased amount of write-offs, however this was not the case during the financial year.

BC19-Bulk purchases. The bulk purchases line item slightly overspent when compared to the budget.

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53. Budget differences - Statement of Comparison of Budget and Actual Amounts (continued)

BC20-Contracted services. The line item underspent mainly due to cash flow constraints and the low collection rate the municipality is experiencing.

BC21-Transfer and subsidies. The line item slightly under spent. The adjustment was mainly to ensure that the is adequate budget for the municipal entity.

BC22-Expenses (by function). The line item overspent mainly due to insufficient budgeting by other institution segments.

BC23-Gain on disposal of assets and liabilities. This line is not normally anticipated at the beginning of the financial year and hence its not budgeted for.

BC24-Other losses. A minimal budget amount was budgeted for based on past performance.

BC25-Actuarial gains/losses. This line item was not budgeted for as this amount cannot be accurately determined at the beginning of the year, as these valuations changes from one year to the next.

BC26-Transfers and subsidies-capital. This line item performed within budget and the variance is not deemed material.

Statement of financial position:

BD1-Inventories. The budget was aligned to the consumables inventory as per the stock system. The overspending was due to the prior period error correction.

BD2-Receivables from exchange transactions. The line item was not seperately budgeted for.

BD3-Receivables from non-exchange transactions. The line item was adjusted to ensure that the budget is aligned with the actual outcomes.

BD4-VAT receivable. The line item was adjusted to ensure that its more align to the expected actual outcomes.

BD5-Consumer debtors. The line item was adjusted to ensure that its more align to the expected actual outcomes. The original budget was deemed excessive.

BD6-Cash and cash equivalents. The line item was in anticipation of debt collection initiatives during the financial year.

BD7-Investment property. The item was adjusted due to excessive budget initially allocated.

BD8-Property, plant and equipment. The initial budget was adjusted as it was deemed excessive for the line item. This was aligned with the net PPE value in line with the prior financial year.

BD9-Interest in other entities. Not much movement is expected for this line item.

BD10-Other financial assets. No budget allocatio was made for this line item.

BD11-Payables from exchange transactions. The budget was adjusted down to align to the actual performance of the balance in prior year.

BD12-Consumer deposits. The item was adjusted down to align with the actual activities.

BD13-Employee benefit obligation. This item was not budget for.

BD14-Provisions. The budget was adjusted downwards as it was deemed excessive in line with the prior year outcomes.

BD15-VAT Payable. The VAT was netted off under VAT receivable.

BD16-The equity is budgeted from the net effects of all the account balances in the statement of financial position.

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54. Accounting by principals and agents

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

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

The entity is a Principal in the following arrangements:

- The Distribution Agency Agreement (DAA) with Eskom.
- The Service Level Agreement with MAP Water.
- The Service Level Agreement with Syntell.

The Distribution Agency Agreement (DAA) with Eskom:

Nature of the arrangement

The Maluti-A-Phofung Local Municipality ("MAP") has entered into a binding arrangement with Eskom Holdings SOC Ltd ("Eskom") in terms of which Eskom acts as an agent of the Municipality for the collection of electricity revenue from electricity consumers within the municipal jurisdiction.

In terms of the arrangement, Eskom collects electricity revenue from third-party customers and applies the amounts collected against the Municipality's outstanding electricity bulk supply debt with Eskom. Eskom does not control the electricity distribution service provided to customers and acts on behalf of the Municipality in collecting the revenue made from the delivery of these services.

Principal-agent assessment

Management has assessed the arrangement in accordance with GRAP 109: Accounting by Principals and Agents and has concluded that:

The Municipality is the principal, as it retains control over the electricity distribution service and the resulting economic benefits; and

Eskom acts as an agent, as it does not have the ability to determine the significant terms and conditions of the transaction with third-party customers, nor does it have exposure to the variability of the results of the transaction.

Accounting treatment

The Municipality recognises gross electricity revenue billed to customers in accordance with GRAP 9. Amounts collected by Eskom on behalf of the Municipality and payments which are made by consumers for electricity services are made directly to Eskom and are recognised as a settlement of debt owed to Eskom and do not constitute revenue of Eskom.

Resources collected by the agent

At reporting date, the following amounts were collected by Eskom on behalf of the Municipality and applied against the Municipality's electricity bulk supply account:

Description	2025 (R)	2024 (R)
Electricity revenue collected and applied by Eskom	R 198 907 068	R 197 977 502

Resources under the Custodianship of the agent

As at year-end, there were no resources (including assets and liabilities) of the municipality that were under the custodianship of Eskom.

Eskom remits to the municipality the respective VAT output on the payments its receives for electricity debt from consumers.

Fees payable to the agent

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54. Accounting by principals and agents (continued)

Eskom is remunerated in accordance with the terms of the agreement. Eskom is entitled to a 10% commission on electricity sales

Implication for the Principal if Arrangement is terminated

The DAA will endure for a period of 8 years and may be extended to 15 years. The agreement may however be terminated with a written notice of 6 (six) months provided that:

Eskom shall, only upon receipt of payment of the outstanding Debt and all amounts due in terms of the DAA, return to the municipality the municipal network and all uninstalled electricity equipment acquired for the performance of the services and all relevant information and data pertaining to such services.

The municipality shall, against the payment of the outstanding Debt and all amounts due in terms of this agreement continue the operation and management of the services.

The Service Level Agreement with MAP Water:

Nature of the arrangement

The Maluti-A-Phofung Local Municipality ("MAP") has entered into a binding service level arrangement with MAP Water SOC Ltd ("MAP Water") in terms of which MAP Water acts as an agent of the Municipality for the delivery of water and sanitation services to the municipality's consumers within the municipal jurisdiction.

In terms of the arrangement, MAP Water renders water and sanitation services including the maintenance of the water and sanitation treatment works. MAP Water does not control the water and sanitation services distribution service provided to customers and acts on behalf of the Municipality in rendering these services.

Principal-agent assessment

Management has assessed the arrangement in accordance with GRAP 109: Accounting by Principals and Agents and has concluded that:

The Municipality is the principal, as it retains control over the water and sanitation distribution service and the resulting economic benefits; and

MAP Water acts as an agent, as it does not have the ability to determine the significant terms and conditions of the transaction with third-party customers, nor does it have exposure to the variability of the results of the transaction.

Accounting treatment

The Municipality recognises gross water and sanitation revenue billed to customers in accordance with GRAP 9.

Resources collected by the agent

The payment for these services are made directly to the municipality and MAP Water does not carryout any collection on behalf of the municipality.

Resources under the Custodianship of the agent

As at year-end, there were resources of the municipality that were under the custodianship of MAP Water. However, no resources were remitted during the period.

The operations of the water and sanitation infrastructure assets are under the custodianship of MAP Water. MAP however, does carry the risk of loss and enjoys the benefits which are derived from the rendering of these services.

The following are the resources which are under the custodianship of MAP Water:

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54. Accounting by principals and agents (continued)

Asset Description	Book Value 2025	Book Value 2024
Water Infrastructure	R 234 914 990	R 264 140 833
Sanitation Infrastructure	R 160 010 776	R 186 027 615
TOTAL ASSETS	R 394 925 767	R 450 168 448

Fees payable to the agent

MAP Water receives an equitable share allocation through transfers and subsidies, which enables it to carry out the requirements of the service level agreement. The municipality also pays MAP Water the water and sanitation revenue collected for the period concerned.

The following table outlines the payments made to MAP Water during the respective financial years:

Financial Year	Equitable Share	Sanitation	Water	TOTAL
2025	R 181 472 000	R 9 711 477	R 11 351 288	R 202 534 765
2024	R 171 200 000	R 11 386 502	R 13 294 548	R 195 881 050

Implication for the Principal if Arrangement is terminated

The termination of the service level agreement will result in the following:

The municipality will have to make provision within its annual budget to cater for the following expenditure:

employee related costs

repairs and maintenance costs

other contracted services (e.g; water chemicals)

these costs were required to run operations in MAP Water.

The council of Maluti-A-Phofung Local Municipality took a resolution to disestablish MAP Water on the 28 February 2024. The impact of this resolution is fully disclosed in the notes to the annual financial statements under Interest in other entities.

The Service Level Agreement with Syntell:

Nature of the arrangement

The Maluti-A-Phofung Local Municipality ("MAP") has entered into a binding arrangement with Syntell in terms of which Syntell acts as an agent of the Municipality for the sales and collection of electricity revenue from prepaid electricity consumers within the municipal jurisdiction.

In terms of the arrangement, Syntell sells and collects electricity revenue from third-party prepaid customers and pays the collections over to the Municipality. Syntell does not control the prepaid electricity service provided to customers and acts on behalf of the Municipality in selling and collecting the revenue made from the sale of electricity.

Principal-agent assessment

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54. Accounting by principals and agents (continued)

Management has assessed the arrangement in accordance with GRAP 109: Accounting by Principals and Agents and has concluded that:

The Municipality is the principal, as it retains control over the prepaid electricity sales service and the resulting risks and economic benefits; and

Syntell acts as an agent, as it does not have the ability to determine the significant terms and conditions of the transaction with third-party prepaid customers, nor does it have exposure to the variability of the results of the transaction.

Accounting treatment

The Municipality recognises gross electricity revenue sold to prepaid customers in accordance with GRAP 9. Sales are made and collected by Syntell on behalf of the Municipality.

Resources collected by the agent

At reporting date, the following sales were made and collected by Syntell on behalf of the Municipality:

Description	2025 (R)	2024 (R)
Sales Commission paid to Syntell during	R 6 367 093	R1 506 189.84

Resources under the Custodianship of the agent

As at year-end, there were no resources (including assets and liabilities) of the municipality that were under the custodianship of Syntell.

Fees payable to the agent

Syntell is remunerated in accordance with the terms of the agreement. Syntell is entitled to a 3.5% commission on electricity sales

Implication for the Principal if Arrangement is terminated

Should the contract between the municipality and Syntell be terminated, it will impact negatively on the prepaid consumers of Maluti-A-Phofung local municipality. This will result in the municipality losing out on electricity revenue sales and possible community unrest due to lack of access to electricity services by the local community.

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55. Non-compliance with the Municipal Finance Management Act

During the current financial year the following non-compliance issues were identified:

Supply chain management regulations 12(1)(c) & (d) 17(1)(a) - (c) :-

Goods and services of a transaction value between R 10 000 and R 300 000 were procured without inviting at least three written price quotations from accredited prospective providers.

Deviations from competitive bidding were approved on the basis of it being an emergency, urgency or sole supplier.

Municipal Finance Management Act section 116(2)(b), (c) :-

The performances of all contractors were not monitored on a monthly basis.

Municipal Finance Management Act section 65 (1) (e) :-

Creditors were not paid in 30 days as required by the Act.

Municipal Finance Management Act section 52(d) :-

The budget implementation and state of financial affairs submission was not in accordance with the prescribed time frame.