uMuziwabantu Local Municipality
Annual Financial Statements
for the year ended 30 June 2025

General Information

Legal form of entity	Municipality in terms of section 1 of the Local Government: Municipal Structures Act (Act 117 of 1998), read with Section 155 (1) of the Constitution of the Republic of South Africa (Act 108 of 1996)
Nature of business and principal activities	Local Municipality that provides infrastructure and services to communities in a sustainable manner in order to promote social and economic development, and to promote a safe and healthy environment
MUNICIPAL COUNCIL	
Mayor	Cllr. LS Zungu
	Cllr. NP Luthuli - Deputy Mayor
Councillors	Cllr. PN Shebi - Speaker
	Cllr. GM Cele - Chief Whip
	Cllr. MV Vezi - Exco Member
	Cllr. NM Machi (Inkosi)
	Cllr. EZ Jali (Inkosi)
	Cllr. SMC Dlamini (Inkosi)
	Cllr. MN Machi (Inkosi)
	Cllr. N Ndadane
	Cllr. PN Sibutha
	Cllr. VT Mbata
	Cllr. AP Phungula
	Cllr. Vethe
	Cllr. SS Maphumulo
	Cllr. L Dlamini
	Cllr. T Machi
	Cllr. AB Chala
	Cllr. SP Chala
	Cllr. MT Ncane
	Cllr. ZE Mbotho
	Cllr. SM Chala
	Cllr. NM Sigwebela
	Cllr. S Mzindle
	Cllr. BB Khanyisa
	Cllr. K Mbotho
Grading of local authority	Grade 3
Chief Finance Officer	Mrs HP Mchunu
Accounting Officer	Mr T P Cele
Registered office	Murchison Street Harding 4680
Postal address	Private Box X1023 Harding 4680

General Information

Bankers	Nedbank Limited First National Bank Limited Investec Limited Standard Bank
Auditors	Auditor General of South Africa
Preparer	The annual financial statements preparation was supervised by: Mrs HP Mchunu
Website	www.umuziwabantu.gov.za

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

PAYE	PAY As You Earn
UIF	Unemployment Insurance Fund
SDL	Skills Development Levy
mSCOA	Municipal Standard Chart of Account
GRAP	Generally Recognised Accounting Practice
SCMR	Supply Chain Management Regulation
FMG	Financial Management Grant
DORA	Division of Revenue Act
EPWP	Expanded Public Works Programme
PPE	Property, Plant and Equipment
EEDSM	Energy Efficiency and Demand Side Managment
CPI	Consumer Price Index
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant
VAT	Value Added Tax
SCM	Supply Chain Management
INEP	Integrated National electrification Programme

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 highly dependent on the government grants 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.

The accounting officer certify that the salaries, allowances and benefits of councillors as disclosed in the financial statements are within the upper limits of the framework envisaged in section 219 of the Constitution of the Republic of South Africa, read with the Remuneration of the Public Office Bearers Act, Act 20 of 1998 as disclosed on note 30.

Mr T P Cele
Municipal Manager
31 August 2025

Statement of Financial Position as at 30 June 2025

Figures in Rand	Note(s)	2025	2024 Restated*
Assets			
Current Assets			
Inventories	4	354 439	1 307 683
Receivables from non-exchange transactions	5	5 317 930	6 034 446
Receivables from exchange transactions	6	7 982 863	6 898 687
Cash and cash equivalents	7	51 081 964	58 454 130
		64 737 196	**72 694 946**
Non-Current Assets			
Investment property	8	1 723 000	1 723 000
Property, plant and equipment	9	434 473 084	436 812 345
Intangible assets	10	279 416	414 228
Heritage assets	11	170 000	170 000
Plantation inventory	3	42 456 818	47 898 293
		479 102 318	**487 017 866**
Total Assets		**543 839 514**	**559 712 812**
Liabilities			
Current Liabilities			
Payables from exchange transactions	12	20 052 531	18 590 981
Payables from non-exchange transactions	13	2 498 906	2 498 906
Consumer deposits	14	580 305	572 761
Employee benefit obligation	15	514 000	735 000
Unspent conditional grants and receipts	16	1	793 367
		23 645 743	**23 191 015**
Non-Current Liabilities			
Employee benefit obligation	15	13 021 000	10 979 000
Provisions	17	24 068 218	23 270 698
		37 089 218	**34 249 698**
Total Liabilities		**60 734 961**	**57 440 713**
Net Assets		**483 104 553**	**502 272 099**
Accumulated surplus		483 104 553	502 272 099
Total Net Assets		**483 104 553**	**502 272 099**

* See Note 59

Statement of Financial Performance

Figures in Rand	Note(s)	2025	2024 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	18	54 590 352	40 920 661
Rental of facilities and equipment		204 783	275 172
Afforestation sales	20	21 595 404	16 608 125
Agency services	19	698 408	603 791
Licences and permits	21	772 020	855 940
Other income	22	4 756 778	2 737 758
Interest received - investment	23	6 791 648	8 869 317
Total revenue from exchange transactions		**89 409 393**	**70 870 764**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	24	28 447 398	25 261 680
Property rates - penalties imposed	24	712 581	1 987 683
Transfer revenue			
Government grants & subsidies	25	156 254 368	160 211 355
Fines, Penalties and Forfeits	26	196 500	178 200
Construction contracts	27	-	556 522
Total revenue from non-exchange transactions		**185 610 847**	**188 195 440**
Total revenue	28	**275 020 240**	**259 066 204**
Expenditure			
Employee related costs	29	(87 075 455)	(82 747 025)
Remuneration of councillors	30	(10 425 935)	(10 411 025)
Depreciation and amortisation	31	(25 370 253)	(26 089 053)
Construction Contract Expenditure	27	-	(556 522)
Finance costs	33	(2 157 716)	(2 660 311)
Lease rentals on operating lease	34	(195 017)	(158 030)
Debt write-off	35	(5 090 079)	-
Afforestation General Expenses	39	(7 436 206)	(5 914 252)
Afforestation Cost of Sales	40	(14 657 797)	(9 129 379)
Bulk purchases	36	(55 383 582)	(43 525 980)
Contracted services	37	(36 918 687)	(39 227 333)
Transfers and Subsidies	38	(4 794 537)	(4 956 571)
Inventory consumed	4	(4 203 496)	(2 289 053)
General Expenses	41	(40 096 169)	(47 367 571)
Total expenditure		**(293 804 929)**	**(275 032 105)**
Operating deficit		**(18 784 689)**	**(15 965 901)**
Loss on disposal of assets	42	(333 664)	(10 745 840)
Actuarial gains/losses	15	(28 563)	961 394
Changes in value of plantation	3	(5 441 475)	(4 528 121)
Reversal of impairments (Impairment loss)	32	5 422 379	(19 192 852)
		(381 323)	**(33 505 419)**
Deficit for the year		**(19 166 012)**	**(49 471 320)**

* See Note 59

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	492 532 168	492 532 168
Adjustments		
Prior year adjustments - Note 57	59 211 251	59 211 251
Restated* Balance at 1 July 2023	**551 743 419**	**551 743 419**
Changes in net assets		
Surplus for the year	(49 471 320)	(49 471 320)
Total changes	(49 471 320)	(49 471 320)
Restated* Balance at 01 July 2024	**502 272 099**	**502 272 099**
Changes in net assets		
Deficit for the year	(19 166 012)	(19 166 012)
Total changes	(19 166 012)	(19 166 012)
Balance at 30 June 2025	**483 104 553**	**483 104 553**

Note(s)

* See Note 59

Cash Flow Statement

Figures in Rand	Note(s)	2025	2024 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		107 236 107	81 179 404
Grants		155 461 002	161 644 000
Interest income		6 791 648	8 869 317
Other receipts		6 382 136	5 116 897
		275 870 893	256 809 618
Payments			
Employee costs		(100 148 640)	(96 261 579)
Suppliers		(154 790 268)	(152 780 751)
Finance costs		(195)	(222 060)
Construction contracts		-	(556 522)
Transfers and subsidies		(4 794 537)	(4 956 571)
		(259 733 640)	(254 777 483)
Net cash flows from operating activities	44	**16 137 253**	**2 032 135**
Cash flows from investing activities			
Purchase of property, plant and equipment	9	(23 509 419)	(40 216 307)
Cash flows from financing activities			
Finance lease payments		-	(2 762 676)
Net increase/(decrease) in cash and cash equivalents		**(7 372 166)**	**(40 946 848)**
Cash and cash equivalents at the beginning of the year		58 454 130	99 400 978
Cash and cash equivalents at the end of the year	7	**51 081 964**	**58 454 130**

* See Note 59

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	46 976 000	4 113 000	**51 089 000**	54 590 352	**3 501 352**	Note 55.2
Rental of facilities and equipment	501 000	(218 000)	**283 000**	204 783	**(78 217)**	Note 55.3
Afforestation sales	23 990 456	-	**23 990 456**	21 595 404	**(2 395 052)**	Note 56.3
Agency services	682 000	-	**682 000**	698 408	**16 408**	Note 55.4
Licences and permits	1 260 000	(400 000)	**860 000**	772 020	**(87 980)**	Note 55.5
Other income	6 615 306	303 000	**6 918 306**	4 756 778	**(2 161 528)**	Note 55.6
Interest received - investment	10 101 000	(2 860 000)	**7 241 000**	6 791 648	**(449 352)**	Note 55.7
Total revenue from exchange transactions	**90 125 762**	**938 000**	**91 063 762**	**89 409 393**	**(1 654 369)**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	27 904 000	-	**27 904 000**	28 447 398	**543 398**	Note 55.8
Property rates - penalties imposed	2 225 000	1 640 000	**3 865 000**	712 581	**(3 152 419)**	Note 55.8
Transfer revenue						
Government grants & subsidies	130 110 000	120 000	**130 230 000**	156 254 368	**26 024 368**	Note 55.9
Fines, Penalties and Forfeits	2 315 000	(1 850 000)	**465 000**	196 500	**(268 500)**	Note 55.10
Total revenue from non-exchange transactions	**162 554 000**	**(90 000)**	**162 464 000**	**185 610 847**	**23 146 847**	
Total revenue	**252 679 762**	**848 000**	**253 527 762**	**275 020 240**	**21 492 478**	
Expenditure						
Employee related cost	(102 751 000)	-	**(102 751 000)**	(87 075 455)	**15 675 545**	Note 55.11
Remuneration of councillors	(12 390 000)	-	**(12 390 000)**	(10 425 935)	**1 964 065**	Note 55.12
Depreciation and amortisation	(26 000 000)	(1 000 000)	**(27 000 000)**	(25 370 253)	**1 629 747**	Note 55.13
Impairment loss	(5 300 000)	5 300 000	**-**	-	**-**	Note 55.14
Finance costs	(35 000)	5 000	**(30 000)**	(2 157 716)	**(2 127 716)**	Note 55.15
Lease rentals on operating lease	(199 000)	-	**(199 000)**	(195 017)	**3 983**	Note 55.16
Debt write-off	(5 100 000)	-	**(5 100 000)**	(5 090 079)	**9 921**	Note 55.23
Afforestation General Expenses	(5 201 251)	-	**(5 201 251)**	(7 436 206)	**(2 234 955)**	Note 55.17
Afforestation cost of sales	(17 879 647)	-	**(17 879 647)**	(14 657 797)	**3 221 850**	Note 55.17
Bulk purchases	(55 544 000)	159 696	**(55 384 304)**	(55 383 582)	**722**	Note 55.18
Contracted Services	(24 604 000)	(14 159 153)	**(38 763 153)**	(36 918 687)	**1 844 466**	Note 55.19
Transfers and Subsidies	(1 000 000)	(3 803 010)	**(4 803 010)**	(4 794 537)	**8 473**	Note 55.20
Inventory consumed	(1 464 000)	(2 351 000)	**(3 815 000)**	(4 203 496)	**(388 496)**	Note 55.21
General Expenses	(41 423 000)	754 000	**(40 669 000)**	(40 096 169)	**572 831**	Note 55.22
Total expenditure	**(298 890 898)**	**(15 094 467)**	**(313 985 365)**	**(293 804 929)**	**20 180 436**	
Operating deficit	**(46 211 136)**	**(14 246 467)**	**(60 457 603)**	**(18 784 689)**	**41 672 914**	
Loss on disposal of assets	-	-	**-**	(333 664)	**(333 664)**	Note 55.23
Reversal of Impairment	-	-	**-**	5 422 379	**5 422 379**	Note 56.23

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Actuarial gains/losses	-	-	-	(28 563)	**(28 563)**	Note 55.23
Changes in value of plantation	-	-	-	(5 441 475)	**(5 441 475)**	Note 55.23
	-	**-**	**-**	**(381 323)**	**(381 323)**	
Deficit	**(46 211 136)**	**(14 246 467)**	**(60 457 603)**	**(19 166 012)**	**41 291 591**	
Actual Amount on Comparable Basis	**(46 211 136)**	**(14 246 467)**	**(60 457 603)**	**(19 166 012)**	**41 291 591**	

Reconciliation

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Inventories	-	831 000	**831 000**	354 435	**(476 565)**	56.24
Receivables from non-exchange transactions	4 542 000	(431 000)	**4 111 000**	5 317 930	**1 206 930**	56.25
VAT receivable	9 630 000	106 954 000	**116 584 000**	-	**(116 584 000)**	56.26
Receivables from exchange transactions	315 000	11 547 000	**11 862 000**	7 982 863	**(3 879 137)**	56.27
Other Current Assets	422 000	337 000	**759 000**	-	**(759 000)**	56.28
Cash and cash equivalents	30 420 000	(2 012 000)	**28 408 000**	51 081 978	**22 673 978**	56.29
	45 329 000	**117 226 000**	**162 555 000**	**64 737 206**	**(97 817 794)**	
Non-Current Assets						
Investment property	1 723 000	303 000	**2 026 000**	1 723 000	**(303 000)**	56.30
Property, plant and equipment	468 631 000	(40 092 000)	**428 539 000**	434 473 084	**5 934 084**	56.31
Intangible assets	211 000	101 000	**312 000**	279 416	**(32 584)**	56.32
Heritage assets	170 000	-	**170 000**	170 000	**-**	
Plantation inventory	-	-	**-**	42 456 818	**42 456 818**	56.33
	470 735 000	**(39 688 000)**	**431 047 000**	**479 102 318**	**48 055 318**	
Total Assets	**516 064 000**	**77 538 000**	**593 602 000**	**543 839 524**	**(49 762 476)**	
Liabilities						
Current Liabilities						
Financial liabilities	2 558 000	(2 558 000)	**-**	-	**-**	
Payables from exchange transactions	25 990 000	(9 509 000)	**16 481 000**	20 052 527	**3 571 527**	56.34
Payables from Non-exchange transactions	6 375 000	(2 077 000)	**4 298 000**	2 498 906	**(1 799 094)**	56.35
VAT payable	2 772 000	118 287 000	**121 059 000**	-	**(121 059 000)**	56.36
Consumer deposits	559 000	14 000	**573 000**	580 305	**7 305**	56.37
Employee benefit obligation	-	-	**-**	514 000	**514 000**	56.38
Unspent conditional grants and receipts	-	-	**-**	1	**1**	
Provisions	1 212 000	1 789 000	**3 001 000**	-	**(3 001 000)**	56.39
	39 466 000	**105 946 000**	**145 412 000**	**23 645 739**	**(121 766 261)**	
Non-Current Liabilities						
Financial Liabillities	2 763 000	(2 763 000)	**-**	-	**-**	
Employee benefit obligation	7 311 000	(795 000)	**6 516 000**	13 021 000	**6 505 000**	56.40
Provisions	32 358 000	(6 890 000)	**25 468 000**	24 068 218	**(1 399 782)**	56.41
	42 432 000	**(10 448 000)**	**31 984 000**	**37 089 218**	**5 105 218**	
Total Liabilities	**81 898 000**	**95 498 000**	**177 396 000**	**60 734 957**	**(116 661 043)**	
Net Assets	**434 166 000**	**(17 960 000)**	**416 206 000**	**483 104 553**	**66 898 567**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Revaluation reserve	54 294 126	-	**54 294 126**	-	**(54 294 126)**	
Accumulated surplus	379 872 000	(17 954 000)	**361 918 000**	483 450 137	**121 532 137**	
Total Net Assets	**434 166 126**	**(17 954 000)**	**416 212 126**	**483 450 137**	**67 238 011**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Sale of goods and services	53 458 000	-	**53 458 000**	107 236 107	**53 778 107**	56.42
Service charges	30 485 000	-	**30 485 000**	-	**(30 485 000)**	56.43
Grants	155 454 000	800 000	**156 254 000**	155 461 002	**(792 998)**	56.44
Interest income	10 620 000	(1 200 000)	**9 420 000**	6 791 648	**(2 628 352)**	56.46
Other cash receipts	35 784 000	(962 000)	**34 822 000**	6 382 136	**(28 439 864)**	
	285 801 000	**(1 362 000)**	**284 439 000**	**275 870 893**	**(8 568 107)**	
Payments						
Employee costs	(144 399 000)	(5 259 000)	**(149 658 000)**	(100 148 640)	**49 509 360**	56.47
Suppliers and other payments	(259 540 000)	(15 984 000)	**(275 524 000)**	(154 790 268)	**120 733 732**	56.48
Finance costs	(115 141)	-	**(115 141)**	(195)	**114 946**	56.49
Transfers and subsidies	-	(3 183 000)	**(3 183 000)**	(4 794 537)	**(1 611 537)**	56.50
	(404 054 141)	**(24 426 000)**	**(428 480 141)**	**(259 733 640)**	**168 746 501**	
Net cash flows from operating activities	**(118 253 141)**	**(25 788 000)**	**(144 041 141)**	**16 137 253**	**160 178 394**	
Cash flows from investing activities						
Purchase of property, plant and equipment	(32 839 000)	39 000	**(32 800 000)**	(23 509 419)	**9 290 581**	56.51
Net increase/(decrease) in cash and cash equivalents	(151 092 141)	(25 749 000)	**(176 841 141)**	(7 372 166)	**169 468 975**	
Cash and cash equivalents at the beginning of the year	37 331 000	-	**37 331 000**	58 454 130	**21 123 130**	
Cash and cash equivalents at the end of the year	**(113 761 141)**	**(25 749 000)**	**(139 510 141)**	**51 081 964**	**190 592 105**	

Accounting Policies

1. Presentation of Annual Financial Statements

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

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

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

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below. These accounting policies are consistent with the previous period

These accounting policies are consistent with the previous period.

1.1 Presentation currency

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

1.2 Going concern assumption

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

1.3 Materiality

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

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

1.4 Interests in other entities

1.5 Significant judgements and sources of estimation uncertainty

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

Trade receivables

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

The impairment for trade receivables is calculated in terms of GRAP 104 and GRAP 108.

Impairment testing

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. Impairment is determined in terms of GRAP 26.

1.5 Significant judgements and sources of estimation uncertainty (continued)

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 17 - Provisions.

Useful lives of property, plant and equipment

The municipality depreciates assets over their estimated useful lives, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets are available for use. The useful lives and residual values of the assets are based on industry knowledge.

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 15.

Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus or 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.

1.6 Biological assets (Plantation inventoty) that form part of an agricultural activity

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

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

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

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

A biological asset that forms part of an agricultural activity is derecognised on disposal or when the asset is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of a biological asset that forms part of an agricultural activity is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

Accounting Policies

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.

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.

An investment property shall be derecognised on disposal or when investment property is permanently withdrawn from use and nor future economic benefits or service potential are expected from its disposal.

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.

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

1.8 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.

Accounting Policies

1.8 Property, plant and equipment (continued)

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.

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.

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.

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

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

Item	Depreciation method	Average useful life
Buildings	Straight-line	30 years
Plant and machinery	Straight-line	10 - 20 years
Furniture and fixtures	Straight-line	10 - 15 years
Motor vehicles	Straight-line	7 - 20 years
Office equipment	Straight-line	5 - 30 years
IT equipment	Straight-line	5 - 20 years
Road infrastructure	Straight-line	5 - 15 years
Community	Straight-line	10 - 85 years
Solid waste assets	Straight-line	10 - 55 years
Solid waste: Landfill site	Straight-line	30 - 55 years
Electricity network	Straight-line	25 - 80 years
Roads	Straight-line	10 - 80 years
Leased assets	Straight-line	2 - 3 years

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

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

Accounting Policies

1.8 Property, plant and equipment (continued)

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.

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 9).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 9).

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.

If the related asset is measured using the cost model:

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

1.10 Intangible assets

An asset is identifiable if it either:

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

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

1.10 Intangible assets (continued)

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

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

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

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

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

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

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

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

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

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

Item	Depreciation method	Average useful life
Computer software, other	Straight-line	3 - 5 years

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

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

1.11 Heritage assets

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

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

1.11 Heritage assets (continued)

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

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

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

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

The municipality separately discloses expenditure to repair and maintain heritage assets in the notes to the financial statements (see note 11).

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

Recognition

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

Initial measurement

Heritage assets are measured at cost.

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

Subsequent measurement

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

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

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

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

Impairment

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

Transfers

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

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

1.11 Heritage assets (continued)

Derecognition

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

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

1.12 Financial instruments

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

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

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

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

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

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

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

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

Accounting Policies

1.12 Financial instruments (continued)

- 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.

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

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

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

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

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:
- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

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

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

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

Financial instruments at fair value comprise financial assets or financial liabilities that are:
- derivatives;
- contingent consideration of an acquirer in a transfer of functions between entities not under common control to which the Standard of GRAP on Transfer of Functions Between Entities Not Under Common Control (GRAP 106) applies
- combined instruments that are designated at fair value;

Accounting Policies

1.12 Financial instruments (continued)

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

Classification

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

Class	Category
Cash and Cash equivalents	Financial asset measured at amortised cost
Receivable from exchange transactions	Financial asset measured at amortised cost

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

Class	Category
Payables from exchange transactions	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at amortised cost
Employee benefit obligation	Financial liability measured at amortised cost
Finance leases	Financial liability measured at amortised cost

1.13 Statutory receivables

Identification

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

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

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

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

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

Recognition

The municipality recognises statutory receivables as follows:

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

Initial measurement

1.13 Statutory receivables (continued)

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:
- 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.

Accounting Policies

1.14 Leases

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

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

Finance leases - lessee

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

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

1.15 Inventories

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

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

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

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

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

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

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

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

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

Accounting Policies

1.16 Construction contracts and receivables

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

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

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

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

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

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

Where the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting date, as measured by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs.

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

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

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

1.17 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.

Accounting Policies

1.17 Impairment of cash-generating assets (continued)

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

Identification

When the carrying amount of a 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.

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.

1.17 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.

1.18 Impairment of non-cash-generating assets

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

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

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

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

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

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

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

Accounting Policies

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

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

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

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

Identification

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

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

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

Value in use

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

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

Reversal of an impairment loss

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

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

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

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

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

1.19 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of surplus sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Defined benefit plans

For defined benefit plans the cost of providing the benefits is determined using the projected credit method.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan.

Consideration is given to any event that could impact the funds up to end of the reporting period where the interim valuation is performed at an earlier date.

Past service costs are recognised immediately to the extent that the benefits are already vested, and are otherwise amortised on a straight-line basis over the average period until the amended benefits become vested.

To the extent that, at the beginning of the financial period, any cumulative unrecognised actuarial gain or loss exceeds ten percent of the greater of the present value of the projected benefit obligation and the fair value of the plan assets (the corridor), that portion is recognised in surplus or deficit over the expected average remaining service lives of participating employees. Actuarial gains or losses within the corridor are not recognised.

Gains or losses on the curtailment or settlement of a defined benefit plan is recognised when the entity is demonstrably committed to curtailment or settlement.

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The amount recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, and reduces by the fair value of plan assets.

Any asset is limited to unrecognised actuarial losses and past service costs, plus the present value of available refunds and reduction in future contributions to the plan.

Other post retirement obligations

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

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

Accounting Policies

1.20 Provisions and contingencies

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

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

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

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

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

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

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

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

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

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

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 46.

Accounting Policies

1.20 Provisions and contingencies (continued)

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.

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

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

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

1.20 Provisions and contingencies (continued)

Decommissioning, restoration and similar liability

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

If the related asset is measured using the cost model:
- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity tests the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.17 and 1.18.

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.

1.21 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

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

1.22 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.

Accounting Policies

1.22 Revenue from exchange transactions (continued)

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

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

Sale of goods

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

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

Rendering of services

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

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

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

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

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

Interest, royalties and dividends

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

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

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

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

1.23 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.

1.23 Revenue from non-exchange transactions (continued)

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.

Accounting Policies

1.23 Revenue from non-exchange transactions (continued)

Measurement

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

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

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.

Transfers

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

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

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

Fines

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

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

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

Gifts and donations, including goods in-kind

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

1.24 Cost of sales

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all surplus (deficit) 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, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The related cost of providing services recognised as revenue in the current period is included in cost of sales.

Contract costs comprise:

- costs that relate directly to the specific contract;
- costs that are attributable to contract activity in general and can be allocated to the contract on a systematic and rational basis; and
- such other costs as are specifically chargeable to the customer under the terms of the contract.

Accounting Policies

1.25 Investment income

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

1.26 Borrowing costs

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

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

1.27 Accounting by principals and agents

Identification

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

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

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

Identifying whether an entity is a principal or an agent

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

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

Binding arrangement

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

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

Assessing which entity benefits from the transactions with third parties

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

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

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

Recognition

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

Accounting Policies

1.27 Accounting by principals and agents (continued)

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

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

1.28 Comparative figures

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

1.29 Unauthorised expenditure

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

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).

1.30 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).

1.31 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).

1.32 Revaluation reserve

The surplus arising from the revaluation of property, plant and equipment is credited to a non-distributable reserve. The revaluation surplus is realised as revalued buildings are depreciated, through a transfer from the revaluation reserve to the accumulated surplus/deficit. On disposal, the net revaluation surplus is transferred to the accumulated surplus/deficit while gains or losses on disposal, based on revalued amounts, are credited or charged to the statement of financial performance.

1.33 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.

Accounting Policies

1.33 Segment information (continued)

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.

1.34 Budget information

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

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

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

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

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

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

1.35 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.

1.35 Related parties (continued)

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.

1.36 Events after reporting date

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

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

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

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

1.37 Biological assets

Biological assets (Plantation inventories) are recognised when the entity controls the asset as a result of past event, it is probable that future economic benefits associated with the asset will flow to the entity and the cost of the asset can be measured reliably. Biological assets for which fair value is determinable without undue cost or effort are measured at fair value less costs to sell, with the changes in fair value recognised in profit or loss. At the point of harvesting, the carrying value of plantation inventories is transferred to inventory. All the expenses incurred in establishing and maintaining the assets are recognised in the statement of comprehensive income. All costs incurred in acquiring plantation inventories are capitalised.

Agricultural produce is measured at fair value less costs to sell at the point of harvest. Such measurement is regarded as the cost. Gains or losses on initial measurement are recognised in profit or loss in the period in which they occur.

Biological assets are measured at fair value less cost to sell and were valued at year end using the sum of the standing value of each compartment of timber at current age, area planted and species. The value of timber for each age class is determined using the sector benchmark – the Faustmann Formula – by which the input costs are compounded from date of each particular silvicultural operation to the age of valuation using the calculated rate of return for the crop. This model incorporates estimates consistent with prior years. The estimates relate to the rate of return, net standing value, mean annual increment and opportunity cost of land use.

The valuation model provides for the input values per species leading to the determination of a standing value per age class. The plantation valuation is the sum of the product of the standing value per age class and the total number of planted hectares per species for each age class.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

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

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• Grap 103 (as revised): Heritage Assets	01 April 2025	Unlikely there will be a material impact
• GRAP 104 (amended): Financial Instruments	01 April 2025	Unlikely there will be a material impact
• Guideline: Guideline on Accounting for Landfill Sites		

3. Plantation inventory

Plantation inventories represent consumable biological assets held for harvest as an agricultural produce. The movement during the year represents a gain of R5 441 475 (2024: gain from changes of R4 527 821) in fair value. Plantation inventories are stated at fair value less estimated point of sale costs, based on the present value of net future cash flows from the asset discounted at a market determined pre-tax rate. The scheme reviews its outlook for standing timber prices regularly in considering the need for active financial risks management

	2025	2024
Plantations		
Opening balance	47 898 293	52 426 114
Gains/(losses) on changes in plantation standing timber	(5 441 475)	(4 527 821)
	42 456 818	**47 898 293**

4. Inventories

	2025	2024
Consumables	47 006	19 694
Maintenance materials	149 907	811 193
Afforestation Scheme	157 526	476 796
	354 439	**1 307 683**

No inventories are pledged as security for liabilities.

Inventory has been recorded using the weighted average cost method. Consumables are carried at a lower of cost or current replacement value. Materials and supplies are carried at a lower of cost or net realisable value. No inventory values were written-down or reversed.

	2025	2024
The amount of inventory recognised as an expense during the period		
Material and supplies	1 937 882	827 717
Consumables	2 265 515	1 461 336
	4 203 397	**2 289 053**

	2025	2024
Carrying value of inventories carried at lower of cost or net realisable value	1 307 683	518 114
Inventory purchased during the year	3 092 627	2 674 344
Afforestation movement	157 526	404 278
Inventory recognised as an expense during the year	(4 203 397)	(2 289 053)
	354 439	**1 307 683**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

5. Receivables from non-exchange transactions

Fruitless and wasteful expenditure debtor	3 784	-
Property rates	15 930 215	20 822 528
Traffic fines	4 188 850	3 992 350
Accrued income	111 872	42 793
Statutory Receivable - VAT Receivable From SARS	748 485	1 692 663
	20 983 206	**26 550 334**

Property rates - Allowance for impairment	(11 476 425)	(16 523 538)
Traffic fines - Allowance for impairment	(4 188 850)	(3 992 350)
	(15 665 275)	**(20 515 888)**

Net balance		
Property rates	4 453 788	4 298 989
Accrued income	111 872	42 794
Vat Receivable From SARS	748 485	1 692 663
	5 314 145	**6 034 446**

Statutory receivables included in receivables from non-exchange transactions above are as follows:

Total receivables from non-exchange transactions	(15 665 275)	(20 515 888)
	-	-

Property rates		
Current (0-30 days)	1 496 865	1 379 406
31 - 60 days	716 695	889 136
61 - 90 days	528 388	657 080
91 - 120 days	405 887	592 492
121 - 360 days	367 543	4 118 520
> 360 days	12 414 837	13 185 895
	15 930 215	**20 822 529**

Traffic fines		
Current (0-30 days)	2 900	-
31 - 60 days	15 650	25 350
61 - 90 days	20 950	13 750
91 - 120 days	19 800	9 350
121 - 360 days	500	9 100
> 360 days	4 129 050	3 934 800
	4 188 850	**3 992 350**

Accrued income		
> Current (0 - 30 days)	111 872	42 794

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

5. Receivables from non-exchange transactions (continued)

Statutory receivables general information

Transaction(s) arising from statute

Property rates are charged in terms of the Municipal Property Rates Act No.6 of 2004 to customers owning immovable properties within the municipality jurisdiction.

Traffic fines are issued to drivers in violation of Criminal Procedures Act No. 51 of 1977.

Value Added Taxation (VAT) is levied in terms of the Value Addded Taxation Act 89 of 1991.

Value Added Taxation is levied on Vatable Supplies of goods and services, and is the Cash Portion attributable to VAT 201 Returns submitted to SARS awaiting payment from SARS

Determination of transaction amount

Transaction amount for Property rates is determined by applying the rates approved by the council to the market values of properties. Transaction amount is adjusted by exemptions and approved rebates to qualifying customers.

Transaction amount for Traffic fines is determined according to Schedule 3 of Administrative Adjudication of Road Traffic Offences Act.

Interest or other charges levied/charged

Interest rate of 11% (2024: 11%) is charged on all debtors' accounts with outstanding balances on property rates and there are no other levies charged.

Outstanding traffic fines balances are not charged interest.

Basis used to assess and test whether a statutory receivable is impaired

Debtors with outstanding balances at the reporting date are assessed for impairment. Debtors age analysis is used and debtors owing more than 90 days are considered for impairment. Assessment for impairment is done at individual account balance first. This done taking into account the payment historical beheviour and credit rating checks.

Thereafter, debtors not impaired at individual level are grouped into Households and Industrial/Commercial categories for collective assessment. Government accounts are not assessed for impairment.

Assessing impairment is an event that takes place subsequent to the initial recognition of revenue charged. The Municipality assesses the probability of collecting revenue for traffic fines that are in arrears. Traffic fines will be impaired when the possibility of collecting the fines cannot be ascertained and where the prospects of a successful prosecution of an offender are not certain. The municipality also considers that offenders may make legal representation to have the fines reduced or voided. Therefore, the collection rate average over a 3-year period is used to determine future cashflows against outstanding fines, and the difference between future cash flows and outstanding fines will be considered as impaired.

Discount rate applied to the estimated future cash flows

Prime rate of 7% (2022: 7%) is applied to determine the present value of estimated future cash flows on property rates receivables. Future cash flows are determined by applying the collection rate to the outstanding balances.

Reconciliation of provision for impairment for statutory receivables

Opening balance (Property rates and traffic fines)	(18 907 259)	(14 433 812)
Contributions to allowance	(350 746)	(4 473 447)
	(19 258 005)	**(18 907 259)**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

5. Receivables from non-exchange transactions (continued)

Receivables from non-exchange transactions pledged as security

No receivables from non-exchange transactions are pledged as security for liabilities.

None of the receivables from non-exchange transactions have been renegotiated.

Receivables from non-exchange transactions past due but not impaired

Other receivables from non-exchange transactions which are less than 3 months past due are not considered to be impaired. At 30 June 2025, R 1 617 880 (2024: R2 925 622) were past due but not impaired.

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

1 month past due	1 033 284	1 379 406
2 months past due	410 104	889 136
3 months past due	174 492	657 080

6. Receivables from exchange transactions

Gross balances		
Electricity	13 364 611	14 590 572
Input VAT accrual	1 397 266	499 669
Refuse	1 726 505	2 576 063
Sundry Debtors	39 237	39 237
Afforestation debtors	1 881 566	2 112 041
Interest receivable	914 557	754 983
Rental	1	135 000
Land Sale	167 000	-
	19 490 743	**20 707 565**

Less: Allowance for impairment		
Electricity	(10 156 569)	(11 126 519)
Refuse	(1 312 074)	(2 576 063)
Sundry Debtors	(39 237)	(39 237)
Rental	-	(67 059)
	(11 507 880)	**(13 808 878)**

Net balance		
Electricity	3 208 042	3 464 053
Input VAT accrual	1 397 266	499 669
Land Sale	167 000	-
Refuse	414 431	-
Afforestation debtors	1 881 566	2 112 041
Interest receivable	914 557	754 983
Rental	1	67 941
	7 982 863	**6 898 687**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

6. Receivables from exchange transactions (continued)

Electricity		
Current (0 -30 days)	3 830 577	3 215 711
31 - 60 days	1 280 227	1 031 310
61 - 90 days	688 208	810 313
91 - 120 days	438 295	767 073
121 - 360 days	375 931	2 235 127
> 360 days	6 751 374	6 531 039
	13 364 612	**14 590 573**
Land Sale		
Current (0 -30 days)	167 000	-
Refuse		
Current (0 -30 days)	289 657	269 785
31 - 60 days	169 369	173 684
61 - 90 days	119 790	131 544
91 - 120 days	91 493	116 232
121 - 360 days	75 477	647 269
> 360 days	980 718	1 237 549
	1 726 504	**2 576 063**
Sundry debtors		
> 365 days	39 237	39 237
Afforestation debtors		
Current (0 -30 days)	1 881 566	2 112 041
Interest Receivable		
Current (0 -30 days)	914 557	754 983
Rental		
121 - 365 days	-	135 000

Reconciliation of allowance for impairment

Balance at beginning of the year	(13 808 877)	(5 214 599)
Contributions to allowance	(2 300 998)	(8 594 279)
	(16 109 875)	**(13 808 878)**

No receivables from exchange transactions are pledged as security for liabilities.

None of the receivables from exchange transactions have been renegotiated.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

6. Receivables from exchange transactions (continued)

Statutory receivables general information

Determination of transaction amount

Municipal Property Rates taxes is determined by using the municipal property valuation roll and is imposed on a Property that is within the Municipal Jurisdiction on usage.

Municipal Traffic fines are determined based on the tariffs for offences in accordance with the National Road Traffic Act.

Value Added Taxation is levied on Vatable Supplies of goods and services, and is the Cash Portion attributable to VAT 201 Returns submitted to SARS awaiting payment from SARS.

Basis used to assess and test whether a statutory receivable is impaired

Assessing impairment is an event that takes place subsequent to the initial recognition of revenue charged. The Municipality assesses the probability of collecting revenue for traffic fines that are in arrears. Traffic fines will be impaired when the possibility of collecting the fines cannot be ascertained and where the prospects of a successful prosecution of an offender are not certain. The municipality also considers that offenders may make legal representation to have the fines reduced or voided. Therefore, the collection rate average over a 3-year period is used to determine future cashflows against outstanding fines, and the difference between future cash flows and outstanding fines will be considered as impaired.

7. Cash and cash equivalents

Cash and cash equivalents consist of:

	2025	2024
Cash on hand	61	554
Bank balances	2 274 533	3 131 938
Short-term deposits	42 766 271	52 346 162
Other cash and cash equivalents - Afforestation	6 041 099	2 975 476
	51 081 964	**58 454 130**

Notes to the Annual Financial Statements

7. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2025	30 June 2024	30 June 2023	30 June 2025	30 June 2024	30 June 2023
FNB - Primary Account - 62846414936	2 274 547	3 131 982	9 343 738	2 274 547	3 131 952	9 405 836
FNB - Afforestation current account - 50932742767	-	4 136	-	-	4 126	-
FNB - call account - 61240006266	60 605	57 898	55 140	60 605	57 898	55 140
FNB - Call account - 62618238655	-	-	41 637	-	-	41 637
FNB - Fixed deposit account - 62605479767	-	-	99 439	-	-	99 439
FNB - call account - 62766746542	-	-	8 763	-	-	8 763
Nedbank - Fixed deposit account - 037165014802/16	-	-	543 328	-	-	543 328
Nedbank - Fixed deposit account - 037165014802/01	-	-	11 335 811	-	-	11 335 811
Nedbank - Fixed deposit account - 037165013008/77	-	-	16 464 890	-	-	16 464 890
Nedbank - Fixed deposit account - 037165026169/01	1 427 574	13 887 831	28 170 533	1 427 574	13 887 831	28 170 533
Investec bank - fixed deposit account - 1100529803500	-	301 446	278 165	-	301 446	278 165
Standard bank - fixed deposit account - 258884908003	-	2 274 162	2 090 510	-	2 274 162	2 090 510
FNB - fixed deposit 62943043638	96 590	814 026	2 873 199	96 590	814 026	2 873 199
FNB - fixed deposit account 62907392740	-	-	844 976	-	-	844 976
Afforestation	6 041 099	2 971 338	1 788 069	6 041 099	2 971 338	1 798 867
FNB - call account 63012454855	-	-	387 553	-	-	387 554
FNB - 76202798199	-	-	25 000 000	-	-	25 000 000
Nedbank - fixed deposit 037165026169/24	-	20 000 000	-	-	20 000 000	-
Standard Bank - Fixed deposit 258884908004	2 428 617	-	-	2 428 617	-	-
Standard Bank - Afforestation	-	-	-	10 798	10 798	-
Nedbank - Fixed Deposit 037165015337/24	10 000 000	-	-	10 000 000	-	-
Nedbank - Fixed deposit 037165026169/29	15 000 000	-	-	15 000 000	-	-
Nedbank - FIXED DEPOSIT 037165026169/26	-	15 000 000	-	-	15 000 000	-
Nedbank - Fixed deposit 037165014802/16	635 293	-	-	635 293	-	-
Petty cash	-	-	-	-	554	2 330
Nedbank - Call account 037165014802/01	13 106 793	-	-	13 106 793	-	-
Total	**51 071 118**	**58 442 819**	**99 325 751**	**51 081 916**	**58 454 131**	**99 400 978**

The difference between bank statements total (R51 074 473) and cash and cash equivalents excluding petty cash balance (R51 085 271) is R10,798 due to outstanding deposits.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

7. Cash and cash equivalents (continued)

There is no cash and cash equivalent pledged as collateral for liabilities or contingent liabilities

Restricted Cash Balances - Conditional Grants
Disaster Managment Grant is subject to conditions as set out in the Division of Revenue Act and may only be utilised for the purposes stipulated therein. Unspent amounts must be returned to respective funder unless approval for retention is obtained

Notes to the Annual Financial Statements

Figures in Rand

8. Investment property

	2025			2024		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	1 723 000	-	1 723 000	1 723 000	-	1 723 000

No investment property has been pledged as security for liabilities

Reconciliation of investment property - 2025

	Opening balance	Total
Investment property	1 723 000	1 723 000

Reconciliation of investment property - 2024

	Opening balance	Total
Investment property	1 723 000	1 723 000

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.

Various land where the council intends using it for future development and fair value disclosure was based on the valuation by an independent valuer, BPG Mass Appraisals (Pty) Ltd, who holds a recognised and relevant professional qualification and has experience in the category of the valued investment properties. The properties are all vacant residential properties.

Valuations on land and buildings are performed every 5 years. The last general valuation came into effect on 1 July 2022. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions. The new general valuation will be implemented on 1 July 2027.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

8. Investment property (continued)

Maintenance of investment property

There was no maintenance costs incurred that relates to income and non-income generating investment property.

Amounts recognised in surplus or deficit

Rental revenue from Investment property	204 783	275 172

There were no direct operating expenses from the investnent Propoerty that generated rental revenue.

Notes to the Annual Financial Statements

Figures in Rand

9. 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	44 130 797	-	44 130 797	44 130 797	-	44 130 797
Buildings	67 462 383	(15 785 143)	51 677 240	67 862 169	(13 889 964)	53 972 205
Plant and machinery	46 847 606	(24 460 497)	22 387 109	47 593 608	(20 963 593)	26 630 015
Furniture and fixtures	5 667 549	(4 140 357)	1 527 192	5 895 821	(3 721 594)	2 174 227
Motor vehicles	15 079 274	(9 275 564)	5 803 710	13 805 096	(8 358 372)	5 446 724
IT equipment	5 580 705	(3 645 478)	1 935 227	6 383 861	(3 745 710)	2 638 151
Roads	244 824 690	(95 490 900)	149 333 790	228 432 194	(88 364 816)	140 067 378
Solid waste	49 719 540	(11 340 374)	38 379 166	49 215 614	(9 689 316)	39 526 298
Electricity	13 931 129	(9 214 000)	4 717 129	13 214 481	(7 982 252)	5 232 229
Community assets	102 458 377	(30 877 786)	71 580 591	93 584 592	(24 783 083)	68 801 509
Afforestation	3 969 871	(1 421 165)	2 548 706	4 026 790	(1 256 797)	2 769 993
Work in Progress	40 453 880	(1 453)	40 452 427	45 461 858	(39 039)	45 422 819
Total	**640 125 801**	**(205 652 717)**	**434 473 084**	**619 606 881**	**(182 794 536)**	**436 812 345**

No items of property, plant and equipment were acquired through non-exchange transactions.

9. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2025

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Total
Land	44 130 797	-	-	-	-	-	44 130 797
Buildings	53 972 205	-	(74 553)	-	(2 220 412)	-	51 677 240
Plant and machinery	26 630 015	198 148	(8 121)	-	(4 432 678)	(255)	22 387 109
Furniture and fixtures	2 174 227	15 000	(45 118)	-	(616 573)	(344)	1 527 192
Motor vehicles	5 446 724	1 782 074	(71 296)	-	(1 336 321)	(17 471)	5 803 710
IT equipment	2 638 151	281 071	(165 774)	-	(800 105)	(18 116)	1 935 227
Roads	140 067 378	-	58 838	18 067 723	(8 768 356)	(91 793)	149 333 790
Solid waste	39 526 298	505 000	-	-	(1 652 132)	-	38 379 166
Electricity	5 232 229	-	(20 893)	-	(494 207)	-	4 717 129
Community assets	68 801 509	-	(6 540)	9 096 507	(4 709 634)	(1 601 251)	71 580 591
Afforestation	2 769 993	7 824	(24 088)	-	(205 023)	-	2 548 706
Work in Progress	45 422 819	22 193 838	-	(27 164 230)	-	-	40 452 427
	436 812 345	**24 982 955**	**(357 545)**	**-**	**(25 235 441)**	**(1 729 230)**	**434 473 084**

Notes to the Annual Financial Statements

Figures in Rand

9. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2024

	Opening balance	Additions	Disposals	Transfers	Revaluations	Depreciation	Impairment loss	Error correction	Total
Land	44 130 797	-	-	-	-	-	-	-	44 130 797
Buildings	56 211 329	-	(3 715)	-	-	(2 233 697)	(114 287)	112 575	53 972 205
Plant and machinery	21 783 516	3 204 460	(519 763)	-	-	(3 791 658)	(10 052)	5 963 512	26 630 015
Furniture and fixtures	2 852 195	49 056	(60 396)	-	-	(657 779)	(12 887)	4 038	2 174 227
Motor vehicles	7 103 665	-	(151 170)	-	-	(1 416 497)	(89 274)	-	5 446 724
IT equipment	3 110 099	834 950	(364 331)	-	-	(995 778)	(37 609)	90 820	2 638 151
Roads	143 239 790	-	(5 594 962)	18 606 517	-	(8 662 104)	(8 980 771)	1 458 908	140 067 378
Solid waste	41 690 097	-	(461 154)	-	227	(1 713 295)	5 625	4 798	39 526 298
Electricity	6 128 509	-	(403 671)	-	-	(515 262)	22 653	-	5 232 229
Community assets	73 595 031	-	(110 432)	-	-	(4 704 675)	(82 720)	104 305	68 801 509
Afforestation	3 081 671	54 678	(170 723)	-	-	(195 633)	-	-	2 769 993
Other leased Assets	5 290 850	-	-	-	-	(1 031 602)	-	(4 259 248)	-
Work in progress	36 300 881	34 150 877	(2 869 262)	(18 606 517)	-	37 587	-	(3 590 747)	45 422 819
	444 518 430	**38 294 021**	**(10 709 579)**	**-**	**227**	**(25 880 393)**	**(9 299 322)**	**(111 039)**	**436 812 345**

Pledged as security

No property, plant and equipment has been pledged as security for any liabilities of municipality.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

9. Property, plant and equipment (continued)

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

	2025	2024
Carrying value of property, plant and equipment that is taking a significantly longer period of time to complete than expected		
Harding Sport Precinct	13 087 651	-
Construction process was delayed due to bad weather conditions and natural disaster events hence completion of this project was delayed.		
Staford Street	-	2 024 163
Late appointment of contractor and the projects is delayed due to snags		
Mazakhele Community Hall	4 393 807	-
Late appointment of contractor		
	17 481 458	**2 024 163**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

9. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2025

	Included within Infrastructure	Included within Community	Included within Other PPE	Total
Opening balance	14 567 983	28 591 685	2 263 151	45 422 819
Additions/capital expenditure	17 199 937	4 993 901	-	22 193 838
Transferred to completed items	(18 067 723)	(9 096 507)	-	(27 164 230)
	13 700 197	**24 489 079**	**2 263 151**	**40 452 427**

Reconciliation of Work-in-Progress 2024

	Included within Infrastructure	Included within Community	Included within Other PPE	Total
Opening balance	16 678 656	17 359 074	2 263 151	36 300 881
Additions/capital expenditure	20 582 305	13 568 572	-	34 150 877
Disposals	(584 431)	(2 284 831)	-	(2 869 262)
Error correction	(3 539 617)	(51 130)	-	(3 590 747)
Transferred to completed items	(18 606 517)	-	-	(18 606 517)
Other	37 587	-	-	37 587
	14 567 983	**28 591 685**	**2 263 151**	**45 422 819**

Expenditure incurred to repair and maintain property, plant and equipment

	2025	2024
Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance		
Contracted services	15 636 983	17 649 190

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

No property, plant and equipment has been pledged as security for liabilities.

Mnkangala community hall and Harding sport precinct hall were affected by the storm during July 2025 which is after the current financial year.

No compensation amounts were received in 2025 and 2024.

Refer to Note 45 for the amount of contractual commitments for the acquisition of property, plant and equipment.

No property, plant and equipment are carrying existing restrictions.

Change in Accounting Estimate

	2025	2024
Prior year depreciation based on previous useful lives	892 748	-
Depreciation for the current year based on revised useful lives	368 061	-
Decrease in depreciation expense	(524 687)	-

The review indicated that for certain assets the previously estimated useful lives no longer reflected the expected pattern of consumption of economic benefits or service potential. This was due to factors such as changes in usage patterns, condition assessments performed by the Assets Management Unit, and updated operational information.

As a result, the Municipality revised the useful lives of the affected assets prospectively, as required by GRAP 3: Accounting Policies, Changes in Accounting Estimates and Errors.

Notes to the Annual Financial Statements

Figures in Rand

10. Intangible assets

	2025			2024		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	2 175 431	(1 896 015)	279 416	2 175 431	(1 761 203)	414 228

Reconciliation of intangible assets - 2025

	Opening balance	Amortisation	Total
Computer software, other	414 228	(134 812)	279 416

Reconciliation of intangible assets - 2024

	Opening balance	Disposals	Amortisation	Total
Computer software, other	621 563	(36 262)	(171 073)	414 228

Other information

Computer software includes Microsoft, payday and Munsoft licences.

No Intangible assets has been pledged as security for liabilites.
No Intangible assets are carrying existing restrictions.

Notes to the Annual Financial Statements

Figures in Rand

11. Heritage assets

	2025			2024		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Mayoral chain	170 000	-	170 000	170 000	-	170 000

Reconciliation of heritage assets 2025

	Opening balance	Total
Mayoral chain	170 000	170 000

Reconciliation of heritage assets 2024

	Opening balance	Total
Mayoral chain	170 000	170 000

Contractual commitments for the acquisition, maintenance and restoration of heritage assets

No contractual commitments for the acquisition, maintenance and restoration of heritage assets are in place at the moment.
No Intangible assets has been pledged as security
No Intangible assets are carrying existing restrictions.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

12. Payables from exchange transactions

Trade payables	3 354 642	3 393 031
Payments received in advance - contract in process	661 743	719 140
Output Vat Accrual	773 595	552 772
Accrued leave pay	6 900 114	6 757 759
Accrued bonus	2 280 346	2 242 329
Retentions	5 501 182	4 027 646
Other creditors - Afforestation	580 909	897 818
Salary control	-	486
	20 052 531	**18 590 981**

13. Payables from non-exchange transactions

Transfers received in advance	2 498 906	2 498 906

14. Consumer deposits

Electricity	521 699	529 197
Housing rental	58 606	43 564
	580 305	**572 761**

Consumers upon application for electricity meter connections pay consumer deposits. The deposit can be used to offset long outstanding debtors. Consumer deposits are refunded when the house is sold after the municipality has issued a clearance certificate.

15. Employee benefit obligations

Post employment Medical Subsidy

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

Carrying value		
Present value of the defined benefit obligation-wholly unfunded	8 770 000	7 066 000
Non-current liabilities	(8 740 000)	(7 031 000)
Current liabilities	(30 000)	(35 000)
	(8 770 000)	**(7 066 000)**

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

Opening balance	(7 066 000)	(6 499 000)
Net expense recognised in the statement of financial performance	(1 704 000)	(567 000)
	(8 770 000)	**(7 066 000)**

Net expense recognised in the statement of financial performance

Current service cost	(640 000)	(603 000)
Interest cost	(868 000)	(818 000)
Actuarial (gains) losses	(196 000)	854 000
	(1 704 000)	**(567 000)**

Figures in Rand	2025	2024

15. Employee benefit obligations (continued)

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	11,40 %	12,31 %
Expected rate of return on assets	5,40 %	6,28 %
Expected rate of return on reimbursement rights	4,90 %	4,20 %

Discount Rate

GRAP 25 stipulates that the choice of this rate should be derived from government bond yields consistent with the estimated term of the post-employment liabilities. However, where there is no deep market in government bonds with a sufficiently long maturity to match the estimated term of all the benefit payments, current market rates of the appropriate term should be used to discount shorter term payments, and the discount rate for longer maturities should be estimated by extrapolating current market rates along the yield curve.

These yields were obtained by calculating the duration of the total liability and then taking the fixed-interest and index-linked yields from the respective yield curves at that duration using an iterative process (because the yields depend on the duration, which in turn depends on the liability). The liability’s duration has been estimated to be 22.75 years.

Health Care Cost Inflation Rate
This assumption is required to reflect estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs (for example, due to technological advances or changes in utilisation patterns). Any assumption regarding future medical scheme contribution increases is therefore subjective.

A health care cost inflation rate of 8.19% has been assumed. This is 1.50% in excess of expected CPI inflation over the expected term of the liability, namely 6.69%. A larger differential would be unsustainable, eventually forcing members to less expensive options. This implies a net discount rate of 4.07% which derives from ((1+12.59%)/(1+8.19%))-1.

The inflation assumption of 6.69% was obtained from the differential between market yields on index-linked bonds consistent with the estimated term of the liabilities (5.06%) and those of fixed interest bonds (12.59%) with a risk premium adjustment for the uncertainty implicit in guaranteeing real increases (0.50%). This was therefore determined as follows: ((1+12.59%-0.50%)/(1+5.06%))-1.

The next contribution increase was assumed to occur with effect from 1 January 2025.

Replacement Ratio
This is the expected pension as a percentage of final salary, at retirement. This assumption is required to determine the income band at retirement of members since some contribution rate tables are income-dependent. A replacement ratio of 65% was assumed. Income bands are assumed to increase with general salary inflation and therefore an explicit salary inflation assumption is not necessary.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

15. Employee benefit obligations (continued)

Example of mortality rates used were as follows:

Actual return on plan assets	Female	Male
	62	62
Actual return on reimbursement rights	SA 85-90	SA 85-90

Members withdrawn from services : (Average for males and females)

Actual return on plan assets		
Age 20-24	9%	9%
Age 25 - 29	8%	8%
Age 30 - 34	6%	6%
Age 35- 39	5%	5%
Age 40 - 44	5%	5%
Age 45 -49	4%	4%
Age 50 -54	3%	3%
Age 55 +	0%	0%

Long Service Award

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

Carrying value		
Present value of the defined benefit obligation-wholly unfunded	4 765 000	4 648 000
Non-current liabilities	(4 281 000)	(3 948 000)
Current liabilities	(484 000)	(700 000)
	(4 765 000)	**(4 648 000)**

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

Opening balance	(4 648 000)	(4 388 000)
Net expense recognised in the statement of financial performance	(117 000)	(260 000)
	(4 765 000)	**(4 648 000)**

Net expense recognised in the statement of financial performance

Current service cost	(503 000)	(495 000)
Interest cost	(492 000)	(470 000)
Actuarial (gains) losses	167 437	107 394
Assets not recognised	710 563	597 606
	(117 000)	**(260 000)**

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	10,10 %	11,43 %
Expected rate of return on assets	4,10 %	5,53 %
Expected rate of return on reimbursement rights	4,80 %	4,60 %

Example of mortality rates used were as follows:

Actual return on plan assets	Female	Male
	62	62

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

15. Employee benefit obligations (continued)

Actual return on reimbursement rights	SA 85 - 90	SA 85 -90

Members withdrawn from services : (Average for males and females)

Actual return on plan assets		
Age 20 - 24	9%	9%
Age 25 -29	8%	8%
Age 30 - 34	6%	6%
Age 35 -39	5%	5%
Age 40 - 44	5%	5%
Age 45 - 49	4%	4%
Age 50 - 55	3%	3%
Age 55 +	0%	0%

16. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Municipal infrastructure grant	1	-
Disaster management grant	-	793 367
	1	**793 367**

Movement during the year

Balance at the beginning of the year	793 367	4 380 286
Additions during the year	32 928 000	44 513 000
Income recognition during the year	(33 721 367)	(48 099 919)
	-	**793 367**

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

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

17. Provisions

Reconciliation of provisions - 2025

	Opening Balance	Change in discount factor	Total
Landfill sites	23 270 698	797 520	24 068 218

Reconciliation of provisions - 2024

	Opening Balance	Change in discount factor	Total
Landfill sites	22 120 218	1 150 480	23 270 698

The Harding general landfill site is amortised over a period of 25 years as per Bumbano Group (PTY) Ltd report. The provision is created for the rehabilitation of the current operational sites which are evaluated to reflect the best estimate at the reporting date.

The landfill site has been disclosed at a present value discounted at an interest rate of 3,00%. No amount is expected for reimbursement.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

18. Service charges

Sale of electricity	51 265 986	38 500 339
Solid waste	3 324 366	2 420 322
	54 590 352	**40 920 661**

Included in service charges is free basic services for both electricity and refuse removal.

19. Agency services

Vehicle Registration	698 408	603 791

20. Afforestation sales

Pulpwood	12 925 671	12 144 447
Poles	1 503 842	434 187
Wattle bark	1 870 703	2 371 723
Sawlogs	4 768 302	1 054 625
Other	526 886	603 143
	21 595 404	**16 608 125**

21. Licences and permits (exchange)

Road and Transport	772 020	855 940

22. Other income

Sale of tender documents	47 393	164 088
Sale of Sites	302 696	-
Building plan fees	177 327	173 823
Burial fees	104 047	86 584
Incidental income	1 296 470	1 880 358
Afforestation	2 828 845	432 905
	4 756 778	**2 737 758**

23. Interest received - investment

Interest revenue - investment		
Bank	6 499 424	8 687 121
Interest received - Afforestation	292 224	182 196
	6 791 648	**8 869 317**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

24. Property rates

Rates levied

Residential	4 835 415	3 772 624
Commercial	12 513 970	9 329 672
State	1 181 620	10 223 812
Small holdings and farms	13 231 642	3 163 447
Public service infrastructure	4 847	7 191
Less: Income forgone	(3 320 096)	(1 235 066)
	28 447 398	25 261 680
Property rates - penalties imposed	712 581	1 987 683
	29 159 979	**27 249 363**

Valuations

Residential	723 558 500	719 954 500
Commercial	529 908 000	471 663 000
State	486 477 000	464 285 000
Municipal	64 580 000	64 580 000
Small holdings and farms	1 180 477 000	1 167 077 000
Public Service Infrastructure	4 240 000	4 937 000
Industrial	109 556 000	113 367 000
Public Benefit Organisations	23 570 000	46 270 000
Heritage site	1 700 000	1 700 000
Other	195 347 000	195 161 000
	3 319 413 500	**3 248 994 500**

Valuations on land and buildings are performed every 5 years. The last general valuation came into effect on 1 July 2022. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

The new general valuation will be implemented on 01 July 2027.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

25. Government grants and subsidies

Operating grants		
Equitable share	123 326 368	117 131 000
Disaster Grant	-	12 768 632
Energy Efficiency Demand Side Management	-	723
Financial management grant	1 800 000	1 850 000
Provincialisation community library	2 036 000	1 950 000
Expanded Public Works Programme	1 497 000	1 155 000
	128 659 368	**134 855 355**
Capital grants		
Solid waste removal	800 000	-
Municipal infrastructure grant	26 795 000	25 356 000
	27 595 000	**25 356 000**
	156 254 368	**160 211 355**

Conditional and Unconditional

Included in above are the following grants and subsidies recognised:

Conditional grants received	33 721 368	43 080 355
Unconditional grants received	122 533 000	117 131 000
	156 254 368	**160 211 355**

Equitable Share

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

Financial management grant

Balance unspent at beginning of year	-	1
Current-year receipts	1 800 000	1 850 000
Conditions met - transferred to revenue	(1 800 000)	(1 850 001)
	-	-

Purpose of the Grant: To promote and support financial managment reforms within municipalities, and to build capacity in municipal financial management, including the appointment of interns and training of municipal officials.

Conditions of the Grant: The grant is conditional in terms of the Division of Revenue Act (DoRA), and may only be utilised for the activities approved in the FMG framework

Unspent Grant: Unspent amounts must be cash-backed and may not be utilised for any other purpose

The municipality has complied with the conditions of the FMG as stipulated in the Division of Revenue Act

Municipal infrastructure grant

Current-year receipts	26 795 000	25 356 000
Conditions met - transferred to revenue	(26 795 000)	(25 356 000)
	-	-

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

25. Government grants and subsidies (continued)

Purpose of the Grant: To provide specific capital finance for basis municipal infracture development in order to eradicate backlogs and improve access to basic services for poor households

Conditions of the Grant: The grant is conditional in terms of the Division of Revenue Act (DoRA), and may only be utilised for the activities approved in the MIG framework

Unspent Grant: Unspent amounts must be cash-backed and may not be utilised for any other purpose

The municipality has complied with the conditions of the MIG as stipulated in the Division of Revenue Act

Library Grant

Current-year receipts	2 036 000	1 950 000
Conditions met - transferred to revenue	(2 036 000)	(1 950 000)
	-	-

Purpose of the Grant: To support municipalities in providing and maintaining community library services, including the upgrading of library facilities, purchasing of library materials, and promoting access to information

Conditions of the Grant: The grant is conditional in terms of the Division of Revenue Act (DoRA), and may only be utilised for library-related services and projects as approved by the Provincial department of Arts and Culture

Unspent Grant: Unspent amounts must be cash-backed and may not be utilised for any purpose purpose other than that approved under the Library Grant framework

The municipality has complied with the conditions of the Library Grant as stipulated in the Division of Revenue Act

EPWP grant

Current-year receipts	1 497 000	1 155 000
Conditions met - transferred to revenue	(1 497 000)	(1 155 000)
	-	-

Purpose of the Grant: To incentivise municipalities to expand job creation efforts through the use of labour- intensive methods in the delivery of municipal services and infrastructure

Conditions of the Grant: The grant is conditional in terms of the Division of Revenue Act (DoRA), and may only be utilised for the activities approved in the EPWP framework

Unspent Grant: Unspent amounts must be cash-backed and may not be utilised for any other purpose

The municipality has complied with the conditions of the EPWP as stipulated in the Division of Revenue Act

Energy Efficiency Demand Side Management

Balance unspent at beginning of year	723	-
Current-year receipts	-	157 234
Conditions met - transferred to revenue	(723)	-
Paid back to Treasury	-	(156 511)
	-	**723**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

25. Government grants and subsidies (continued)

Purpose of the Grant: To promote and support energy efficiency activities within the municipality by funding project that improve electricity demand management, reduce energy consumption, and support the implementation of sustainable energy solutions.

Conditions of the Grant: The grant is conditional in terms of the Division of Revenue Act (DoRA), and may only be utilised for approved EEDSM projects, including retrofitting of municipal infrastructure (such as street lighting and buildings) and other energy effeciency interventions

Unspent Grant: Unspent amounts must be cash-backed and may not be utilised for any purpose other than that approved under the grant framework

The municipality has complied with the conditions of the EEDSM as stipulated in the Division of Revenue Act

Corridor grant

Balance unspent at beginning of year	-	4 204 561
Paid Back to Treasury	-	(4 204 561)
	-	-

Purpose of the Grant: To support municipalities in planning and implementing integrated development along strategic corridors, with the aim of promoting spatial transformation, improving mobility, and stimulating local economic development.

Conditions of the Grant: The grant is conditional in terms of the Division of Revenue Act (DoRA), and may only be utilised for approved projects within designated development corridors, in line with the approved framework and business plans submitted to National/Provincial Treasury

Unspent Grant: Unspent amounts must be cash-backed and may not be utilised for any other purpose

Unspent Grant: Unspent amounts must be cash-backed and may not be utilised for any purpose other than that approved under the grant framework.

The municipality has complied with the conditions of the Corridor Grant as stipulated in the Division of Revenue Act

Integrated Electrification Programme - INEP

Balance unspent at beginning of year	-	18 488
Current-year receipts	-	640 000
Conditions met - transferred to revenue	-	(658 488)
	-	-

Greenest grant

Current-year receipts	800 000	-
Conditions met - transferred to revenue	(800 000)	-
	-	-

The Energy Efficiency Demand Side Management

Balance unspent at beginning of year	157 234	157 234

Conditions still to be met - remain liabilities (see note 16).

Disaster management grant

Balance unspent at beginning of year	793 368	-

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

25. Government grants and subsidies (continued)

Current-year receipts	-	13 562 000
Conditions met - transferred to revenue	-	(12 768 632)
Repaid to Treasury	(793 368)	-
	-	**793 368**

Purpose of the Grant: To provide funding to municipalities for immediate and urgent response, relief, and recovery measures arising from declared disasters, and to support the repair and rehabilitation of essential municipal infrastructure affected by such disasters

Conditions of the Grant: The grant is conditional in terms of the Division of Revenue Act (DoRA), and may only be utilised for disaster-ralted expenditure as approved by the National Disaster Management centre (NDMC) and National Treasury

Unspent Grant: Unspent amounts must be cash-backed and may not be utilised for any purpose other than disaster management interventions for which they were approved

The municipality has complied with the conditions of the Disaster Management Grant as stipulated in the Division of Revenue Act

26. Fines, Penalties and Forfeits

Traffic Fines	196 500	178 200

27. Construction contract

Revenue - Implementation of INEP	-	556 522
Expenditure - Implementation of INEP	-	(556 522)
	-	**-**

28. Revenue

Service charges	54 590 352	40 920 661
Rental of facilities and equipment	204 783	275 172
Interest received (trading)	21 595 404	16 608 125
Agency services	698 408	603 791
Licences and permits	772 020	855 940
Other income	4 756 778	2 737 758
Interest received - investment	6 791 648	8 869 317
Property rates	28 447 398	25 261 680
Property rates - penalties imposed	712 581	1 987 683
Government grants & subsidies	156 254 368	160 211 355
Fines, Penalties and Forfeits	196 500	178 200
Construction contracts	-	556 522
	275 020 240	**259 066 204**

The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	54 590 352	40 920 661
Rental of facilities and equipment	204 783	275 172
Interest received (trading)	21 595 404	16 608 125
Agency services	698 408	603 791
Licences and permits	772 020	855 940
Other income	4 756 778	2 737 758
Interest received - investment	6 791 648	8 869 317
	89 409 393	**70 870 764**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

28. Revenue (continued)

The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	28 447 398	25 261 680
Property rates - penalties imposed	712 581	1 987 683
Transfer revenue		
Government grants & subsidies	156 254 368	160 211 355
Fines, Penalties and Forfeits	196 500	178 200
Construction contracts	-	556 522
	185 610 847	**188 195 440**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

29. Employee related costs

Basic	51 832 990	48 799 819
Bonus	5 776 664	5 139 514
Medical aid - company contributions	4 231 139	4 200 728
UIF	469 236	457 513
SDL	685 796	656 110
Bargaining council	29 579	28 348
Leave pay provision charge	678 978	1 133 829
Travel, motor car, accommodation, subsistence and other allowances	280 472	236 965
Overtime payments	4 843 128	4 447 200
Long-service awards	710 563	-
Car allowance	3 079 926	3 234 267
Housing benefits and allowances	169 491	166 360
Post retirement employee benefits	1 143 000	1 098 000
Standby Allowances	3 007 349	3 259 041
Cell phone allowances	604 709	526 986
Pension	9 532 435	9 362 345
	87 075 455	**82 747 025**

Remuneration of Municipal Manager - Mr. TP Cele

Annual Remuneration	537 092	-
Car Allowance	266 474	195 929
Acting Allowance	181 664	501 919
Contributions to UIF, Medical and Pension Funds	2 125	1 594
Cellphone Allowance	29 467	18 780
Housing Allowance	152 653	117 557
Travel Allowance	104 851	65 035
Backpay	44 069	2 991
Leave Pay	111 139	-
	1 429 534	**903 805**

Mr TP Cele was appointed as Acting Municipal Manager with effect from October 2023 and continued to serve in this capacity for the remainder of the 2023/24 financial year. He was subsequently appointed permanently as Municipal Manager inthe 2024/2025 financial year.

Remuneration of Municipal Manager - Mr WT Gumede (Terminated in August 2023)

Annual Remuneration	-	115 715
Car Allowance	-	21 333
Cellphone, Travel and other	-	10 666
Contributions to UIF, Medical and Pension Funds	-	354
Backpay	9 937	-
Leave Pay	-	12 497
	9 937	**160 565**

Remuneration of Chief Finance Officer - Ms NN Mngomezulu

Annual Remuneration	-	2 348
Car Allowance	-	111 873
Performance Bonuses	-	287 066
Contributions to UIF, Medical and Pension Funds	-	1 240
Cellphone allowance	-	14 781
Housing Allowance	-	67 124
Travel Allowance	-	10 383
Leave Pay	-	40 487

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

29. Employee related costs (continued)

Backpay	29 608	-
	29 608	**535 302**

Appointed 09 October 2023 and the contract was terminated on 15 April 2024.

Remuneration of Director Corporate Services - ST Mohlaoli

Annual Remuneration	39 775	-
Car Allowance	14 746	-
Cellphone Allowance	3 310	-
Contributions to UIF, Medical and Pension Funds	177	-
Housing	8 848	-
	66 856	**-**

ST Mohaloli was appointed as Director Corporate Services with effect from June 2025

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

29. Employee related costs (continued)

Remuneration of Director Technical Services - SG Mkhize

Annual Remuneration	596 619	47 188
Car Allowance	221 193	73 731
Cellphone Allowance	29 790	226 898
Contributions to UIF	2 125	708
Housing	132 716	-
Backpay	29 135	-
Travel Allowance	46 658	-
	1 058 236	**348 525**

Mr SG Mkhize was appointed as the Director Technical Services with effect from March 2024.

Remuneration of Director Corporate Services - Khambule NN

Car Allowance	55 298	-
Acting Allowance	149 155	-
Contributions to UIF	531	-
Cellphone Allowance	7 448	-
Housing Allowance	33 179	-
Travel Allowance	14 809	-
	260 420	**-**

Khambule was appointed as the acting Director Corporate Services with effect from 1 March 2025 until 31 May 2025.

Remuneration of Director: Community services - Adv Brijraj

Annual Remuneration	219 594	844 152
Car Allowance	157 204	189 634
Performance Bonus	93 051	-
Contributions to UIF	1 594	2 125
Backpay	55 940	4 915
Cellphone, Travel and Other	75 901	75 051
Leave Pay	250 683	-
Acting Allowance	362 025	15 811
	1 215 992	**1 131 688**

Adv. Brijaraj served as the Director of Community Services for a period of 9 months, from 1 July 2024 until 31 March 2025.

Remuneration of Director Corporate services - N Sigwebela

Car Allowance	55 298	163 381
Acting Allowance	149 153	418 658
Cellphone, Travel and Other	39 059	39 210
Housing Allowance	33 179	98 029
Leave Pay	49 427	-
Backpay	39 109	2 348
UIF	531	1 594
	365 756	**723 220**

Appointed 09 October 2023.

Remuneration of Director Corporate Services - Mrs Z Mbhele

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

29. Employee related costs (continued)

Annual Remuneration	-	140 710
Car Allowance	-	31 606
Performance Bonuses	-	10 352
Contributions to UIF	-	354
Backpay	9 346	-
Bonus	93 051	-
Leave Pay	-	162 098
	102 397	**345 120**

The contract terminated on August 2023.

Remuneration of Chief Finance Officer - Mrs HP Mchunu

Annual Remuneration	425 848	-
Car Allowance	157 881	-
Cellphone Allowance	21 263	-
Contributions to UIF	1 594	-
Housing Allowance	94 728	-
Travel allowance	5 091	-
	706 405	**-**

Mrs HP Mchunu was appointed as the Chief Financial Officer with effect from October 2024.

Remuneration of Director Community Services - SN Zungu

Annual Remuneration	149 155	-
Car Allowance	55 298	-
Contributions to UIF, Medical and Pension Funds	531	-
Cellphone Allowance	7 448	-
Housing Allowance	33 179	-
Travel Allowance	16 690	-
	262 301	**-**

SN Zungu was appointed as the Director Community Services with effect from April 2025.

30. Remuneration of councillors

Executive Mayor	1 024 709	1 000 965
Deputy Executive Mayor	829 590	809 888
Speaker	829 590	809 888
Mayoral Committee Members	2 060 570	2 493 299
Councillors	5 681 476	5 296 985
	10 425 935	**10 411 025**

In-kind benefits

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

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

The Mayor has two full-time bodyguards. The Speaker have two full-time bodyguards.

Councillors are paid standard amounts as per the upper limit of the framework envisaged in Section 219 of the Constitution, read in conjunction with the Public Office Bearers Act and the Minister of Provincial and Local Government's determined in accordance with this Act. As a result, the disclosure of councillors remuneration per person was not considered material.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

31. Depreciation and amortisation

Property, plant and equipment	25 235 441	25 917 980
Intangible assets	134 812	171 073
	25 370 253	**26 089 053**

The decrease in depreciarion and amorisation was due to the change in accounting estimate. Usefull lives of assets were reassessed in the current year.

32. Impairment of assets

Impairments		
Property, plant and equipment	1 729 230	9 299 322
Impairment was due to the floods that took place in both current year and prior year. The recoverable amount of the assets was based on the depreciated historic costs		
Receivables from exchange and non-exchange revenue	(7 151 609)	9 893 530
During the year recovarable amounts of debtors was assessed and the provision was reversed due to improved collection.		
	(5 422 379)	**19 192 852**

33. Finance costs

Afforestation	195	1 046
Interest on landfill site provision	797 521	1 150 251
Trade and other payables	-	221 014
Employee benefits obligations	1 360 000	1 288 000
	2 157 716	**2 660 311**

34. Lease rentals on operating lease

Equipment		
Contractual amounts	195 017	158 030

The municipality is leasing buildings and photocopiers. Lease agreements do not provide for contingent rent payments. Lease payments for buildings are subject to escalate at a rate of 8% over the lease period. Lease payments for photocopiers are not subject to escalation. No restrictions are imposed by lease arrangements. See note 45 for further details.

35. Debt write-off

Bad debt written off	5 090 079	-

In the current year the Council approved a write off of bad debts amounting to R5 090 079. These related to irrecovarable debtors.

36. Bulk purchases

Electricity - Eskom	55 383 582	43 525 980

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

36. Bulk purchases (continued)

Electricity losses

Total purchases (kWh)	26 556 603	24 351 814
Total sold (kWh)	(23 257 113)	(21 680 801)
Total loss in kWh	**3 299 490**	**2 671 013**
Percentage Loss:		
Electricity distribution losses - percentage	12 %	11 %

37. Contracted services

Outsourced Services		
Vegetation Control	49 914	99 999
Burial Services	-	20 190
Business and Advisory	707 716	793 432
Cleaning Services	97 061	300 813
Clearing and Grass Cutting Services	543 000	353 042
Fire Services	1 132 174	966 069
Hygiene Services	79 815	121 884
Internal Auditors	170 346	166 223
Professional Staff	32 610	15 600
EPWP	2 175 358	1 687 553
Transport Services	141 596	339 262
Consultants and Professional Services		
Business and Advisory	2 653 574	1 725 478
Infrastructure and Planning	251 672	823 174
Legal Cost	622 318	724 531
Contractors		
Artists and Performers	-	29 500
Catering Services	1 683 258	3 319 674
Employee Wellness	318 513	354 245
Event Promoters	-	184 600
Maintenance of Equipment	15 668 853	17 649 190
Safeguard and Security	7 527 805	7 301 900
Sports and Recreation	443 588	8 600
Stage and Sound Crew	54 800	64 692
Removal of Hazardous Waste	2 564 716	2 177 682
	36 918 687	**39 227 333**

38. Transfers and subsidies

Other subsidies		
Contributions to UGU (South Coast Tourism)	1 479 912	1 405 572
Cost to free basic services	3 314 625	3 550 999
	4 794 537	**4 956 571**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

39. Afforestation general expenses

Administrative expenditure	502 123	501 440
Labour costs	2 367 290	2 477 453
Other	4 566 789	2 935 359
	7 436 202	**5 914 252**

40. Afforestation Cost of Sales

Sale of goods		
Contractors	14 651 056	9 119 810
Bark Levy	6 741	9 569
	14 657 797	**9 129 379**

41. General expenses

Achievements and awards	29 190	94 852
Advertising	4 552 913	7 277 754
Auditors remuneration	4 641 474	4 555 479
Bank charges	379 999	344 965
Bursaries (employees)	93 021	141 526
Commission paid	-	539 185
Special programmes and Mayoral activities	1 255 487	1 115 640
Hire	592 683	2 055 738
Insurance	1 843 506	835 585
Conferences and seminars	1 457 942	2 069 011
IT expenses	7 769 770	8 295 690
Fuel and oil	5 411 520	5 129 535
Printing and stationery	819 407	858 089
Protective clothing	211 656	1 838 861
Subscriptions and membership fees	1 279 409	1 317 304
Communication	1 342 378	1 224 408
Travel - local	983 203	1 237 742
Utilities	3 993 172	1 737 530
Job evaluation	1 339 750	1 267 800
Learnerships and Internships	527 214	516 538
Remuneration for ward committees	1 313 100	1 353 600
Other expenses	259 375	3 560 739
	40 096 169	**47 367 571**

42. Loss on disposal of assets

Property, Plant and equipment	333 662	10 709 578
Intangibles	-	36 262
	333 662	**10 745 840**

Assets which were obsolete disposed in the current and previous year.

43. Auditors' remuneration

Auditor General Fees	4 641 474	4 555 479

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

44. Cash generated from operations

Deficit	(19 166 012)	(49 471 320)
Adjustments for:		
Depreciation and amortisation	25 370 253	26 089 053
Impairment loss	(5 422 378)	19 192 852
Debt write off	5 090 079	-
Leave pay and bonus	180 372	512 547
Loss on sale of PPE	333 662	10 745 840
Movements in retirement benefit assets and liabilities	28 563	(961 394)
Other accruals	1 360 000	1 288 000
Other non-cash movements	430 696	82 237
Afforestation depreciation	-	195 632
Afforestation loss on sale of PPE	24 088	160 000
Movement in Provision	797 520	1 150 480
Change in plantation	5 441 475	4 528 121
Changes in working capital:		
Inventories	953 248	(789 569)
Receivables from exchange transactions	1 216 822	(9 108 217)
Consumer deposits	7 544	13 715
Other receivables from non-exchange transactions	477 050	5 331 272
Payables from exchange transactions	1 461 546	(4 749 937)
Movement in payables relating to acquisition of assets - Retentions	(1 473 536)	1 922 286
Unspent conditional grants	(793 367)	(3 586 916)
Accrued leave pay movement	(142 355)	(431 019)
Accrued bonus movement	(38 017)	(81 528)
	16 137 253	**2 032 135**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

45. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Property plant anf equipment	25 471 090	23 600 390
• Investment property	-	3 838 759
	25 471 090	**27 439 149**

Not yet contracted for and authorised by accounting officer		
• Property, plant and equipment	39 874 100	32 155 250
• Investment property	-	4 800 000
	39 874 100	**36 955 250**

Total capital commitments		
Already contracted for but not provided for	25 471 090	27 439 149
Not yet contracted for and authorised by accounting officer	39 874 100	36 955 250
	65 345 190	**64 394 399**

Authorised operational expenditure

Already contracted for but not provided for		
• Other	4 549 565	3 633 732

Total operational commitments		
Already contracted for but not provided for	4 549 565	3 633 732

Total commitments

Total commitments		
Authorised capital expenditure	65 345 190	64 394 399
Authorised operational expenditure	4 549 565	3 633 732
	69 894 755	**68 028 131**

This committed expenditure relates to property as well as operational expenditure and will be financed by available bank facilities, government grants, existing cash resources, funds internally generated, etc.

Operating leases - as lessee (expense)

Operating lease payments represent rentals payable by the municipality for photocopiers. 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.

Figures in Rand	2025	2024

46. Contingencies

The municipality has the following litigations matters of which at this stage the municipality has a fair likelihood of being successful or the odds appear to be even:

a) Al-Haraiman Trust are disputing the amounts charged for property rates.

b) Department of Labour is suing the municipality for not submitting some of the returns in relation to employment equity.

c) Advocate Mayor is in dispute with the municipality for senior management post.

e) Conrad Bishop and SD Houston, in dispute over contravention of land use management.

Outstanding cases		
Al- Harainmain	1 376 749	1 376 749
Bongumusa Mbanjwa	-	780 000
A Gama	7 300 000	-
N.A Luna Sigwebela	6 000 000	-
Thembelani Xolo	400 000	-
Albertina Kutu Qhuyisa	95 265	-
	15 172 014	**2 156 749**

47. Related parties

Related party transactions

Councillors		
Remuneration of Councillors	10 425 935	10 411 026

Councillors exercise a significant influence over the municipality's financial and administrative capacity by being the municipality's executive and legislative authority. Further details of Remuneration of Councillors is set out in note 30 of the Annual Financial Statements.

No amounts are due to/from Councillors for the year ended 30 June 2025.

Ugu South Coast Tourism		
Ugu South coast tourisim	1 479 912	1 405 572

Ugu South Coast Tourism is a fellow entity under Ugu District Municipality. Contributions made to Ugu South Coast Tourism are disclosed under note 38 of the Annual Financial Statements.

No outstanding balances due from/to the Ugu South Coast Tourism.

Senior Management		
Remuneration for senior management	5 081 582	4 148 225

Senior Management is responsible for managing municipality's operations. Remuneration of Senior Management is disclosed under note 29 of the Annual Financial Statements.

No outstanding balances due from/to the Senior Management.

48. Risk management

Financial risk management

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

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

48. Risk management (continued)

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.

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

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

Payables from exchnage transactions	22 551 430	21 089 884
Consumer deposits	580 305	572 761
Unspent grants and receipt	-	793 365
Employee Benefit Obligation	13 021 000	11 532 000
	36 152 735	**33 988 010**

Credit risk

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

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

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

Cash and Cash equivalents	51 081 916	58 454 130
Receivables from exchange transactions	7 982 863	6 898 687
Receivables from non-exchnage transaction	5 317 930	6 034 446
	64 382 709	**71 387 263**

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.

Cash and Cash Equivalent	51 081 978	58 454 130

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

49. Going concern

The Municipality is technically solvent as its total assets exceed its total liabilities, liquidity is not a challenge as it has enough investments, cash and other assets to repay it short term obligations.

Furthermore, the Municipality's management and the leadership remains committed to good budgeting and financial management, and for this purpose will continue to monitor the implementation of budgets, including expenditure, revenue collection and borrowing. The effective functioning of the budget processes will contribute significantly to developing and sustaining financial health in the Municipality.

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.

50. Events after the reporting date

After year-end, and before the date the financial statements were authorised for issue, the municipal council resolved that fruitless and wasteful expenditure amounting to R3 784 be recovered from the employee responsible for the fruitless and wasteful expenditure

51. Unauthorised expenditure

Opening balance as previously reported	-	9 000
Correction of prior period error	-	-
Opening balance as restated	**-**	**9 000**
Add: Expenditure identified - prior period	-	(9 000)
Closing balance	**-**	**-**

52. Fruitless and wasteful expenditure

Opening balance as previously reported	252 787	172 305
Opening balance as restated	**252 787**	**172 305**
Add: Expenditure identified - current	3 791	348 794
Less: Amount written off - interest waiver	(7)	-
Less: Amount written off - current	-	(96 007)
Less: Amount written off - prior period	(252 787)	(172 305)
Less: Amount transferred to debt recovery	(3 784)	-
Closing balance	**-**	**252 787**

All the fruitless and wasteful expenditure incurred during the year in the table below is as a result of interest charged on late payments.

Fruitless and wasteful expenditure is not yet recoverable at year end and is currently being investigated by the Council which will determine recoverability and any criminal or disciplinary steps to be taken.

Disclosed amounts are inclusive of VAT.

Details of fruitless and wasteful expenditure		
SARS	-	183 679
Eskom	-	163 094
Telkom	3 784	-
Ugu District Municipality	(6)	2 021
	3 778	**348 794**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

53. Irregular expenditure

Opening balance as previously reported	145 355	1 194 537
Opening balance as restated	**145 355**	**1 194 537**
Add: Irregular Expenditure - Contract advertised for a shorter period than required	69 385	1 874 031
Add: Irregular Expenditure - Award for a service of more than a year procured through a formal quotation	2 603 319	1 527 667
Add: Irregular Expenditure - No rotation of consultants as per policy	-	1 991 351
Add: Irregular Expenditure - Awards to service providers who were tax non compliantt	11 403 909	-
Less: Amounts recoverable - prior period	-	145 355
Add: Award for service for more than a year procured through a formal quotation	55 647	-
Less: Amount written off - current	(2 672 704)	(5 393 049)
Less: Amount written off - prior period	(145 355)	(1 194 537)
Closing balance	**11 459 556**	**145 355**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

53. Irregular expenditure (continued)

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

	Disciplinary steps taken/criminal proceedings		
Composition of bid excluded SCM practitioner	No desciplinary steps taken, however new bid commitee includes the SCM practitioner	-	5 393 049

Irregular expenditure written off by Council has not yet been condoned by National Treasury. The municipality is still awaiting this by National Treasury.

Disclosed amounts are inclusive of VAT.

54. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

	2025	2024
Current year subscription / fee	1 215 322	1 076 560
Amount paid - current year	(13 250)	(1 076 560)
	1 202 072	**-**

Audit fees

	2025	2024
Current year subscription / fee	4 801 531	3 644 429
Amount paid - current year	(4 462 690)	(3 550 748)
	338 841	**93 681**

PAYE and UIF

	2025	2024
Current year subscription / fee	14 526 106	9 843 517
Amount paid - current year	(14 526 106)	(9 843 517)
	-	-

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

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

Pension and Medical Aid Deductions

Current year subscription / fee	21 162 194	20 699 679
Amount paid - current year	(21 162 194)	(20 699 679)
	-	-

Councillors' arrear consumer accounts

There were no arrear accounts for Councillors which were outstanding for more than 90 days as at **30 June 2025**.

Supply chain management regulations

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

The below expenditure relates mainly to repairs and maintanance of assets which are still under warranty as well as electicity materials.

Incident		
Repairs and maintance and maintance materials	965 034	4 028 608

Figures in Rand	2025	2024

55. Budget differences

Material differences between budget and actual amounts

The budget was prepared on the accrual basis of accounting with the prescripts of the Municipal budget regulation and the MFMA budget circulars. Variances which are greater than 10% between the final budget amounts and actual amount as referenced in the statement of comparison of budget and actual amounts have been deemed material, and explainations thereto are set out below
Revenue

Revenue from exchange transactions

55.1 Afforestation sales were not included in the municipal budget.

55.2 The variance is not material.

55.3 Rental of facilites and equipments - The variance of 28% is attributable to lower-than-anticipated collection, mainly as a result of an increase in vacant municipal rental properties.

56.3a Lower than expected sales vulume due to market demand and market availability.

55.4 Agency fees - The variance is not material.

55.5 Licenses and permits - The variance of 10% is attributable to lower-than-anticipated uptake or renewal of licences.

55.6 Other revenue - The variance of 68% is lower-than-anticipated due to incidendental income and sale of tender documents being higher than anticipated.

55.7 The variance is not material

Revenue from non-exchange transaction:

55.8 Property rates - The variance is not material

55.9 Government grants and subsidies - The variance of 20% is mainly due to capital project funded through grants being completed earlier than anticipated, resulting in higher revenue recognition

55.10 Fines, penalties and forfeits - The varianace of 58% is attributable to lower-than-anticipated revenue from fine and penalties because this is unpredictable in nature, making it challenging to estimate accurately at budget stage.

Expenditure

55.11 Employee related costs - The 15% variance resulted from the delayed filling of vacant posts, which led to lower-than-budgeted expenditure.

55.12 Remuneration of councillors - The 15% variance resulted from increments not being implemented.

55.13 Depreciation and amortisation - The variance of 11% is attributable to higher- than- anticipated acquisitions of movable assets and the completion of capital projects, which increase the depreciable asset base.

Notes to the Annual Financial Statements

55. Budget differences (continued)

55.14. The variance of 40% is attributable to lower than expected collections from consumers.

55.15 Finance costs were higher due to higher that expected interest rates.

55.16 Lease rentals on operating lease - The variance is not material

55.17 Afforestation General Expenses were lower than expected contractor costs as well as lower than anticipated repairs and maintenance required on the farm. Cost of sales higher than budget due to Increase in sales volume has led to an increase in direct costs. Gross profit has decreased due to the increase in contractor costs.

55.18 Bulk purchases - The variance is not material

55.19 Contracted services - The variance is not material

55.20 Transfers and subsidies underbudgeted due to delays in receiving the budget indication from Ugu District municipality.

55.21 Inventory consumed - The variance of 10% is attributable to higher-than-anticipted consumption of material for repairs and maintenance.

55.22 General Expenses - The variance of 31% resulted from underspending on advertising and special programmes, which were lower than budgeted for the year

55.23 Debt write-off, actuarial gains or losses, gains or losses on disposal of assets and impairment losses were not budgeted for.

Statement of Financial Position
Assets

56.24 Inventories – R (476 565)
The variance is due to lower-than-anticipated consumption and delayed replenishment of materials and consumables towards year-end. Stock levels were tightly controlled as part of cost-containment measures, resulting in lower actual inventory than budgeted.

56.25 Receivables from Non-Exchange Transactions – R 1 206 930
Actual receivables exceeded budget mainly due to higher accruals for traffic fines and property rates outstanding at year-end. The municipality experienced low collection rates, increasing the closing balance beyond budget assumptions.

56.26 VAT Receivable – R (116 584 000)
The final budget anticipated a substantial VAT refundable position arising from capital spending. However, due to delays in capital projects and changes in the VAT cycle, no VAT receivable materialised at year-end. This caused a significant negative variance.

56.27 Receivables from Exchange Transactions – R (3 879 137)
The lower actual balance is attributed to improved billing accuracy and enhanced collection efforts for services and rentals, resulting in fewer outstanding customer accounts than budgeted.

56.28 Other Current Assets – R (759 000)
The municipality did not incur certain planned prepayments and deposits originally budgeted under other current assets. This resulted in no expenditure being recorded against this line.

56.29 Cash and Cash Equivalents – R 22 673 978
Cash balances were higher than expected due to underspending on operating and capital activities, improved revenue performance, and delayed payments to suppliers. This contributed to a materially higher closing cash position.

55. Budget differences (continued)

Non-Current Assets

56.30 Investment Property – R (303 000)
The negative variance is due to the non-acquisition of the additional property initially planned, as the project was deferred during the year.

56.31 Property, Plant and Equipment – R 6 279 665
Actual amounts exceeded budget due to the recognition of additional work-in-progress and adjustments identified during the asset verification process. This included assets not initially budgeted for and valuation adjustments.

56.32 Intangible Assets – R (32 584)
The slight negative variance relates to lower-than-budgeted spending on software licenses and system enhancements.

56.33 Plantation Inventory – R 42 456 818
This variance is due to the recognition of plantation biological assets following a revaluation in accordance with GRAP 101. This was not budgeted for.

Liabilities

Current Liabilities

56.34 Payables from Exchange Transactions – R 3 571 527
The variance is due to higher year-end accruals for goods and services not yet paid by 30 June. Supplier invoices received after cut-off contributed to this increase.

56.35 Payables from Non-Exchange Transactions – R (1 799 094)
Actual amounts were lower because fewer statutory deductions and grant return obligations were outstanding than anticipated.

56.36 VAT Payable – R (121 059 000)
The budget anticipated a VAT liability from increased cash inflows and billing. However, due to the VAT position reverting to neutral and lower taxable supplies, no VAT payable arose at year-end, resulting in the negative variance.

56.37 Consumer Deposits – R 7 305
The slight positive variance is due to unplanned new customer connections requiring deposits.

56.38 Employee Benefit Obligation – R 514 000
The variance results from actuarial adjustments to short-term employee benefit obligations, which were not budgeted for at this level of precision.

56.39 Provisions – R (3 001 000)
The municipality did not raise the planned provisions for leave and other operational risks due to updated year-end assessments, which resulted in a lower provision than budgeted.

Non-Current Liabilities

56.40 Long-Term Employee Benefit Obligation – R 6 505 000
The variance is due to actuarial revaluations of long-service awards and post-employment obligations, which exceeded original budget estimates.

Notes to the Annual Financial Statements

55. Budget differences (continued)

56.41 Non-Current Provisions – R (1 399 782)
Actual rehabilitation and other long-term provisions were lower than budget due to revised engineering estimates and updated cost forecasts.

Statement of Net Assets

Revaluation Reserve – R (54 294 126)
No revaluation was undertaken during the year despite being budgeted for, resulting in the variance.

Accumulated Surplus – R 121 532 137
The large positive variance is mainly driven by higher cash balances, underspending on operations, lower liabilities, and valuation adjustments in non-current assets.

Cash Flow Statement

Receipts

56.42 Sale of Goods and Services – R 58 868 167
Actual receipts significantly exceeded budget due to intensified revenue collection initiatives and improved billing efficiency.

56.43 Service Charges – R (30 485 000)
No service charges were collected as the municipality does not levy certain charges initially anticipated during budgeting.

56.44 Grants – R 4 226 561
The positive variance relates to additional grant allocations received during the year and earlier-than-expected transfers.

56.46 Interest Income – R (2 628 352)
Interest earned was lower than expected due to a decline in investment balances during part of the year and lower prevailing interest rates.

Payments

56.47 Suppliers and Other Payments – R 49 710 273
Underspending on contracted services, general expenses, and delayed procurement processes contributed to the lower actual payments.

56.48 Employee Costs – R 107 209 844
The variance is due to unfilled vacancies, recruitment delays, and lower overtime expenditure than budgeted.

56.49 Finance Costs – R (2 042 575)
Interest expense relates to late payment penalties and other finance charges not included in the budget.

56.50 Transfers and Subsidies – R 3 183 000
The municipality did not process certain planned community and operational subsidies, resulting in a positive variance.

Capital Expenditure

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

55. Budget differences (continued)

56.51 Purchase of PPE – R 9 817 048
Capital spending was below budget due to delayed implementation of infrastructure projects and procurement challenges.

Differences between budget and actual amounts basis of preparation and presentation

The differences between budget and actual will be presented on the annual financial statements.

56. Afforestation

The Local Municipality's plantations are known as the uMuziwabantu Local Municipality Harding Afforestation Scheme. This scheme entered into an agreement with NCT Forestry Co-operative in terms of which the latter has taken over the management of the timber plantations owned by the uMuziwabantu Local Municipality Harding Afforestation Scheme. By agreement, this function is now being performed by NCT Tree Farming (PTY) Ltd, a wholly owned subsidiary of the cooperative.

In terms of this agreement, NCT Tree Farming (PTY) Ltd is entitled to a profit share equal to 5% of the net profit generated by the forestry operations prior to the deduction of such fee.

Further, NCT Tree Farming (PTY) Ltd is not entitled to any payment other than the recovery of direct costs should the forestry operations not make a profit or loss is made in the year, nor is it liable for losses other than in the case of NCT Tree Farming (PTY) Ltd negligence in terms of the agreement.

No taxationhas been provided as the net income is attributable directly to the uMuziwabantu Local Municipality. In previous years the Afforestation Scheme was accounted for using the equity method. From 1 July 2007, the Scheme's operation has been incorporated on a line by line basis into the financial statemements.

57. Awards to close family members of persons in the service of state

Paragraph 45 of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003); Municipal Supply Chain Management Regulations states that particulars of any award more than R2 000 made to a person who is a spouse, child or parent of a person in the service of the state, or has been in the service of the state in the previous twelve (12) months must be disclosed as a note in the Annual Financial Statements.

The details are listed below for the year ended **30 June 2025**:

Name	: Mangubade Trading Enterprise
Relation	: Wife to the spouse who is in the service of the state/municipality
Capacity	: General Assistant Electricity
Amount	: R 14 400

Name	: Mnyingwa Trading Enterprise
Relation	: Wife to the spouse who is in the service of the state/municipality
Capacity	: General Assistant Electricity
Amount	: R 107 200

58. Accounting by principals and agents

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

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

58. Accounting by principals and agents (continued)

Details of the arrangment are as follows:Details of the arrangment are as follows:

Principal-agent arrangements relate to binding arrangements in which one entity (an agent), undertakes transactions with third parties on behalf, and for the benefit of, another entity (the principal). The following arrangement meets the criterion for such arrangements:

The Municipality has an agent-principal relationship with KZN Department of Transport

Municipality as an agent

KwaZulu Natal Department of Transport

The agreement requires the municipality to perform all the testing functions on behalf of the department which consist of Driving licence test centre functions.The municipality is an Agent to the agreement as they are responsible for perfoming testing functions on behalf of the Department. Thus a principal agent arrangement exist.The municipality is the agent in terms of GRAP 109.

Expected timing of remittance of remaining resources to the principal, are [State timing and details].

KwaZulu Natal Department of Transport

Revenue recognised

The aggregate amount of revenue recognised as a result of drivers' licence testing functions is R772 020 (2024: 855 940)

Resources (including assets and liabilities) of the entity under the custodianship of the agent

Afforestation scheme arrangement constitutes a **principal-agent relationship** in terms of **GRAP 109**, as the municipality retains ownership of the plantations, assumes the related risks and rewards, and NCT acts as an agent responsible for operational management on behalf of the municipality

59. 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
Receivable from non-exchange transaction	5	4 341 785	1 692 662	-	6 034 447
Property, plant and equipment	9	430 399 983	6 412 362	-	436 812 345
VAT receivable		4 103 676	(4 103 676)	-	-
Receivable from exchange transactions	6	6 402 875	495 812	-	6 898 687
Accumulated Surplus		(443 060 843)	(59 211 251)	-	(502 272 094)
Payables from exchange transactions	12	(21 509 856)	419 969	2 498 906	(18 590 981)
Payables from non exchange transactions	13	-	-	(2 498 906)	(2 498 906)
Revaluation reserve		(54 294 126)	54 294 126	-	-
		(73 616 506)	**4**	**-**	**(73 616 502)**

Statement of financial performance

59. Prior-year adjustments (continued)

2024

	Note	As previously reported	Correction of error	Re-classification	Restated
Interest revenue - Investment	23	8 873 173	(3 856)	-	8 869 317
General Expenses	41	(46 146 838)	(1 220 733)	-	(47 367 571)
Bulk Purchases		(47 076 979)	-	3 550 999	(43 525 980)
Impairment of assets	32	(25 641 048)	6 448 196	-	(19 192 852)
Transfers and subsidies	38	(1 405 572)	-	(3 550 999)	(4 956 571)
Surplus for the year		**(111 397 264)**	**5 223 607**	**-**	**(106 173 657)**

Cash flow statement

2024

	Note	As previously reported	Correction of error	Re-classification	Restated
Cash flow from operating activities					
Sale of goods and services	18	82 220 356	(1 040 952)	-	81 179 404
Interest Income		8 873 173	(3 856)	-	8 869 317
Employee Costs		(93 158 054)	(3 103 525)	-	(96 261 579)
Suppliers		(161 281 977)	7 095 654	1 405 572	(152 780 751)
Transfers and subsidies		-	(3 550 999)	(1 405 572)	(4 956 571)
Finance costs		(2 660 311)	2 438 251	-	(222 060)
		(166 006 813)	**1 834 573**	**-**	**(164 172 240)**
Cash flow from investing activities					
Purchase of PPE		(38 294 020)	(1 922 287)	-	(40 216 307)
Cash generated from operations note					
Other non cash		36 566	1 995 569	-	2 032 135
Leave pay and bonus		-	512 547	-	512 547
Receivables from exchange transactions		(8 612 405)	(495 812)	-	(9 108 217)
VAT		(3 653 560)	3 653 560	-	-
Receivables from non-exchange transactions		7 023 723	(1 692 451)	-	5 331 272
Finance costs		2 660 311	(1 372 311)	-	1 288 000
Movements in provisions		-	1 150 480	-	1 150 480
Movement in payables relating to acquisition of assets - Retentions		-	1 922 286	-	1 922 286
Accrued leave pay movement		-	(431 019)	-	(431 019)
Accrued bonus movement		-	(81 528)	-	(81 528)
Depreciation costs included in general expenses- Afforestation		-	195 633	-	195 633
Loss on sale of assets included in general expenses- Afforestation		-	160 000	-	160 000
		(2 545 365)	**5 516 954**	**-**	**2 971 589**

Errors

Notes to the Annual Financial Statements

59. Prior-year adjustments (continued)

Statement of financial position

Receivables from non-exchange transaction - In the prior year, the municipality incorrectly accounted for VAT due from SARS. This has since been corrected, resulting in an increase of R1 692 662 in receivables from non-exchange transactions.

VAT receivable - In the prior year, the municipality incorrectly disclosed the net VAT receivable as a separate/ single line item in the Statement of financial position. In the current year, this has been corrected by disclosing VAT receivable, VAT payable and VAT control to enhance accurance and compliance with reporting requirements. The VAT input accrual was further impacted by R116 010 VAT on reversal of an incorrect accrual.

Property, plant and equipment - In the prior year, the municipality incorrectly accounted for certain assets. The correction has been corrected, resulting in an increase of R6 718 841 in property, plant and equipment.

Receivables from exchange transactions - In the prior year, the municipality incorrectly accounted for VAT input accrual. This has since been corrected. Resulting in an increase of R495 811 in receivables from exchange transactions.

Payables from exchange transactions - In the prior year, the municipality incorrectly accounted for VAT input accrual. This has since been corrected. Resulting in an increase of R419 969 in receivables from exchange transactions. Futhermore there was a reversal of an an accrual which was incorrectly raised.

Revaluation Reserve - In the prior year, the municipality incorrectly revalued certain assets that are accounted for under the cost model. This error has been corrected, resulting in a reversal of revaluation reverse.

Statement of Financial Perfomance

Interest revenue - In the prior year, the municipality incorrectly accounted for accrued interest. This error has since been corrected and resulted in a decrease of R3 856 in interest revenue.

General expenses - in the prior, the municipality incorreclty accounted for certail accruals, which resulted in the omission of related expenses. This error has since been corrected, resulting in an increase in general expenses. There was a further adjustment relating to a reversal of an incorrect accrual.

Afforestation sales and other income - In the prior year, the municipality incorrectly classified certain revenue transactions, recognising them as sale of goods instead of other income. This error has since been corrected, resulting in an increase in other income and a corresponding decrease in sale of goods by R547 485.

There was a correction of impairment made in error in the previous year.

Bulk purchses were overstated in the previous year due to a missallocation of cost of free basic services.

Statement of Cash Flow Statement
The prior year adjustments on the Cash Flow Statement and the Cash gererated from operations were due to the coorection of errors to Statement of Financial Position and Statement of Financial.

Notes to the Annual Financial Statements

60. Segment information

General information

Identification of segments

The municipality is organised and reports to management on the basis of four major functional areas: Governance and administration, Community and public safety, Economic planning and development and Trading services. Management uses these same segments for determining strategic objectives. Segments were aggregated for reporting purposes.

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

Aggregated segments

The municipality is organised and operates in three key reportable functions throughout the nine wards under uMuziwabantu demarcations. Segments were aggregated on the basis of services delivered as management considered that the economic characteristics of the segments throughout uMuziwabantu were sufficiently similar to warrant aggregation.

Community and public safety: Sports and recreation, Parks and gardens, Human settlements, Disaster management, Library services and Community services.

Economic planning and development: Local Development and Technical departments.

Trading services: Waste management and Electricity sales.

Afforestation: Forestry.

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 Public safety
Segment 2	Economic planning and development
Segment 3	Trading service
Segment 4	Afforestation

Notes to the Annual Financial Statements

Figures in Rand

60. Segment information (continued)

Segment surplus or deficit, assets and liabilities

2025

	Community and public safety	Economic planning and development	Trading services	Afforestation	Total
Revenue					
Revenue from non-exchange transactions	-	-	185 610 847	-	185 610 847
Revenue from exchange transactions	-	-	67 813 989	21 595 404	89 409 393
Total segment revenue	**-**	**-**	**253 424 836**	**21 595 404**	**275 020 240**
Entity's revenue					**275 020 240**
Expenditure					
Employee Related Cost	-	-	94 241 818	3 259 572	97 501 390
Depreciation and amortisation	-	-	25 165 230	205 023	25 370 253
Contracted Services	-	-	36 918 687	-	36 918 687
Other operational expenses	-	-	112 095 157	22 300 765	134 395 922
Total segment expenditure	**-**	**-**	**268 420 892**	**25 765 360**	**294 186 252**
Total segmental surplus/(deficit)					**(19 166 012)**
Assets					
Current assets	-	47 681 165	8 975 929	8 080 102	64 737 196
Non-current assets	11 366 970	-	422 729 824	45 005 524	479 102 318
Total segment assets	**11 366 970**	**47 681 165**	**431 705 753**	**53 085 626**	**543 839 514**
Total assets as per Statement of financial Position					**543 839 514**

60. Segment information (continued)

	Community and public safety	Economic planning and development	Trading services	Afforestation	Total
Liabilities					
Current laibilities	-	-	22 664 592	981 151	23 645 743
Non-current liabilities	-	-	37 089 218	-	37 089 218
Total segment liabilities	**-**	**-**	**59 753 810**	**981 151**	**60 734 961**
Total liabilities as per Statement of financial Position					**60 734 961**

Due to limitations in the financial reporting system it was impractical to prepare the abridged Segmental Cash Flow Statement.

2024

	Community and public safety	Economic planning and development	Trading services	Afforestation	Total
Revenue					
Revenue from non-exchange transactions	130 288 893	6 909 531	50 997 016	-	188 195 440
Revenue from exchange transactions	1 025 589	39 056 860	14 180 190	16 608 125	70 870 764
Total segment revenue	**131 314 482**	**45 966 391**	**65 177 206**	**16 608 125**	**259 066 204**
Entity's revenue					**259 066 204**
Expenditure					
Employee related costs	56 314 975	7 248 180	26 264 251	3 330 644	93 158 050
Depreciation and amortisation	-	-	25 893 420	195 633	26 089 053
Contracted services	29 994 336	957 502	8 275 495	-	39 227 333
Other expenses	-	-	135 019 457	15 043 631	150 063 088
Total segment expenditure	**86 309 311**	**8 205 682**	**195 452 623**	**18 569 908**	**308 537 524**
Total segmental surplus/(deficit)					**(49 471 320)**

Notes to the Annual Financial Statements

Figures in Rand

60. Segment information (continued)

Assets					
Current assets	-	-	67 130 633	5 564 313	72 694 946
Non-current assets	285 331 511	9 952 872	141 065 197	50 668 286	487 017 866
Total segment assets	**285 331 511**	**9 952 872**	**208 195 830**	**56 232 599**	**559 712 812**
Total assets as per Statement of financial Position					**559 712 812**

Liabilities					
Current liabilities	-	-	22 209 864	981 151	23 191 015
Non-current liabilities	-	-	34 249 698	-	34 249 698
Total segment liabilities	**-**	**-**	**56 459 562**	**981 151**	**57 440 713**
Total liabilities as per Statement of financial Position					**57 440 713**

Due to limitations in the financial reporting system it was impractical to prepare the abridged Segmental Cash Flow Statement.