KZN216 Ray Nkonyeni Municipality
(Registration number KZN216)
Trading as Ray Nkonyeni 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)
Nature of business and principal activities	Local Government
Mayoral committee	TROIKA
Mayor	Cllr PZ Mzindle
Councillors	Cllr GS Shange - Deputy Mayor
	Cllr TT Hlophe - Chief Whip
	Cllr PR Gumbi - Speaker
Grading of local authority	4
Accounting Officer	Mr Khetha Zulu
Chief Finance Officer (CFO)	Mr Sandiso Thutshini
Registered office	10 Connor Street Port Shepstone 4240
Business address	10 Connor Street Port Shepstone 4240
Postal address	PO Box 5 Port Shepstone 4240
Bankers	First National Bank Standard Bank, Nedbank, Investec
Auditors	Auditor General of South Africa Registered Auditors
Preparer	The annual financial statements were internally compiled by: Sandiso Thutshini Chief Financial Officer

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

Abbreviations used:

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

Accounting Officer's Responsibilities and Approval

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

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

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

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

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

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

The municipality is wholly dependent on the municipal revenue including equitable share for continued funding of the 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.

I certify that the salaries, allowances and benefits of Councillors, if any, as disclosed in note 32 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officers Bearers Act and the Minister of Provincial and Local Government’s determination in accordance with this Act.

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

Mr KJ Zulu
Accounting Officer

Accounting Officer's Report

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

1. Incorporation

The municipality was incorporated on 10 August 2016 as an amalgamation of two municipalities (Former Hibiscus Coast and Ezinqoleni Municipality) and obtained its certificate to commence business on the same day.

2. Review of activities

Main business and operations

The municipality is engaged in local government and operates in South Africa. The municipality is charged with the responsibility of providing services such as refuse management, electricity, law enforcement, etc to communities in a sustainable manner to promote social and economic development, and to promote a safe and healthy environment. The operating results and state of affairs of the municipality are fully set out in the attached annual financial statements and do not in our opinion require any further comment.

3. Going concern

We draw attention to the fact that at 30 June 2025, the municipality had an accumulated surplus of 1,918,058,246 and that the municipality's total assets exceed its liabilities by 1,918,058,246.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business. The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality.

4. Subsequent events

The following events have been identified and disclosed in line with GRAP 14- Events After the Reporting Date

Adjusting events

The council resolved on 24 June 2025 to dispose obsolete assets during the 2025 financial year. The actual sale took place after year end but before the issue of financial statements.

Non-Adjusting events

On 21 August 2025, a Ray Nkonyeni Municipality compactor with registration NPS 36910 burnt down. The cause of the incident is still being investigated. Carrying value of the assets as at 30 June 2025 was R7485.16

5. Accounting Officer

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

Name	Nationality
Mr KJ Zulu	South African

6. Auditors

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

Mr KJ Zulu
Accounting Officer

KZN216 Ray Nkonyeni Municipality

(Registration number KZN216)
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Annual Financial Statements for the year ended 30 June 2025

Statement of Financial Position as at 30 June 2025

Figures in Rand	Note(s)	2025	2024 Restated*
Assets			
Current Assets			
Inventories	7	5,550,275	10,621,268
Receivables from exchange transactions	8&10	42,866,989	48,616,249
Receivables from non-exchange transactions	9&10	72,720,889	63,916,334
VAT receivable	11	35,369,128	58,990,915
Cash and cash equivalents	12	47,001,092	66,405,168
		203,508,373	**248,549,934**
Non-Current Assets			
Investment property	3	430,436,383	395,052,475
Property, plant and equipment	4	1,961,903,322	1,903,001,090
Intangible assets	5	215,186	343,532
Heritage assets	6	2,459,698	2,347,598
		2,395,014,589	**2,300,744,695**
Total Assets		**2,598,522,962**	**2,549,294,629**
Liabilities			
Current Liabilities			
Long-term loan	13	2,181,996	1,953,818
Finance lease obligation	14	24,347,626	29,839,169
Payables from exchange transactions	15	249,380,164	156,268,653
VAT payable	54	3,376,385	2,686,236
Consumer deposits	16	40,652,248	38,329,830
Employee benefit obligation	17	5,205,022	5,794,639
Unspent conditional grants and receipts	18	17,535,412	814,212
Provisions	19	46,978,221	40,709,397
Housing development fund	66	33,242,603	39,593,078
		422,899,677	**315,989,032**
Non-Current Liabilities			
Long-term loan	13	12,874,211	15,056,207
Finance lease obligation	14	76,982,447	66,921,479
Employee benefit obligation	17	120,906,757	114,936,457
Provisions	19	46,801,640	46,476,024
		257,565,055	**243,390,167**
Total Liabilities		**680,464,732**	**559,379,199**
Net Assets		**1,918,058,230**	**1,989,915,430**
Accumulated surplus		1,918,058,246	1,989,915,430
Total Net Assets		**1,918,058,246**	**1,989,915,430**

* See Note 53 & 58

Statement of Financial Performance

Figures in Rand	Note(s)	2025	2024 Restated*
Revenue			
Revenue from exchange transactions			
Sale of goods		66,632	61,642
Service charges	20	258,644,413	250,436,969
Rendering of services		7,494,469	9,782,887
Construction contracts	53	6,836,522	34,923,190
Rental of facilities and equipment	21	4,187,515	4,145,746
Interest from exchange transactions		10,415,314	8,154,821
Agency services	22	17,446,683	20,280,679
Licences and permits	23	511,459	597,570
Recoveries	41	1,581,630	2,020,035
Operational Revenue	41	1,164,281	1,222,723
Interest - investment	24	11,067,518	11,613,966
Fair value adjustments	45	29,164,565	38,736,597
Total revenue from exchange transactions		**348,581,001**	**381,976,825**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	25	532,725,192	507,016,893
Licences and Permits	26	837,065	729,302
Interest from non-exchange transactions	27	36,019,898	31,858,238
Transfer revenue			
Government grants & subsidies	28	452,220,380	512,480,535
Public contributions and donations	29	7,802,825	117,324
Fines, Penalties and Forfeits	30	43,560,274	26,104,541
Total revenue from non-exchange transactions		**1,073,165,634**	**1,078,306,833**
Total revenue		**1,421,746,635**	**1,460,283,658**
Expenditure			
Employee related costs	31	(589,974,895)	(480,605,577)
Remuneration of councillors	32	(36,957,670)	(40,274,550)
Depreciation and amortisation	33	(91,575,350)	(88,772,776)
Impairments	34	(118,882,501)	(118,479,100)
Finance costs	35	(31,134,531)	(23,734,002)
Lease rentals on operating lease	36	(5,173,850)	(13,235,261)
Bad debts written off		(13,768,277)	(11,306,773)
Bulk purchases	37	(177,510,341)	(142,879,822)
Contracted services	38	(240,598,548)	(218,441,993)
Transfers and Subsidies	39	(18,975,548)	(18,394,060)
Loss on disposal of assets		(2,586,495)	(2,766,016)
Inventory consumed		(13,533,782)	(12,884,681)
General Expenses	40	(152,929,433)	(181,326,133)
Total expenditure		**(1,493,601,221)**	**(1,353,100,744)**
(Deficit) surplus for the year		**(71,854,586)**	**107,182,914**

* See Note 53 & 58

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus / deficit	Total net assets
Opening balance as previously reported	2,204,794,857	2,204,794,857
Adjustments		
Correction of errors 58	(322,062,341)	(322,062,341)
Balance at 01 July 2023 as restated*	**1,882,732,516**	**1,882,732,516**
Changes in net assets		
Surplus for the year	107,182,914	107,182,914
Total changes	107,182,914	107,182,914
Restated* Balance at 01 July 2024	**1,989,912,832**	**1,989,912,832**
Changes in net assets		
Surplus/(Deficit) for the year	(71,854,586)	(71,854,586)
Total changes	(71,854,586)	(71,854,586)
Balance at 30 June 2025	**1,918,058,246**	**1,918,058,246**

Note(s)

* See Note 53 & 58

Cash Flow Statement

Figures in Rand	Note(s)	2025	2024 Restated*
Cash flows from operating activities			
Receipts			
Cash received from non-exchange transactions		530,573,312	427,078,512
Cash received from exchange transactions		223,104,591	374,087,954
Transfers and subsidies received		468,941,580	505,138,819
Interest from investments		11,067,518	11,613,966
Interest from exchange transactions		2,592,476	1,981,303
Interest from non-exchange transactions		10,771,120	11,921,703
Other cash receipts		6,934,162	1,222,724
Sars VAT Refund		81,184,559	61,031,982
		1,335,169,318	1,394,076,963
Payments			
Employee costs		(567,793,323)	(500,139,903)
Suppliers		(562,896,078)	(687,553,583)
Finance costs		(1,788,927)	(1,938,085)
Transfers and Subsidies		(18,975,548)	(18,394,060)
Sars VAT Payment		(1,338,377)	-
		(1,152,792,253)	(1,208,025,631)
Net cash flows from operating activities	43	**182,377,065**	**186,051,332**
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(141,708,267)	(195,575,333)
Proceeds from sale of property, plant and equipment	4	-	1,403,759
Purchase of investment property	3	(377,932)	(4,974,225)
Purchase of heritage assets	6	(50,000)	(98,575)
Net cash flows from investing activities		**(142,136,199)**	**(199,244,374)**
Cash flows from financing activities			
Movement of long-term loan		(1,953,818)	6,177,678
Finance lease payments		(57,691,124)	(42,200,474)
Net cash flows from financing activities		**(59,644,942)**	**(36,022,796)**
Net increase/(decrease) in cash and cash equivalents		**(19,404,076)**	**(49,215,838)**
Cash and cash equivalents at the beginning of the year		66,405,168	115,621,006
Cash and cash equivalents at the end of the year	12	**47,001,092**	**66,405,168**

The accounting policies on pages 11 to 41 and the notes on pages 42 to 101 form an integral part of the annual financial statements.

* See Note 53 & 58

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						
Sale of goods	1,429,390	(1,379,072)	**50,318**	66,632	**16,314**	Note67
Service charges	278,556,171	(53,636)	**278,502,535**	258,644,413	**(19,858,122)**	
Rendering of services	8,441,344	(320,910)	**8,120,434**	7,494,469	**(625,965)**	
Construction contracts	10,018,264	(2,156,264)	**7,862,000**	6,836,522	**(1,025,478)**	Note67
Rental of facilities and equipment	5,202,826	43,384	**5,246,210**	4,187,515	**(1,058,695)**	Note67
Interest received (trading)	8,201,719	1,754,288	**9,956,007**	10,415,314	**459,307**	
Agency services	20,652,506	2,003,578	**22,656,084**	17,446,683	**(5,209,401)**	
Licences and permits	736,947	(264,701)	**472,246**	511,459	**39,213**	
Recoveries	-	-	**-**	1,581,630	**1,581,630**	Note67
Operational Revenue	1,090,616	(144,026)	**946,590**	1,164,281	**217,691**	Note67
Interest received - investment	11,915,841	1,304,543	**13,220,384**	11,067,518	**(2,152,866)**	Note67
Total revenue from exchange transactions	**346,245,624**	**787,184**	**347,032,808**	**319,416,436**	**(27,616,372)**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	532,892,555	(42,169)	**532,850,386**	532,725,192	**(125,194)**	
Licences and Permits (Non-exchange)	921,025	(4,588)	**916,437**	837,065	**(79,372)**	Note67
Interest, Dividends and Rent on Land	32,614,836	2,033,626	**34,648,462**	36,019,898	**1,371,436**	
Transfer revenue						
Government grants & subsidies	456,819,000	24,459,000	**481,278,000**	452,220,380	**(29,057,620)**	
Public contributions and donations	-	1,232,997	**1,232,997**	7,802,825	**6,569,828**	Note67
Fines, Penalties and Forfeits	32,811,831	(7,565,437)	**25,246,394**	43,560,274	**18,313,880**	Note67
Total revenue from non-exchange transactions	**1,056,059,247**	**20,113,429**	**1,076,172,676**	**1,073,165,634**	**(3,007,042)**	
Total revenue	**1,402,304,871**	**20,900,613**	**1,423,205,484**	**1,392,582,070**	**(30,623,414)**	
Expenditure						
Employee Related Costs	(497,297,268)	(51,438,276)	**(548,735,544)**	(589,974,895)	**(41,239,351)**	
Remuneration of councillors	(34,185,336)	(802,704)	**(34,988,040)**	(36,957,670)	**(1,969,630)**	
Depreciation and amortisation	(86,017,694)	-	**(86,017,694)**	(91,575,350)	**(5,557,656)**	
Impairments	(33,111,333)	-	**(33,111,333)**	(118,882,501)	**(85,771,168)**	Note67
Finance costs	(11,817,944)	1,000,000	**(10,817,944)**	(31,134,531)	**(20,316,587)**	Note67
Lease rentals on operating lease	(6,777,992)	128,000	**(6,649,992)**	(5,173,850)	**1,476,142**	
Bad debts written off	(5,000,000)	-	**(5,000,000)**	(13,768,277)	**(8,768,277)**	
Bulk purchases	(153,549,948)	-	**(153,549,948)**	(177,510,341)	**(23,960,393)**	Note67
Contracted Services	(227,033,136)	(48,652,913)	**(275,686,049)**	(240,598,548)	**35,087,501**	Note67
Transfers and Subsidies	(24,347,748)	2,641,087	**(21,706,661)**	(18,975,548)	**2,731,113**	Note67
Inventory consumed	(12,981,724)	65,495	**(12,916,229)**	(13,533,782)	**(617,553)**	Note67

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
General Expenses	(157,398,020)	(436,636)	**(157,834,656)**	(152,929,433)	**4,905,223**	
Total expenditure	**(1,249,518,143)**	**(97,495,947)**	**(1,347,014,090)**	**(1,491,014,726)**	**(144,000,636)**	
Operating deficit	**152,786,728**	**(76,595,334)**	**76,191,394**	**(98,432,656)**	**(174,624,050)**	
Loss on disposal of assets	-	-	**-**	(2,586,495)	**(2,586,495)**	Note67
Fair value adjustments	-	-	**-**	29,164,565	**29,164,565**	Note67
	-	**-**	**-**	**26,578,070**	**26,578,070**	
Deficit before taxation	**152,786,728**	**(76,595,334)**	**76,191,394**	**(71,854,586)**	**(148,045,980)**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**152,786,728**	**(76,595,334)**	**76,191,394**	**(71,854,586)**	**(148,045,980)**	

Significant Accounting Policies

Figures in Rand	Note(s)	2025	2024

1. Significant accounting polices

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

1.1 Basis of preparation

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

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, rounded to nearest rand

These accounting policies are consistent with the previous period.

1.2 Presentation currency

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

1.3 Going concern assumption

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

1.4 Materiality

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

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

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:

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

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

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

The impairment for trade receivables, held to maturity investments and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio.

Significant Accounting Policies

1.5 Significant judgements and sources of estimation uncertainty (continued)

Impairment testing

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

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

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 19 - Provisions.

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 17.

Allowance for doubtful debts

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

1.6 Investment property

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

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

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

Investment property is initially recognised at 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.

Significant Accounting Policies

1.6 Investment property (continued)

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

Fair value

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

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

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

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

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

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

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

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

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

The municipality separately discloses expenditure to repair and maintain investment property in the notes to the annual financial statements (see note 3).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the annual financial statements (see note 3).

1.7 Property, plant and equipment

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

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

Property, plant and equipment is initially measured at cost.

Significant Accounting Policies

1.7 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.

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

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

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

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

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

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

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

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

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

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

Item	Depreciation method	Average useful life
Land	Straight-line	Indefinite
Buildings	Straight-line	5-50 Years
Solid waste and disposal	Straight-line	10-80 Years
Road and paving	Straight-line	3-80 Years
Furniture and fittings	Straight-line	5-15 Years
Motor vehicles	Straight-line	5-30 Years
Machinery and equipment	Straight-line	2-15 Years
Computer and office equipment	Straight-line	5-7 Years
Electricity	Straight-line	3-60 Years
Recreational Facilities	Straight-line	5-50 Years
Buildings and other structures	Straight-line	15- 50 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.

Significant Accounting Policies

1.7 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.

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

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 4).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 4).

1.8 Site restoration and dismantling cost

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

If the related asset is measured using the cost model:

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

1.9 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.

Significant Accounting Policies

1.9 Intangible assets (continued)

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

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

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

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

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

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.

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

Internally generated goodwill is not recognised as an intangible asset.

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

Item	Depreciation method	Average useful life
Computer software	Straight-line	5 Years

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 4).

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).

Significant Accounting Policies

1.10 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.

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

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

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 impairment loss of a cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable amount.

An impairment loss of a non-cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable service amount.

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.

Recoverable amount is the higher of a cash-generating asset's net selling price and its value in use.

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

Value in use of a cash-generating asset is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

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

The municipality separately discloses expenditure to repair and maintain heritage assets in the notes to the financial statements (see note 6).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 6).

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.

Significant Accounting Policies

1.10 Heritage assets (continued)

Subsequent measurement

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

Impairment

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

Transfers

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

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

Derecognition

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

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

1.11 Financial instruments

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

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

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.

Significant Accounting Policies

1.11 Financial instruments (continued)

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

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

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

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

A financial liability is any liability that is a contractual obligation to:
- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

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

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

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

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

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

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

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

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

Significant Accounting Policies

1.11 Financial instruments (continued)

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

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

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

Financial instruments at fair value comprise financial assets or financial liabilities that are:
- derivatives;
- contingent consideration of an acquirer in a transfer of functions between entities not under common control to which the Standard of GRAP on Transfer of Functions Between Entities Not Under Common Control (GRAP 106) applies
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
  - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
  - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
  - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
  - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

1.12 Statutory receivables

Identification

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

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

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

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

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

Recognition

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

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

Significant Accounting Policies

1.12 Statutory receivables (continued)

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.

Derecognition

Significant Accounting Policies

1.12 Statutory receivables (continued)

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

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

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

1.13 Leases

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

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

Finance leases - lessor

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

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

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 .

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

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

Operating leases - lessor

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

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

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

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

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

Significant Accounting Policies

1.13 Leases (continued)

Operating leases - lessee

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

1.14 Inventories

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

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

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

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

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

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

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

The cost of inventories is assigned using the 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.

1.15 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.

Significant Accounting Policies

1.15 Construction contracts and receivables (continued)

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 .

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.

1.16 Impairment of cash-generating assets

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

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

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

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

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

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

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

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

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

1.17 Impairment of non-cash-generating assets

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

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

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

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

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

Significant Accounting Policies

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

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 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.

Significant Accounting Policies

1.18 Employee benefits

Identification

Employee benefits

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

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

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

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

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

Classification of plans

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

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

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

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

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

State plans are plans established by legislation that operate as if they are multiemployer plans for all entities in economic categories laid down in legislation.

Net defined benefit liability (asset)

The net defined benefit liability (asset) is the deficit or surplus, adjusted for any effect of limiting a net defined benefit asset to the asset ceiling.

The deficit or surplus is: (a) the present value of the defined benefit obligation; less (b) the fair value of plan assets (if any); plus (c) any liability that may arise as a result of a minimum funding requirement.

The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

Plan assets comprise: (a) assets held by a long-term employee benefit fund; and (b) qualifying insurance policies.

Significant Accounting Policies

1.18 Employee benefits (continued)

Assets held by a long-term employee benefit fund are assets (other than nontransferable financial instruments issued by the reporting entity) that: (a) are held by an entity (a fund) that is legally separate from the reporting entity and exists solely to pay or fund employee benefits; and (b) are available to be used only to pay or fund employee benefits, are not available to the reporting entity's own creditors (even in liquidation), and cannot be returned to the reporting entity, unless either: (i) the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting entity; or (ii) the assets are returned to the reporting entity to reimburse it for employee benefits already paid.

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in GRAP 20) of the reporting entity, if the proceeds of the policy: (a) can be used only to pay or fund employee benefits under a defined benefit plan; and (b) are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either: (i) the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or (ii) the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

Defined benefit cost

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

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

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

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

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

A settlement is a transaction that eliminates all further legal or constructive obligations for part or all of the benefits provided under a defined benefit plan, other than a payment of benefits to, or on behalf of, employees that is set out in the terms of the plan and included in the actuarial assumptions.

Short-term employee benefits

Recognition and measurement

All short-term employee benefits

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

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

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

Significant Accounting Policies

1.18 Employee benefits (continued)

Post-employment benefits: Defined contribution plans

Recognition and measurement

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

(a) as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the end of the reporting period, the entity recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and

(b) as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset. When contributions to a defined contribution plan are not expected to be settled wholly before twelve months after the end of the reporting period in which the employees render the related service, they are be discounted using the discount rate as specified.

Significant Accounting Policies

1.18 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

Recognition and measurement

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

Statement of financial position

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

(a) the surplus in the defined benefit plan; and

(b) the asset ceiling, determined using the discount rate specified. Any adjustments arising from the limit is recognised in surplus or deficit.

Components of defined benefit cost

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

(a) service cost;

(b) net interest on the net defined benefit liability (asset); and

(c) remeasurements of the net defined benefit liability (asset).

Current service cost

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

Net interest on the net defined benefit liability (asset)

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

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

(a) the net defined benefit liability (asset) determined in accordance with the section on Past service cost gains and losses on settlement (part b); and

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

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

Remeasurements of the net defined benefit liability (asset)

Remeasurements of the net defined benefit liability (asset) comprise:

Significant Accounting Policies

1.18 Employee benefits (continued)

(a) actuarial gains and losses;

(b) the return on plan assets, excluding amounts included in net interest on the net defined benefit liability (asset); and

(c) any change in the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability (asset).

Presentation

Other long-term employee benefits

Recognition and measurement

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

(a) service cost;

(b) net interest on the net defined benefit liability (asset); and

(c) remeasurements of the net defined benefit liability (asset).

Termination benefits

Recognition

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

Measurement

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

(a) If the termination benefits are expected to be settled wholly before twelve months after the end of the reporting period in which the termination benefit is recognised, the entity applies the requirements for short-term employee benefits.

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

1.19 Provisions and contingencies

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

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

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

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

Significant Accounting Policies

1.19 Provisions and contingencies (continued)

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

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

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

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

Provisions are not recognised for future operating surplus.

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

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 47.

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

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

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

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:
- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;

Significant Accounting Policies

1.19 Provisions and contingencies (continued)
- 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.

Decommissioning, restoration and similar liability

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

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

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

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

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

Significant Accounting Policies

1.19 Provisions and contingencies (continued)

Levies

A levy is an outflow of resources embodying economic benefits that is imposed by governments on entities in accordance with legislation (i.e. laws and/or regulations), other than:
- those outflows of resources that are within the scope of other Standards, and
- fines or other penalties that are imposed for breaches of the legislation.

Government refers to government, government agencies and similar bodies whether local, national or international.

The obligating event that gives rise to a liability to pay a levy is the activity that triggers the payment of the levy, as identified by the legislation.

The municipality does not have a constructive obligation to pay a levy that will be triggered by operating in a future period as a result of the municipality being economically compelled to continue to operate in that future period. The preparation of financial statements under the going concern assumption does not imply that the municipality has a present obligation to pay a levy that will be triggered by operating in a future period.

The liability to pay a levy is recognised progressively if the obligating event occurs over a period of time (i.e. if the activity that triggers the payment of the levy, as identified by the legislation, occurs over a period of time).

If an obligation to pay a levy is triggered when a minimum threshold is reached, the corresponding liability is recognised when that minimum threshold is reached.

The municipality recognises an asset if it has prepaid a levy but does not yet have a present obligation to pay that levy.

1.20 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

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

1.21 Revenue from exchange transactions

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

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

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

Measurement

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

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

Significant Accounting Policies

1.21 Revenue from exchange transactions (continued)

Sale of goods

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

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

Rendering of services

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

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

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

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

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.

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

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

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

1.22 Revenue from non-exchange transactions

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

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

Significant Accounting Policies

1.22 Revenue from non-exchange transactions (continued)

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.

Significant Accounting Policies

1.22 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.

Construction contract revenue

The municipality recognises revenue form construction contract when:

When the outcome of a construction contract can be estimated reliably, contract revenue and contract costs associated with the construction contract shall be recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the reporting date. An expected deficit on a construction contract shall be recognised as an expense immediately.

In the case of a fixed price contract, the outcome of a construction contract can be estimated reliably when all the following conditions are satisfied:
(a) total contract revenue, if any, can be measured reliably;
(b) it is probable that the economic benefits or service potential associated with the contract will flow to the entity;
(c) both the contract costs to complete the contract and the stage of contract completion at the reporting date can be measured reliably; and
(d) the contract costs attributable to the contract can be clearly identified and measured reliably so that actual contract costs incurred can be compared with prior estimates.

In the case of a cost plus or cost based contract, the outcome of a construction contract can be estimated reliably when all the following conditions are satisfied:
(a) it is probable that the economic benefits or service potential associated with the contract will flow to the entity;
(b) the contract costs attributable to the contract, whether or not specifically reimbursable, can be clearly identified and measured reliably.
The stage of completion of a contract may be determined in a variety of ways. The entity uses the method that measures reliably the work performed. Depending on the nature of the contract, the methods may include:
(a) the proportion that contract costs incurred for work performed to date bear to the estimated total contract
(b) surveys of work performed; or
(c) completion of a physical proportion of the contract work.

Transfers

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

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

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

Significant Accounting Policies

1.22 Revenue from non-exchange transactions (continued)

Fines

Fines are recognised as revenue at the transaction date as per iGRAP 1.

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.

1.23 Investment income

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

1.24 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.

1.25 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.

Significant Accounting Policies

1.25 Accounting by principals and agents (continued)

Assessing which entity benefits from the transactions with third parties

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

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

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

Recognition

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

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

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

1.26 Comparative figures

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

1.27 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).

1.28 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).

1.29 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 municipality'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).

Significant Accounting Policies

1.30 Housing development fund

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from national and provincial government used to finance housing selling schemes undertaken by the municipality were extinguished on 1 April 1998 and transferred to a Housing Development Fund. Housing selling schemes, both complete and in progress as at 1 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

1.31 Segment information

A segment is an activity of an entity:

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

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

Measurement

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

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

1.32 Budget information

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

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

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 2021/07/01 to 2024/06/30.

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.

1.33 Related parties

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

Significant Accounting Policies

1.33 Related parties (continued)

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

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

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

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

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

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

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

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

1.34 Events after reporting date

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

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

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

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

1.35 Significant events

According to GRAP 1 on presentation of financial statements, municipalities are required to disclosure of significant events or transactions that may impact the municipality's financial position or performance.

Labour unrest

On the 15th of September 2024, an arbitration award was issued by the South African Local Government Bargaining Council (SALGBC), which ordered Ray Nkonyeni Municipality to pay employees compensation equivalent to six months' salary for unfair labour practice. Subsequently, the employees embarked on a strike, demanding payment as per the arbitration award. The strike lasted for approximately three months.

Significant Accounting Policies

1.35 Significant events (continued)

On the 3rd of March 2025, the municipality entered into an out of court settlement agreement with SAMWU, wherein both parties consented to a compensation arrangement equivalent to four months' salary. The agreed amount was to be paid in three instalments: the first instalment, comprising two months' salary, was disbursed in March 2025, while the remaining two months will be paid during the 2025/26 financial year-specifically in December 2025 and March 2026.

The above resulted in the following:

- Increase in employee cost (Note 31)
- Unauthorized expenditure (Note 59)
- Increase in liabilities
- Loss of assets (Note 4)

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

The municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• iGRAP 21: The Effect of Past Decisions on Materiality	01 April 2023	The impact of the is not material.
• GRAP 25 (as revised): Employee Benefits	01 April 2023	The impact of the is not material.
• iGRAP 7 (as revised): Limit on defined benefit asset, minimum funding requirements and their interaction	01 April 2023	The impact of the is not material.
• GRAP 2020: Improvements to the Standards of GRAP 2020	01 April 2023	The impact of the is not material.
• Guideline: Guideline on Accounting for Landfill Sites	01 April 2023	The impact of the is not material.
• GRAP 1 (amended): Presentation of Financial Statements (Materiality)	01 April 2023	The impact of the is not material.

2.2 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 2024 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 2023 Improvements to the Standards of GRAP 2023	01 April 2099	Unlikely there will be a material impact
• GRAP 1 (amended): Presentation of Financial Statements (Going Concern)	01 April 2099	Unlikely there will be a material impact
• GRAP 103 (as revised): Heritage Assets	01 April 2099	Unlikely there will be a material impact
• iGRAP 22 Foreign Currency Transactions and Advance Consideration	01 April 2025	Unlikely there will be a material impact
• GRAP 104 (as revised): Financial Instruments	01 April 2025	Unlikely there will be a material impact

Notes to the Annual Financial Statements

Figures in Rand

3. Investment property

	2025			2024		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	430,436,383	-	430,436,383	395,052,475	-	395,052,475

Reconciliation of investment property - 2025

	Opening balance	Additions	Donations recieved	Fair value adjustments	Total
Investment property	395,052,475	377,932	5,841,411	29,164,565	430,436,383

Reconciliation of investment property - 2024

	Opening balance	Additions	Fair value adjustments	Total
Investment property	351,341,653	4,974,225	38,736,597	395,052,475

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.

Investment Properties categories

Business and Commercial	5,873,000	5,872,000
Institutional	19,511,649	19,066,000
Recreational Facilities	81,998,992	82,854,000
Vacant Land	322,985,742	287,193,475
Childcare Facilities	67,000	67,000
	430,436,383	**395,052,475**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

3. Investment property (continued)

During the 2025 financial year, Ray Nkonyeni Municipality conducted a valuation of its investment properties. The effective date of the valuations was Monday, 30 June 2025. Valuations were performed by an independent valuer, N.G. Nkwanyana SACPVP Professional Valuer (No.6995/7), from Real Estate Diverse Solutions (Pty) Ltd, in terms of Section 20(2)a of the Property Valuers Profession Act 2000.

Evaluations Property Intelligence is not connected to the municipality and have recent experience in location and category of the investment property being valued.

Method of valuation

The valuation was based on market value of real estate, and the valuer used the direct sales comparison approach for the majority of properties, however the cost and income approach was also used.

Key assumptions made in the valuation of investment property were as follows:

This method involves an analysis of recent sales of similar or comparable properties. It is based on the simple notion that if a property is sold in the open market, at a certain price, then an identical property would sell at the same price. Since no two properties are identical, and can never have the same location, necessary comparisons and adjustments must be made to determine the actual value of a particular property.

There was no property interests held under an operating lease that have been classified as Investment property.

Amounts recognised in surplus or deficit

Rental revenue from Investment property	3,616,599	3,263,945
Fair value adjustment	29,164,565	38,736,597

Notes to the Annual Financial Statements

Figures in Rand

4. 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	106,942,132	-	106,942,132	106,942,132	-	106,942,132
Plant and machinery	9,625,155	(6,359,633)	3,265,522	10,005,325	(6,480,683)	3,524,642
Furniture and fixtures	28,630,688	(23,757,251)	4,873,437	28,383,474	(22,935,915)	5,447,559
Motor vehicles	200,355,497	(71,178,626)	129,176,871	173,454,209	(61,708,391)	111,745,818
IT equipment	32,508,209	(18,113,406)	14,394,803	28,816,563	(15,392,696)	13,423,867
Infrastructure	2,470,111,737	(1,365,038,062)	1,105,073,675	2,358,092,304	(1,305,008,518)	1,053,083,786
Community	1,185,562,608	(587,385,726)	598,176,882	1,164,895,931	(556,062,645)	608,833,286
Total	**4,033,736,026**	**(2,071,832,704)**	**1,961,903,322**	**3,870,589,938**	**(1,967,588,848)**	**1,903,001,090**

Notes to the Annual Financial Statements

Figures in Rand

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2025

	Opening balance	Additions	Disposals		Depreciation	Impairment loss	Total
Land	106,942,132	-	-	-	-	-	106,942,132
Plant and machinery	3,524,642	700,761	(340)	-	(959,541)	-	3,265,522
Furniture and fixtures	5,447,559	466,166	(11,269)	-	(1,029,019)	-	4,873,437
Motor vehicles	111,745,818	30,242,449	(226,151)	-	(12,476,815)	(108,430)	129,176,871
IT equipment	13,423,867	4,305,797	(34,456)	-	(3,300,405)	-	14,394,803
Infrastructure	1,053,083,786	118,691,940	(1,674,702)	-	(48,809,418)	(16,217,931)	1,105,073,675
Community	608,833,286	25,257,459	(930,681)	-	(24,871,806)	(10,111,376)	598,176,882
	1,903,001,090	**179,664,572**	**(2,877,599)**	**-**	**(91,447,004)**	**(26,437,737)**	**1,961,903,322**

Notes to the Annual Financial Statements

Figures in Rand

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2024

	Opening balance	Additions	Disposals	Depreciation	Impairment loss	Total
Land	106,942,132	-	-	-	-	106,942,132
Plant and machinery	3,991,095	655,242	(375)	(1,121,320)	-	3,524,642
Furniture and fixtures	6,399,293	420,708	(17,388)	(1,355,054)	-	5,447,559
Motor vehicles	64,710,610	59,678,698	(762,639)	(12,016,524)	135,673	111,745,818
IT equipment	13,402,772	3,865,387	(65,291)	(3,779,001)	-	13,423,867
Infrastructure	962,359,280	170,361,236	(3,119,962)	(43,866,437)	(32,650,331)	1,053,083,786
Community	616,583,122	25,351,720	(918,363)	(26,488,751)	(5,694,442)	608,833,286
	1,774,388,304	**260,332,991**	**(4,884,018)**	**(88,627,087)**	**(38,209,100)**	**1,903,001,090**

Additional Information.

Additions to Property Plant and Equipment include assets under finance lease agreement, Insurance replacements, Donations, payables and accruals inlcuded in note 15.

Pledged as security

There are no items of PPE that are pledged as security.

Compensation received for losses on property, plant and equipment – included in operating profit.

Furniture and fixtures	116,696	-
Motor vehicles	763,478	97,953
IT equipment	125,396	49,596
Community	239,188	-
	1,244,758	**147,549**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

4. Property, plant and equipment (continued)

Assets subject to finance lease (Net carrying amount)

Motor vehicles	112,802,995	93,673,939

Non-Cash Additions to Property plant and equipment

Additions Property Plant and Equipment Include		
Finance Lease assets	30,242,448	59,678,698
Insurance Replacements	100,634	28,498
Donations	711,317	76,773
Landfill site	-	3,906,234
Payables and Accruals related to PPE	547,647	4,596,356
	31,602,046	**68,286,559**

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

Cumulative expenditure recognised in the carrying value of property, plant and equipment		
Infrastructure	64,077,689	44,364,733
Community	36,096,376	24,229,889
	100,174,065	**68,594,622**

Carrying value of property, plant and equipment that is taking a significantly longer period of time to complete than expected		
Included within Infrastructure Assets	1,254,600	-
Projects were put on hold due to budget reprioritisation. Impairment amount recognised R6 089 181		
Included within Community Assets	4,653,575	9,091,193
Projects were put on hold due to budget reprioritisation. Impairment amount recognised R4 437 463		
	5,908,175	**9,091,193**

Reconciliation of Work-in-Progress 2025

	Included within Infrastructure	Included within Community	Total
Opening balance	44,364,733	24,229,889	68,594,622
Additions/capital expenditure	118,691,939	25,257,456	143,949,395
Transferred to completed items	(92,889,802)	(8,953,505)	(101,843,307)
Impairment	(6,089,181)	(4,437,463)	(10,526,644)
	64,077,689	**36,096,377**	**100,174,066**

Reconciliation of Work-in-Progress 2024

	Included within Infrastructure	Included within Community	Total
Opening balance	74,513,540	36,521,052	111,034,592
Additions/capital expenditure	174,267,480	25,083,123	199,350,603
Transferred to completed items	(201,693,153)	(36,790,854)	(238,484,007)
Write-offs	(2,723,134)	(583,432)	(3,306,566)
	44,364,733	**24,229,889**	**68,594,622**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

4. Property, plant and equipment (continued)

Expenditure incurred to repair and maintain property, plant and equipment

Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance		
Maintenance of Property, Plant and Equipment	137,462,255	125,586,075

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

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

5. 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	2,378,475	(2,163,289)	215,186	2,549,152	(2,205,620)	343,532

Reconciliation of intangible assets - 2025

	Opening balance	Additions	Disposals	Amortisation	Total
Computer software, other	343,532	-	-	(128,346)	215,186

Reconciliation of intangible assets - 2024

	Opening balance	Amortisation	Total
Computer software, other	489,221	(145,689)	343,532

Pledged as security

There are no items of intangible assets pledged as security:

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

6. Heritage assets

	2025			2024		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Art Collections, antiquities and exhibits	2,683,913	(224,215)	2,459,698	2,571,813	(224,215)	2,347,598

Reconciliation of heritage assets 2025

	Opening balance	Additions	Disposals	Donations received	Total
Art Collections, antiquities and exhibits	2,347,598	50,000	-	62,100	2,459,698

Reconciliation of heritage assets 2024

	Opening balance	Additions	Donations received	Impairment losses recognised	Total
Art Collections, antiquities and exhibits	2,210,022	98,575	40,551	(1,550)	2,347,598

Heritage assets borrowed from other entities

Durban Local History Museums and KZN Museum Service Collection have loaned Ray Nkonyeni Municipality Port Shepstone Museum selected artifacts.

KZN Museum Services and Natal Arts Trust have loaned Ray Nkonyeni Municipality Margate Museum selected artifacts.

The terms and conditions are as follows:

The municipality is required to ensure adequate security and safeguarding of the artifacts.

The municipality does not own the artifacts, but will retain the artifacts until the end of the borrowed period.

Pledged as security

There are no items of heritage assets pledged as security:

7. Inventories

Consumable stores	5,550,275	10,621,268

Inventory pledged as security

There are no items of Inventory pledged as security

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

8. Receivables from exchange transactions

Employee costs in advance	911,693	9,514,400
Prepayments	6,153,588	5,935,534
Deposits	2,750,635	2,750,635
Sundry debtors	6,791,285	9,483,120
Accrued Revenue: Agency Services	2,343,375	1,019,312
Consumer debtors - Electricity	8,700,975	6,964,273
Consumer debtors - Service Charges	1,360,215	1,147,251
Consumer debtors - Refuse	13,077,663	11,127,801
Consumer debtors - Other	777,560	673,923
	42,866,989	**48,616,249**

9. Receivables from non-exchange transactions

Fines	514,000	1,140,232
Receivables from Government entities	2,719,278	3,713,242
Consumer debtors -Property Rates	69,487,611	59,062,860
	72,720,889	**63,916,334**
Statutory receivables included in receivables from non-exchange transactions above are as follows:		
Property Rates	69,487,611	59,062,860
Fines	514,000	1,140,232
	70,001,611	**60,203,092**
Financial asset receivables included in receivables from non-exchange transactions above	**2,719,278**	**3,713,242**
Total receivables from non-exchange transactions	72,720,889	63,916,334

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

9. Receivables from non-exchange transactions (continued)

Statutory receivables general information

Transaction(s) arising from statute

Property rates

The municipality charges property rates in accordance with the Municipal Property rates Act, 2004 (6 of 2004).

Traffic fines

The municipality imposes traffic fines to offenders in accordance with the National Road Traffic Act, 1996 (93 of 1996).

Determination of transaction amount

The transaction amount for Property rates and Traffic fines is determined in accordance with GRAP 23 on revenue from non exchange transactions.

Interest or other charges levied/charged

Interest on Property rates has been charged at 11.25% in accordance with the approved tariffs of the municipality. There is no interest charged on traffic fines debtors.

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

Statutory receivables are assessed for impairment in accordance with GRAP 108. Refer to the impairment methodology document.

Discount rate applied to the estimated future cash flows

Management used current year effective interest rate of 11.50% to discount future cash flows as per Gazette 51499, nr 2916 of 2024

Statutory receivables past due considered for impairment between 0-365 daysStatutory receivables past due considered for impairment between 0-365 days

Statutory receivables which are less than 1 year past due and considered for impairment. At 30 June 2025, -R158 723 225 (2024: R143 637 308).

The ageing of amounts past due and considered for impairment between 0-365 days is as follows:

Current (0-30 days)	3,929,095	1,916,336
31-60 days	3,350,176	3,787,393
61-90 days	18,248,834	16,668,737
91-120 days	14,689,503	14,061,861
121-365 days	118,505,617	107,202,981

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

9. Receivables from non-exchange transactions (continued)

Statutory receivables impaired

As of 30 June 2025, Gross Statutory receivables were 625 854 622- (2024: 542 538 317).

The provision for impairment was 555,853,010as of 30 June 2025 (2024: 482,335,224).

The balance of ageing above 365 days is as follows:

>365 days	449,815,702	381,188,544

Methodology considered in assessing traffic fines impaired

The methodology for calculating impairment for traffic fines was based on the average collection rate.

Reconciliation of provision for impairment for statutory receivables

Opening balance	482,335,224	417,686,742
Provision for impairment property rates	55,576,330	45,837,853
Provision for impairment fines	17,941,456	18,810,629
	555,853,010	**482,335,224**

Receivables from non-exchange transactions pledged as security

There were no receivables from non-exchange transactions that were pledged as security.

10. Consumer debtors disclosure

Gross balances		
Consumer debtors - Rates	510,354,577	444,353,496
Consumer debtors - Electricity	63,904,665	52,395,014
Consumer debtors - Service charges	9,990,157	8,631,225
Consumer debtors - Refuse	96,049,426	83,718,890
Consumer debtors - Other	5,710,823	5,070,192
	686,009,648	**594,168,817**
Less: Allowance for impairment		
Consumer debtors - Rates	(440,866,966)	(385,290,636)
Consumer debtors - Electricity	(55,203,690)	(45,430,741)
Consumer debtors - Service charges	(8,629,942)	(7,483,974)
Consumer debtors - Refuse	(82,971,763)	(72,591,089)
Consumer debtors - Other	(4,933,263)	(4,396,269)
	(592,605,624)	**(515,192,709)**
Net balance		
Consumer debtors - Rates	69,487,611	59,062,860
Consumer debtors - Electricity	8,700,975	6,964,273
Consumer debtors - Service charges	1,360,215	1,147,251
Consumer debtors - Refuse	13,077,663	11,127,801
Consumer debtors - Other	777,560	673,923
	93,404,024	**78,976,108**
Statutory receivables included in consumer debtors above are as follows:		
Property Rates	69,487,611	59,062,860

Notes to the Annual Financial Statements

Figures in Rand	2025	2024
10. Consumer debtors disclosure (continued)		
Financial asset receivables included in consumer debtors above	**23,916,413**	**19,913,248**
Total consumer debtors	93,404,024	78,976,108
Included in above is receivables from exchange transactions		
Electricity	8,700,975	6,964,273
Service charges	1,360,215	1,147,251
Refuse	13,077,663	11,127,801
Other	777,560	673,923
	23,916,413	**19,913,248**
Included in above is receivables from non-exchange transactions (taxes and transfers)		
Rates	69,487,611	59,062,860
Net balance	**93,404,024**	**78,976,108**
Rates		
Current (0 -30 days)	534,965	254,717
31 - 60 days	456,143	503,415
61 - 90 days	2,484,666	2,215,586
91 - 120 days	2,000,046	1,869,083
121 - 365 days	16,135,104	14,249,274
> 365 days	47,876,687	39,970,785
	69,487,611	**59,062,860**
Electricity		
Current (0 -30 days)	2,715,877	2,512,824
31 - 60 days	1,618,913	1,053,409
61 - 90 days	427,125	335,945
91 - 120 days	273,362	167,971
121 - 365 days	1,238,371	988,929
> 365 days	2,427,327	1,905,195
	8,700,975	**6,964,273**
Service Charges		
Current (0 -30 days)	39,924	53,836
31 - 60 days	21,184	32,703
61 - 90 days	13,549	19,994
91 - 120 days	10,419	50,451
121 - 365 days	277,486	91,463
> 365 days	997,653	898,804
	1,360,215	**1,147,251**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

10. Consumer debtors disclosure (continued)

Refuse		
Current (0 -30 days)	147,117	14,313
31 - 60 days	75,438	66,404
61 - 90 days	401,012	381,470
91 - 120 days	361,565	326,436
121 - 365 days	2,713,810	2,306,242
> 365 days	9,378,721	8,032,936
	13,077,663	**11,127,801**

Other		
Current (0 -30 days)	23,892	28,059
31 - 60 days	13,166	14,337
61 - 90 days	9,648	12,026
91 - 120 days	9,146	8,160
121 - 365 days	83,340	21,359
> 365 days	638,368	589,982
	777,560	**673,923**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

10. Consumer debtors disclosure (continued)

Summary of debtors by customer classification

Households		
Current (0 -30 days)	9,946,652	9,160,713
31 - 60 days	5,817,135	5,323,496
61 - 90 days	16,364,907	15,161,367
91 - 120 days	13,956,081	13,067,483
121 - 365 days	96,963,948	83,937,099
> 365 days	336,018,610	290,916,639
	479,067,333	417,566,797
Less: Allowance for impairment	(441,753,206)	(385,325,116)
	37,314,127	**32,241,681**

Business / commercial		
Current (0 -30 days)	13,600,782	10,625,575
31 - 60 days	9,249,813	6,156,689
61 - 90 days	6,143,141	6,009,483
91 - 120 days	4,670,630	4,151,962
121 - 365 days	27,332,026	23,718,275
> 365 days	78,904,415	73,397,640
	139,900,807	124,059,624
Less: Allowance for impairment	(108,224,111)	(89,871,488)
	31,676,696	**34,188,136**

National and provincial government		
Current (0 -30 days)	1,898,658	1,493,836
31 - 60 days	980,540	1,085,908
61 - 90 days	1,997,418	1,136,195
91 - 120 days	873,694	1,002,999
121 - 365 days	25,926,289	25,452,307
> 365 days	35,364,909	22,371,150
	67,041,508	52,542,395
Less: Allowance for impairment	(42,628,306)	(39,996,105)
	24,413,202	**12,546,290**

11. VAT receivable

VAT	35,369,128	58,990,915

12. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	26,218	26,657
Bank balances	(4,788,777)	8,097,157
Short-term deposits	18,521,048	18,688,277
Cash and cash equivalent held on behalf of department of human settlements	33,242,603	39,593,077
	47,001,092	**66,405,168**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

12. 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 2025	30 June 2024
FNB-Primary account-62723734134	5,662,173	33,038,287	(8,512,114)	5,228,661
First National Bank-Salaries-62730321007	547,006	3,416	547,006	3,416
Standard Bank- KwaNdwalane Housing	-	597,847	-	597,847
Standard Bank- KwaXolo Housing	-	13,194,980	-	13,194,980
Standard Bank- KwaMavundla HSG -378692984013	-	277,853	-	277,853
Standard Bank- Masinenge HSG- 378692984013	-	6,464,735	-	6,464,735
Nedbank-Reserve Investment Account - 037881000791	21,205,682	20,903,458	21,205,682	20,903,458
Standard Bank- RNM Unspent Conditional Grants-378692984016	-	55,814	-	55,814
Standard Bank -RNM Accreditation Funds- 37869284017	-	12,329	-	12,329
First National Bank-Primary investment account-62726614151	429,144	522,900	429,144	522,900
FNB- TRAFFIC FINES ACCOUNT- 6230321669	62,553	58,855	62,553	58,855
FNB- 48 HOUR CASH ACCELERATOR- 74873852518	4,218,415	3,910,860	4,218,415	3,910,860
Standard Bank - Louisiana HSG -378692984011	11,785,735	10,907,919	11,785,735	10,907,919
Standard Bank - Nzimakwe 1 HSG -378692984003	-	702,516	-	702,516
Standard Bank - Nzimakwe 2 HSG -378692984004	1,259,370	1,165,570	1,259,370	1,165,570
Standard Bank - Bhoboyi SUB-HSG-378692984005	399,896	370,111	399,896	370,111
Standard Bank - Bhoboyi EST-HSG -378692984006	-	13,305	-	13,305
Standard Bank - Damaged HSES-378692984007	-	85,265	-	85,265
Standard Bank - Uplands HSG -378692984008	-	85,179	-	85,179
Standard Bank - Mkholombe HSG -378692984009	-	1,650,613	-	1,650,613
Standard Bank - AIDS PROJECT -378692984010	-	164,108	-	164,108
Standard Bank- Ray Nkonyeni Municipality- 378692984-001	-	2,213	-	2,213
Standard Bank- MHOA- 378692984-018	15,579,186	-	15,579,186	-
Total	**61,149,160**	**94,188,133**	**46,974,873**	**66,378,507**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

13. Long term Loan

At amortised cost		
Long term Loan	15,056,207	17,010,025

During the 2020 financial year the municipality entered into a loan agreement with DBSA to the value of R41,4 million to be drawn down over 4 financial years and repaid over a 10 year period at a variable interest rate that determined with reference to the Government bond rate plus the DBSA's cost of funding and the DBSA net margin. The first draw down on the loan was made during the 2021 financial year of R3.5 million was received, as well as the second drawdown of R8.47 received in the 2022/2023 financial year, and the third drawdown of R7.9 million received in the 2023/2024 Financial year and current loan balance outstanding is R15 million as of 30 June 2025.

Non-current liabilities		
At amortised cost	12,874,211	15,056,207
Current liabilities		
At amortised cost	2,181,996	1,953,818

14. Finance lease obligation

Minimum lease payments due		
- within one year	48,076,967	50,702,247
- in second to fifth year inclusive	110,678,234	94,904,131
	158,755,201	145,606,378
less: future finance charges	(57,425,129)	(48,845,730)
Present value of minimum lease payments	**101,330,072**	**96,760,648**
Present value of minimum lease payments due		
- within one year	24,347,626	29,839,169
- in second to fifth year inclusive	76,982,447	66,921,479
	101,330,073	**96,760,648**
Non-current liabilities	76,982,447	66,921,479
Current liabilities	24,347,626	29,839,169
	101,330,073	**96,760,648**

It is municipality policy to lease certain motor vehicles under finance leases. refer to note 4.

15. Payables from exchange transactions

Trade payables	50,930,222	2,847,975
Payments received in advanced	55,428,665	45,264,104
Retentions	24,760,899	45,164,854
Unknown deposits	12,335,947	7,754,063
Accrued bonus	14,503,962	13,496,658
Accrued expense	39,133,301	37,816,789
Other creditors - Third party	47,792,129	367,035
Other creditors - Urban Improvements Precincts	1,018,943	804,318
Other Creditors - Insurance	3,476,096	2,752,857
	249,380,164	**156,268,653**

Other creditors - Third party increase

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

15. Payables from exchange transactions (continued)

The arbitration award was issued on 15 September 2024 by the South African Local Government Bargaining Council (SALGBC), which ordered Ray Nkonyeni Municipality to pay employees compensation equivalent to six months' salary for unfair labour practice. On the 3rd of March 2025, the municipality entered into an agreement with SAMWU, wherein both parties consented to a compensation arrangement equivalent to four months' salary. The agreed amount is to be paid in three instalments: the first instalment, comprising two months' salary, was disbursed in March 2025, while the remaining two months will be paid during the 2025/26 financial year in December 2025 and March 2026.

16. Consumer deposits

Electricity	11,191,232	10,095,683
Other consumer deposits	430,286	384,515
Building plans	29,023,745	27,841,357
Hall deposits	6,985	8,275
	40,652,248	**38,329,830**

Consumer deposits for electricity are paid by customers on application for new connections. The deposits are repaid when the connections are terminated. In cases where consumers default on the accounts, Council may use the deposit as payment for the outstanding amount.

Building plans deposit are collected on submitting building plans to encourage development. Deposits are refunded when occupational certificate is issued.

17. Employee benefit obligations

Defined benefit plans - General information

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

Carrying value		
Present value of the defined benefit obligation-partly or wholly funded	(126,111,779)	(120,731,096)
Non-current liabilities	(120,906,757)	(114,936,457)
Current liabilities	(5,205,022)	(5,794,639)
	(126,111,779)	**(120,731,096)**

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

Opening balance	(120,731,096)	(103,729,975)
Actual subsidies paid to pensioners	5,305,070	4,914,765
Net expense recognised in the statement of financial performance	(10,685,753)	(21,915,886)
	(126,111,779)	**(120,731,096)**

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

Service cost	10,685,753	21,915,886
- Service cost	4,717,144	3,957,471
- Net Interest cost	15,249,535	13,423,642
Remeasurements over the financial year	(9,280,926)	4,534,773
	10,685,753	**21,915,886**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

17. Employee benefit obligations (continued)

Calculation of actuarial gains and losses

Actuarial (gains) losses – Obligation	(9,280,926)	4,534,773

Key assumptions used

The key assumptions used in the valuation, with the prior years' assumptions shown for comparison, are summarised below:

Discount rate (D)	12.03 %	12.94 %
Future CPI Expectation (FCE)	5.96 %	7.37 %
Health care cost inflation (H)	7.46 %	8.87 %
Net discount rate ((1+D)/(1+H)-1)	4.25 %	3.74 %

The basis used to determine the overall expected rate of return on assets is as follow:

It is the relative levels of the discount rate and health care cost inflation to one another that are important, rather than the nominal values. The assumption regarding the relative levels of these two rates is our expectation of the long-term average.

GRAP25 defines the determination of the investment return assumption to be used as the rate that can be determined by reference to market yields on government bonds at the balance sheet date . The currency and term of the government bonds should be consistent with the currency and estimated term of the obligation.

The methodology of setting the financial assumptions has been updated to be more duration specific. At the previous valuation report, 30 June 2024, the duration of liabilities was 12.63 years. At this duration, the discount rate determined by using the Bond Exchange Zero Coupon Yield Curve as at 30 June 2025 is 12.03% per annum, and the yield on inflation-linked bonds of a similar term was about 5.26% per annum. This implies an underlying expectation of future inflation of 5.96% per annum ([1 + 12.03%-0.5%] / [1 + 5.26%] - 1).

We have assumed that healthcare cost inflation would exceed general inflation by 1.50% per annum, i.e., 7.46% per annum. However, it is the relative levels of the discount rate and healthcare cost inflation to one another that are important, rather than the nominal values. We have thus assumed a net discount factor of 4.25% per annum ([1 + 12.03%] / [1 + 7.46%] - 1).

18. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Neighbourhood Development Grant	13,944,509	-
Municipal Disaster Recovery Grant	1,427	771,197
Margate Airport Grant	3,108,393	43,015
Energy Efficiency Demand Side Management	456,107	-
Municipal Disaster Relief Grant	24,976	-
	17,535,412	**814,212**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

19. Provisions

Reconciliation of provisions - 2025

	Opening Balance	Additions	Utilised during the year	Change in discount factor	Remeasurements	Total
Environmental rehabilitation	23,929,794	-	-	1,268,279	-	25,198,073
Long service awards	25,500,761	1,773,485	(5,045,943)	2,379,496	1,975,940	26,583,739
Leave provision	37,754,866	6,752,793	(2,509,610)	-	-	41,998,049
	87,185,421	**8,526,278**	**(7,555,553)**	**3,647,775**	**1,975,940**	**93,779,861**

Reconciliation of provisions - 2024

	Opening Balance	Additions	Utilised during the year	Change in discount factor	Remeasurements	Total
Environmental rehabilitation	26,907,712	(3,906,234)	-	928,316	-	23,929,794
Legal proceedings	231,250	-	(231,250)	-	-	-
Long service awards	24,124,949	1,700,220	(5,188,561)	2,324,823	2,539,330	25,500,761
Leave provision	35,771,909	5,417,395	(3,434,438)	-	-	37,754,866
	87,035,820	**3,211,381**	**(8,854,249)**	**3,253,139**	**2,539,330**	**87,185,421**

	2025	2024
Non-current liabilities	46,801,640	46,476,024
Current liabilities	46,978,221	40,709,397
	93,779,861	**87,185,421**

Leave provision

The municipality raises a provision for leave pay for all employees of the municipality as at the end of the financial year.

Employees of the municipality are entitled to a leave payment on termination for all leave days that have been earned and not forfeited by the employee on termination date. Leave accrues and forfeits in accordance with the leave policy of the municipality and the amount of the leave pay is uncertain at the reporting date.

The leave provision has been calculated based on leave balances as at year end and salary earnings on the employee as at the reporting date.

Environmental rehabilitation provision

The rehabilitation cost provision is for the closure of the Oatlands landfill site. The provision represents management's best estimate of the municipality's present value of future cashflows arising from the closure of the landfill site as at 30 June 2025.

The costs of rehabilitating the landfill site was estimated by Promilezi Chartered Accountants. The estimate was based on the following:

1.Level and shape body waste 80680 m²
2. Load up selected material from commercial sources for capping on 0.2 m 80680 m²
3. The preparation, application and maintenance of vegetation 80680 m²
4. Fencing 1000m

The extent of the work covers cells 1 to 4. The cost of closing future cells will be added when they are opened.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

19. Provisions (continued)

Long service awards

The long service awards is granted to municipal employees after the completion of fixed periods of continuation service with the municipality. The provision represents an estimation of the awards to which employees in the service of the municipality as at 30 June 2025 may become entitled to in the future. The provision is based on an actuarial valuation performed at that date. The most recent actuarial valuation was carried out as at 30 June 2025 by One Pangae Expertise and Solutions, fellow of the faculty of Actuaries and Actuarial Society of South Africa. The present value of the obligation and the related current service cost and past service cost were measured using the Projected Unit Credit Method.

The amounts recognised in the statement of financial position are as follows:		
Long term portion	21,603,567	22,546,230
Short term portion	4,980,172	2,954,531
	26,583,739	**25,500,761**

Eligible employees		
Number of Employees	1,073	1,062

Key assumptions used		
Discount rate	8.76%	9.90%
Future CPI Expectation	3.31%	4.96%
Salary increase rate	4.31%	5.96%
Net Discount Rate	4.26%	3.72%
	-	-

Age and mortality		
Normal retirement age (years)	65	65
Average retirement age (years)	63	63
Mortality	85-90	85-90
	-	-

Amount recognised in the financial performance under employee costs are as follows:		
Service Cost	1,773,485	1,700,220
Net Interest Expense	2,379,496	2,324,823
Remeasurements over the financial year	1,975,940	2,539,330
	6,128,921	**6,564,373**

20. Service charges

Sale of electricity	194,163,298	187,231,182
Refuse removal	64,481,115	63,205,787
	258,644,413	**250,436,969**

21. Rental of facilities and equipment

Facilities and equipment		
Rental of facilities	3,616,599	3,263,945
Rental of equipment	570,916	881,801
	4,187,515	**4,145,746**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

22. Agency services

Driver's Licenses	4,081,024	5,194,878
Vehicle Registration	6,953,663	8,806,931
Pedestrian Crossing Patrol	1,775,630	1,182,811
Commission third party	922,601	736,286
Accreditation commission	3,713,765	4,359,773
	17,446,683	**20,280,679**

Refer to note 51 on Accounting by Principles and Agents

23. Licences and permits from exchange

Trading licences	1,331	1,961
Road and Transport	510,128	595,609
	511,459	**597,570**

24. Investment revenue

Interest revenue		
Interest earned on Investments	10,482,703	10,806,355
Interest earned on primary account	584,815	807,611
	11,067,518	**11,613,966**

The amount included in Investment revenue arising from interest earned from the municipal investment accounts.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

25. Property rates

Rates received

Public service infrastructure	127,015	26,545
Business and Commercial	128,890,723	125,781,376
Public Service Purposes	29,870,120	27,357,608
Residential	370,662,930	355,490,072
Industrial	17,934,346	16,846,271
Agricultural	14,482,546	11,648,601
Public benefit organisations	2,131,736	1,558,849
Mining	92,740	88,407
Vacant land	33,262,552	31,378,175
Less: rebate/ forgone/ impermissible	(64,729,516)	(63,159,011)
	532,725,192	**507,016,893**

Valuations

Public service infrastructure	47,873,000	47,873,000
Business and Commercial	5,813,119,000	5,851,811,000
Public Service Purposes	1,272,708,000	1,239,752,000
Residential	32,177,725,500	32,111,455,500
Industrial	776,135,000	776,135,000
Agricultural	5,902,229,000	6,046,465,000
Public benefit organisations	794,916,000	789,906,000
Mining	3,205,000	3,205,000
Protected land	8,317,000	8,317,000
Vacant land	1,439,593,000	1,442,609,000
Municipal	536,294,000	526,534,000
	48,772,114,500	**48,844,062,500**

Valuations on land and buildings are performed every 5 years. The last general valuation came into effect on 1 July 2023 until 30 June 2028. Supplementary valuations are performed annually to take into account changes in individual property values due to alteration, consolidations, rezonings and subdivisions.

26. Licences and permits from non-exchange

Business Licences	500,259	331,927
Hazardous goods	28,952	27,671
Permits	301,062	362,330
Duplicate Learners licences	6,792	7,374
	837,065	**729,302**

27. Interest

Interest from non-exchange transactions	36,019,898	31,858,238

The amount represents the interest charged from the outstanding balances of non-exchange transactions (Property Rates).

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

28. Government grants & subsidies

Operating grants		
Equitable share	302,729,000	285,237,059
Provincialisation of libraries Grant	12,964,000	12,418,000
Expanded Public Works Programme Integrated Grant	3,255,000	5,084,000
Community Library Services grant	2,509,000	1,848,000
Financial Management Grant	1,900,000	1,950,000
Museum subsidies Grant	497,000	476,000
Community Modular Library grant	747,000	715,000
Local Government SETA	852,579	826,336
Municipal Disaster Response Grant	22,735,023	-
Municipal Disaster Recovery Grant	757,771	81,526,803
Energy Efficiency and Demand Side Management Grant	5,043,893	-
	353,990,266	**390,081,198**
Capital grants		
Integrated Urban Development Grant	86,740,001	88,848,000
Margate Airport Grant	434,622	5,720,359
Small towns rejuvenation Grant	-	2,452,315
Neighbourhood Development Partnership Grant	11,055,491	25,378,663
	98,230,114	**122,399,337**
	452,220,380	**512,480,535**

Neighbourhood Development Grant

Balance unspent at beginning of year	-	1,200,663
Current-year receipts	25,000,000	24,178,000
Conditions met - transferred to revenue	(11,055,491)	(25,378,663)
	13,944,509	**-**

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

The project funded by the Neighbourhood development partnership grant was only approved by National Treasury in July 2024, the approval letter was received on the 1st of August 2024, and the detailed designs were concluded in December 2024. The contractor was appointed on 28 March 2025 and construction started on 14 April 2025. Construction underway. An application for rollover has been made as the funds are committed.

Integrated Urban Development Grant

Balance unspent at beginning of year	-	311,284
Current-year receipts	86,740,000	88,848,000
Conditions met - transferred to revenue	(86,740,000)	(88,848,000)
Unapproved rollover payment	-	(311,284)
	-	**-**

Municipal Disaster Recovery Grant

Balance unspent at beginning of year	771,197	-
Current-year receipts	-	82,298,000
Conditions met - transferred to revenue	(757,770)	(81,526,803)
Unapproved rollover payment	(12,000)	-
	1,427	**771,197**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

28. Government grants & subsidies (continued)

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

Margate Airport Grant

Balance unspent at beginning of year	43,015	3,763,373
Current-year receipts	3,500,000	2,000,000
Conditions met - transferred to revenue	(434,622)	(5,720,358)
	3,108,393	**43,015**

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

Small towns rejuvenation Grant

Balance unspent at beginning of year	-	2,452,315
Conditions met - transferred to revenue	-	(2,452,315)
	-	**-**

Energy Efficiency Demand Side Management

Current-year receipts	5,500,000	-
Conditions met - transferred to revenue	(5,043,893)	-
	456,107	**-**

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

Provincialisation of libraries Grant

Current-year receipts	12,964,000	12,418,000
Conditions met - transferred to revenue	(12,964,000)	(12,418,000)
	-	**-**

Integrated National Electrification Programme

Balance unspent at beginning of year	-	63,435
Conditions met - transferred to revenue	-	(63,435)
	-	**-**

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

Financial Management Grant

Current-year receipts	1,900,000	1,950,000
Conditions met - transferred to revenue	(1,900,000)	(1,950,000)
	-	**-**

Community Modular libraries Grant

Current-year receipts	747,000	715,000
Conditions met - transferred to revenue	(747,000)	(715,000)
	-	**-**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

28. Government grants & subsidies (continued)

Municipal Disaster Relief Grant

Balance unspent at beginning of year	-	101,775
Current-year receipts	22,760,000	-
	(22,735,024)	(101,775)
	24,976	**-**

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

Expanded Public Works Programme (EPWP)

Current-year receipts	3,255,000	5,084,000
Conditions met - transferred to revenue	(3,255,000)	(5,084,000)
	-	-

Community Libraries Grant

Current-year receipts	2,509,000	1,848,000
Conditions met - transferred to revenue	(2,509,000)	(1,848,000)
	-	-

Museum Grant

Current-year receipts	497,000	476,000
Conditions met - transferred to revenue	(497,000)	(476,000)
	-	-

Local Government SETA

Current-year receipts	852,579	826,336
Conditions met - transferred to revenue	(852,579)	(826,336)
	-	-

29. Public contributions and donations

Public contributions and donations	7,802,825	117,324

Donation received from BP Southern Africa for Jet 1 Fuel Infrastructure recognised as Investment property in the 2024/25 Financial year

30. Fines, Penalties and Forfeits

Building Fines	225,415	381,252
Illegal Connections Fines	458,470	548,841
Law Enforcement Fines	-	648
Overdue Books Fines	16,033	12,407
Municipal Traffic Fines	17,713,124	19,608,285
Unknown Deposits Forfeits	964,761	2,055,692
Retentions Forfeits	24,152,159	3,450,843
Unsuccessful debit order penalty	30,312	46,573
	43,560,274	**26,104,541**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

30. Fines, Penalties and Forfeits (continued)

Fines, penalties and forfeits increase in the current year in comparison to the prior year as a result of prescribed long outstanding unclaimed retentions.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

31. Employee related costs

Basic	398,211,200	288,889,726
Bonus	25,111,317	23,166,505
Medical aid - company contributions	23,071,173	20,834,612
UIF	2,284,736	2,214,291
Leave pay	6,752,795	5,417,395
Defined contribution plans	10,685,753	21,915,886
Overtime payments	20,129,174	22,168,280
Long-service awards	6,128,923	6,564,374
Acting allowances	1,386,009	1,212,127
Car allowance	21,472,852	20,192,065
Housing benefits and allowances	4,244,558	3,223,932
Night shift allowance	2,803,852	1,585,285
Standby allowance	6,009,005	5,752,947
Bargaining council levy	152,813	140,981
Cell phone allowance	1,003,627	993,577
Pension Fund	53,462,880	50,218,634
Life insurance	186,945	198,558
	583,097,612	**474,689,175**

Remuneration of Municipal Manager

Annual Remuneration	1,246,351	1,222,973
Car Allowance	132,000	132,000
Performance Bonuses	165,553	93,487
Contributions to UIF, Medical and Pension Funds	62,686	43,212
Cell phone allowance	30,000	30,000
	1,636,590	**1,521,672**

Remuneration of Chief Financial Officer

Annual Remuneration	375,764	179,979
Car Allowance	75,000	8,000
Performance Bonuses	-	179,081
Contributions to UIF, Medical and Pension Funds	24,936	190
Cell phone allowance	5,000	1,000
	480,700	**368,250**

In the 2023/24 financial year the Chief financial officer resigned on 31 July 2023, the remuneration in the 2023/24 financial year relates to one month remuneration and performance bonus for the 2022/23 financial year. The Chief financial officer position remained vacant until the position was filled in the 2024/25 financial year. The chief financial officer was appointed from 1 February 2025, therefore the remuneration for the chief financial officer includes five months remuneration.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

31. Employee related costs (continued)

Remuneration of Head of Department Corporate Services

Annual Remuneration	556,655	130,629
Car Allowance	100,498	10,000
Performance Bonuses	-	132,364
Contributions to UIF, Medical and Pension Funds	116,891	7,508
Cell phone allowance	8,000	1,000
	782,044	**281,501**

The Head of Department Corporate services was appointed in the 2024/25 Financial year.

Head of Department Strategic Planning and Governance

Annual Remuneration	-	43,723
Performance Bonuses	-	110,303
	-	**154,026**

The Head of Department Strategic Planning and Governance resigned in the 2022/23 financial year, therefore the remuneration for the head of department Strategic planning and governance includes leave pay and performance bonus for the 2022/23 financial year. The position for HoD Strategic planning and governance remained vacant in the 2024/25 financial year.

Remuneration of Head of Department Technical Services

Annual Remuneration	973,953	928,331
Car Allowance	180,000	180,000
Performance Bonuses	136,732	121,334
Contributions to UIF, Medical and Pension Funds	54,866	51,417
Cell phone allowance	12,000	12,000
	1,357,551	**1,293,082**

Remuneration of Head of Department Public Safety

Annual Remuneration	-	366,263
Car Allowance	-	40,000
Performance Bonuses	-	110,303
Contributions to UIF, Medical and Pension Funds	-	11,834
Cell phone allowance	-	4,000
	-	**532,400**

The remuneration for Head of Department Public Safety includes four month remuneration as the contract ended in 31 October 2023 and performance bonus for the 2022/23 financial year. The position for HoD Public Safety remained vacant in the 2024/25 Financial year.

Remuneration of Head of Department Development Planning Services

Annual Remuneration	975,775	676,602
Car Allowance	180,000	135,000
Performance Bonuses	102,549	65,155
Contributions to UIF, Medical and Pension Funds	43,225	32,409
Cell phone allowance	12,000	9,000
	1,313,549	**918,166**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

31. Employee related costs (continued)

Remuneration of Head of Department of Community Services

Annual Remuneration	919,842	645,681
Car Allowance	270,333	180,000
Performance Bonuses	102,549	11,030
Contributions to UIF, Medical and Pension Funds	2,125	1,594
Cell phone allowance	12,000	9,000
	1,306,849	**847,305**

32. Remuneration of councillors

Mayor	1,380,853	867,023
Deputy Mayor	989,930	1,105,183
Mayoral Committee Members	8,191,642	9,340,121
Speaker	649,456	707,275
Councillors	24,757,870	27,159,637
Chief Whip	987,919	1,095,311
	36,957,670	**40,274,550**

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, Deputy Mayor and Speaker each have the use of separate council owned vehicle for official duties.

The Mayor, Deputy Mayor and speaker each have full-time bodyguards.

Additional information

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

The municipality has a total of 71 Councillors. The total composition being The Mayor, Deputy Mayor, Speaker, Chief Whip and 9 Members of the Mayoral Committee and 58 Ordinary Councillors.

The Speaker Cllr PR Gumbi was appointed Speaker for Ray Nkonyeni Municipality in the October 2024 Council Meeting, the position had been vacant from February 2024 when Cllr ZP Mzindle resigned from the post and subsequently appointed as Mayor of Ray Nkonyeni Municipality.

33. Depreciation and amortisation

Property, plant and equipment	91,447,004	88,627,087
Intangible assets	128,346	145,689
	91,575,350	**88,772,776**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

34. Impairment loss

Impairments		
Property, plant and equipment	26,437,737	38,209,100
Heritage assets	-	1,550
Trade and other receivables	92,444,764	80,268,450
	118,882,501	**118,479,100**

Impairment loss/ reversal on PPE and Trade receivables has been consolidated on the face of the 2025 statement of financial performance and broken down in this note.

35. Finance costs

Non-current borrowings	1,775,493	1,930,661
Interest Charged	13,434	7,424
Finance leases	28,077,325	20,867,601
Landfill Site Provision Interest	1,268,279	928,316
	31,134,531	**23,734,002**

36. Lease rentals on operating lease

Motor vehicles		
Contractual amounts	-	8,069,477
Equipment		
Contractual amounts	1,515,626	1,140,224
Plant and equipment		
Contractual amounts	630,877	989,365
Lease rentals on operating lease - Other		
Contractual amounts	3,027,347	3,036,195
	5,173,850	**13,235,261**

37. Bulk purchases

Electricity - Eskom	177,510,341	142,879,822

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

37. Bulk purchases (continued)

Electricity losses

Units purchased (in kWh)	-	-	85,805,155	76,882,449
Units sold (in kWh)	-	-	(77,121,302)	(67,669,096)
Total loss	**-**	**-**	**8,683,853**	**9,213,353**

Comprising of:		
Technical losses (in kWh)	4,805,294	4,306,743
Non-technical losses (in kWh)	3,878,559	4,906,610
Total	**8,683,853**	**9,213,353**

Comprising of:		
Technical losses (in Rands)	7,496,313	5,931,339
Non-technical losses (in Rands)	6,050,596	6,757,490
	13,546,909	**12,688,829**

Percentage Loss:		
Technical losses	6 %	6 %
Non-technical losses	5 %	6 %
Total	**11 %**	**12 %**

Basic assumption for technical losses as per Techsoft records 5.6%. Nersa acceptable range is 5-12%.

38. Contracted services

Outsourced Services		
Administrative and Support Staff	12,326,074	8,162,278
Information Technology Services	78,900	57,915
Business and Advisory	5,714,045	8,249,212
Catering Services	320,232	353,170
Cleaning Services	12,943,157	8,834,438
Clearing and Grass Cutting Services	14,232,693	15,200,843
Hygiene Services	832,777	476,293
Medical Waste Removal	-	33,000
Personnel and Labour	5,975,101	7,897,100
Connection/Dis-connection	-	587,871
Security Services	56,733,379	49,534,843
Swimming Supervision	17,216,163	16,684,433
Transport Services	2,462,785	1,947,298
Consultants and Professional Services		
Business and Advisory	6,689,368	6,690,833
Infrastructure and Planning	2,165,178	1,520,658
Laboratory Services	442,430	682,863
Legal Cost	5,026,118	6,928,613

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

38. Contracted services (continued)

Contractors		
Catering Services	389,787	660,660
Electrical	14,484,131	909,457
Employee Wellness	504,334	343,966
Event Promoters	1,315,955	1,049,793
Maintenance of Property Plant & Equipment	71,325,170	67,115,683
Management of Informal Settlements	48,120	4,279,261
Tracing Agents and Debt Collectors	86,400	602,639
Shark Nets	9,286,251	9,638,873
	240,598,548	**218,441,993**

39. Transfers and subsidies

Transfers and subsidies		
Youth Development	2,219,916	2,125,204
Entrepreneurial Support	9,047,827	10,264,890
Tourism and Development Agency	3,632,748	3,422,845
Community Development Programmes	4,075,056	2,581,121
	18,975,547	**18,394,060**

40. General expenses

Advertising	2,854,392	2,695,358
Auditors remuneration	6,023,127	5,821,678
Bank charges	526,177	478,687
Commission paid	2,857,162	2,643,199
Litigation settlement fees	-	26,400,000
Hire	26,933,882	26,234,044
Insurance	7,476,684	7,416,312
IT expenses	12,530,695	10,695,875
Skills Development Levy	4,729,876	4,124,396
Toll Fees	187,482	215,132
Municipal vehicle tracking	444,845	565,216
Fuel and oil	17,294,269	23,196,648
Ward Committees	4,407,910	4,053,795
Postage and courier	2,347,505	1,911,336
Printing and stationery	737,258	765,960
Workmens Compensation	3,118,140	3,062,889
Protective clothing	4,754,044	4,892,288
Subscriptions and membership fees	5,800,336	5,461,913
Telephone and fax	3,252,465	3,263,703
Travel - local	3,679,866	4,030,097
Title deed search fees	375,296	221,789
Water & Electricity	30,707,607	29,903,293
Employee Bursaries	436,715	1,084,921
Municipal Vehicle Licencing	806,244	705,804
Sheriff Management Fees	1,252,181	515,690
Training and workshops	1,846,568	3,410,534
Signage	1,448,369	2,684,014
Indigent Relief	6,100,338	4,871,562
	152,929,433	**181,326,133**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

41. Other revenue

Staff Recoveries	1,581,630	2,020,035
Operational revenue	1,164,281	1,222,723
	2,745,911	**3,242,758**

42. Auditors' remuneration

Fees	6,023,127	5,821,678

43. Cash generated from operations

(Deficit) surplus	(71,854,586)	107,182,914
Adjustments for:		
Depreciation and amortisation	91,575,350	88,772,776
Loss on disposal of assets	2,586,495	2,766,016
Fair value adjustments	(29,164,565)	(38,736,597)
Finance costs - Finance leases	28,077,325	20,867,601
Impairment of assets	26,437,736	38,210,650
Bad debts written off	5,852,606	11,306,773
Movements in provisions	6,594,440	4,287,085
Movement in employee obligation	5,380,683	17,001,122
Public contributions and donations	(6,614,828)	(117,324)
Other non-cash items	(1,723,974)	336,240
Changes in working capital:		
Inventories	5,070,993	(5,057,479)
Receivables from exchange transactions	5,749,260	66,139,139
Receivables from non-exchange transactions	(8,804,555)	(63,916,334)
Payables from exchange transactions	86,209,605	(1,826,878)
VAT Receivable	23,621,787	88,734,044
VAT Payable	690,150	(109,505,250)
Unspent conditional grants and receipts	16,721,200	(7,341,717)
Consumer deposits	2,322,418	3,024,389
Housing Development Fund	(6,350,475)	(36,075,838)
	182,377,065	**186,051,332**

44. Operating (deficit) surplus

Operating (deficit) surplus for the year is stated after accounting for the following:

Operating lease charges		
Motor vehicles		
• Contractual amounts	-	8,069,477
Equipment		
• Contractual amounts	1,515,626	1,140,224
Plant and equipment		
• Contractual amounts	630,877	989,365
Lease rentals on operating lease - Other		
• Contractual amounts	3,027,347	3,036,195
	5,173,850	**13,235,261**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

44. Operating (deficit) surplus (continued)

Loss on sale of property, plant and equipment	(2,586,495)	(2,766,016)
Impairment on property, plant and equipment	26,437,737	38,209,100
Impairment on heritage assets	-	1,550
Impairment on trade and other receivables	92,444,764	80,268,450
Amortisation on intangible assets	128,346	145,689
Depreciation on property, plant and equipment	91,447,004	88,627,087
Employee Costs and Councillors Remuneration	626,932,565	520,880,127

45. Fair value adjustments

Investment property (Fair value model)	29,164,565	38,736,597

46. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Property, plant and equipment	146,790,515	109,893,263

Total capital commitments		
Already contracted for but not provided for	146,790,515	109,893,263

Total commitments

Total commitments		
Authorised capital expenditure	146,790,515	109,893,263

This committed expenditure relates to property plant and equipment and will be financed by 13% funds internally generated, 61% Integrated Urban Development Grant and 27% Neighbourhood Development Partnership Grant.

Operating leases - as lessee (expense)

Minimum lease payments due		
- within one year	2,863,015	3,132,844
- in second to fifth year inclusive	951,627	3,085,302
	3,814,642	**6,218,146**

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

Figures in Rand	2025	2024

47. Contingencies

Claimant		Nature of contingent liability	Summary of matter and uncertainty		
Central Court		Storm Damages Claim	Summons received for storm damages that allegedly occurred at or near Lot 3201 Marine drive, Margate	69,913	-
W J Pienaar		Pothole claim	There is a dispute of pothole damages, it is howevernot certain that t he plaintiff has a case against themunicipality as not all the l igation requirements have not been met.	7,037	7,037
Charmaine Charles		Pothole claim damages	Letter of demand received for pothole damages that occured at or near marone drive, Margate	49,259	-
E Meier		Pothole claim	There is a dispute of pothole damages as there is no visible p othole on this road	17,060	17,060
M & GJ Broodryk		Damages Claim (fallen tree)	Letter of demand received for damages claim (fallen tree) on vehicle at or near rethman drive, Umtentweni	96,071	-
Ramachul vs RNM		Pothole Damage claim	Letter of demand received for pothole damages that occurred at or near Edward avenue, Uvongo	30,278	-
WIJ Van Wyk vs Ray Nkonyeni Municipality		Motor Veichle Accident claim	Letter of deman received on or about 3 December for MVA damages claim	34,292	-
JH Slabberts vs Ray Nkonyeni Municipality		Pothole Damage claim	Letter of Demand received on or about 14 January 2025 for damages that allegedly occurred in seaslopes margate.	12,639	-
A Reddy		Improvement claim	Summons received on 08th September 2020 for animprovement claim. A Reddy claims that the accessroad to his home was damaged due to a storm and thathe requested the Municipality to repair the damages asthe damages apparently was a threat to life or limb andafter officials allegedly failed to cause the repairs, hehired a private contractor to repair the access road. Henow claims compensation from the Municipality.	40,294	40,294
Travel Lodge		Storm Damages Claim	Summons received for storm damages that allegedly occurred at or near Lot 967 Owen Ellis Drive, Port Edward	17,885	-
DM Pieterse		Damages	Letter of demand received for Motor Vehicle Damages from allegedly colliding with an open manhole on Buckingham & Park Street, Shelly Beach	38,241	38,241

Notes to the Annual Financial Statements

47. Contingencies (continued)

				2025	2024
A Maritz		Damages	Letter of demand received for Pothole Damages that occurred on or about Shelly Beach/Margate.	1,538	1,538
S Reddy		Damages	Letter of demand received for Motor Vehicle Damages that occurred by colliding with a tree as a result of a pothole on Robin Road Shelly Beach	266,937	266,937
S Engelbrecht		Pothole Damages claim	Letter of demand received for Pothole Damages that occurred at or around Margate	5,832	5,832
PGA Plant Civils (Pty) Ltd		Pothole damage	Letter of demand received for Pothole Damages that occurred at or near R102 Hibberdene	28,055	28,055
Lucretia M		Services rendered	Letter of demand received unpaid Invoice based on services rendered.	-	29,500
A Anosike		Motor Vehicle Accident	Summons received for alleged Motor vehicle Collision with Council Vehicle.	204,996	204,996
A GRUNDLING		Pothole damage	Letter of demand received for Pothole Damages that occurred at or near Marine Drive, Margate.	2,425	2,425
D Ramos		Pothole Damages Claim	Letter of demand then Summons received for Pothole Damages that occurred on Jacaranda Road, Shelly Beach	-	42,010
Modesta Mgumbela		Damage claim	Letter of demand received for pothole damages in De Wet Street, Margate	1,450	1,450
Johan Haywood		Damages Claim	Letter of demand received for pothole damages in Abelia Crescent, Sea Park	5,200	5,200
BV Mbotho		Damages (Loss of income)	Letter of demand received Claiming damages as a result of a MV Accident involving a Municipal owned tractor on the N2 toward Harding at or near Marbrug	292,310	110,000
BV Mbotho		Damages (Motor vehicle)	Letter of demand received Claiming damages as a result of a MV Accident involving a Municipal owned tractor on the N2 toward Harding at or near Marbrug	-	278,850
Inclusion South Africa (Pty) Ltd		Pothole Damages Claim	Letter of demand received for Pothole Damages that occurred on Nelson Mandela Drive Port Shepstone	76,150	76,150
Alex Matandabuzo		Storm Damages Claim	Letter of demand received for storm damages to a boundary wall that occured at or near Lot 1872 Van Niekerk Road, Margate	156,900	-
Ndelu Group 01 (Pty) Ltd		Breach of Contract Claim	Letter of demand received for payment in respect of Services Provided.	84,500	84,500
SL Ntombela		Pothole Damages Claim	Letter of demand and subsequently Summons received for Pothole Damages that occurred on Alford Road Ramsgate	44,373	44,373

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

47. Contingencies (continued)

M Valorie		Pothole Damages Claim	Letter of demand received for Pothole Damages that occurred on Seaslopes, Margate	10,916	10,916
WJI Van Wyk		MVA Damages Claim	Letter of demand received for MVA claim, Margate	31,044	-
S & NP Zindela		Damages (alleged unlawful arrest)	Claimants alleged that arresting officers arrested them without just cause as they were passengers in a vehicle that was stopped. Arresting officers submit that arrest was because vehicle was on record as a stolen vehicle and upon questioning driver and occupants, no answer was forthcoming in terms of ownership of vehicle. Matter was handed to SAPS as such.	400,000	400,000
DB Lewis		Pothole Damages Claim	Letter of demand received for Pothole Damages that occurred on Seaslopes Ave. Uvongo	-	14,285
S Radbone		Damages (Personal Injury/Loss of Income	S Radbone appointed Mcleod & Associates to claim from the Municipality damages in the amount of R14,729,750.00, pertaining to injuries and loss of amenities having allegedly fallen into an unsecured storm water drain that was also concealed by overgrown grass and vegetation.	-	14,729,750
Mvumikazi Tsewu		Pothole Damages Claim	Letter of demand and subsequently Summons received for Pothole Damages that occurred on Ramsgate Beach	143,100	143,100
S Sewlall		Damages	Pothole Damages Claim Instituted by the Plaintiff.	194,050	194,050
SA Post Office		Pothole Damages Claim	Letter of Demand received for Pothole Damages that occurred at or near Izingolweni Road, Port Edward	8,533	-
MA Mngomeni		Damages	Letter of demand received in lieu of Pothole Damages	58,924	58,924
P A Nanak		Damages	Letter of demand received for pothole damages in Robin Road, Albersville	-	43,729
Keegan Pillay		Accident Claim	Letter of Demand received for MVA damages after colliding with a vehicle from DComms.	234,499	80,846
G Chellappakurup		Pothole Damages Claim	Letter of Demand received for Pothole Damages that occurred at or near Ramsey Avenue, Port Shepstone	85,713	-
Wandile Majova		Damages	Letter of demand for personal injury claim-bridge collapsed on claimant at Mvutshini Location, Margate	-	3,342,224
Pieter Potgieter		Damages (Pothole claim)	Letter of demand received for pothole damages in Seaslopes, Margate	65,027	65,027

47. Contingencies (continued)

Alison Shaw		Damages	Letter of demand received for pothole damages in Miami Road, Hibberdene	-	51,058
J Killian		Pothole Damages	Letter of Demand received for pothole damages occurred at or near river road, Umtentweni	23,004	-
M Leqheka		Damages	Letter of demand received for motor vehicle accident damages in Valley Road, Margate	8,534	8,534
Maria Magdalena Erasmus		Damages	Letter of Demand received – personal injury claim-fell into pothole on Manaba Beach Road	380,000	380,000
MTN		Contractual claim	Letter of Demand received pertaining to claims for usage of cellular phone contracts by staff stemming from as far back at the time of Hibiscus Coast Municipality.	369,470	369,470
Fink Investments 13 Prop cc		MVA Damages Claim	Letter of demand received then summons received for MVA damages that occured on Ridge road, Port shepstone	63,880	63,880
Sithembiso Ngezana		Pothole Damages	Letter of demand received for pothole damage on Mcgyver Road Margate	7,475	7,475
Lambadino Trading		Claim for services Rendered	Letter of demand then summons received fo services rendered in terms of verge Maintenance tender	614,064	614,064
Black Bag Action Group (L Henderson) vs Ray Nkonyeni Municipality & / KJ Zulu		Damages claim allegedly ward 19 ratepayers who paid to have their refuse removed privately during the unprotected strike period.	Letter of demand received on or about 20 January 2025 for patrimonial damages (ward 19)	50,000	-
V Van Der Walt vs Ray Nkonyeni Municipality		Pothole Damage claim	Letter of demand received on or about February 2025 for pothole damages that allagedly occured in marine drive, Margate	32,490	-
AB Mzobe vs Ray Nkonyeni Municipality		Pothole Damage claim	Letter of Demand received on or about 10 February 2025 for pothole damages that allegedly occurred in bisset street, Port Shepstone	6,400	-
L Kruger vs Ray Nkonyeni Municipality		Pothole Damage claim	Letter of Damand received on or about 13 March for pothole damages that allegedly occurred in Russell Mellick road, Umtentweni	7,130	-
G Sampson vs Ray Nkonyeni Municipality		Pothole Damage claim	Letter of Demand received on or about Feb/March 2025 for pothole damages that allegedly occurred in Knoxgore Road, Uvongo	8,437	-
Z Opperman vs Ray Nkonyeni Municipality		Pothole Damage claim	Pothole claim form submitted for pothole damages that allegedly occurred in Uvongo	1,400	-

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

47. Contingencies (continued)

SAMWU OBO Firefighters vs RNM		Compensation (unfair labour practice)	Dept. Corporate Services referred the dispute to legal for appointment of an Attorney to assist with opposing the matter during November 2024. Relevant Firefighters are claiming payment of shift allowance from 2018. They had been paid night shift allowance until 2024. The difference the between the two types of allowance is possibly payable.	8,000,000	-
Kelly Bates vs Ray Nkonyeni Municipality		Pothole Damage claim	Pothole claim alleged damages that occurred in kings road, shelly beach.	50,728	-
WT Mincher vs Ray Nkonyeni Municipality		Damages claim	Damages allegedly incurred at or near Marien Drive, Manaba Beach	4,230,000	-
Altron Nexus vs Ray Nkonyeni Municipality		Claim for alleged outstanding invoices	Port Shepstone (Public Safety)	51,688	-
Ben Orsmond vs Ray Nkonyeni Municpality		Motor Vehicle Accident Claim	Motor Vehicle Accident Claim at or near marine drive	130,750	-
CBC Kohler vs Ray Nkonyeni Municipality		Pothole Damages claim that caused accident/ Injury	Pothole claim alleged damages/injury that occured at R620 Marine drive	6,404,190	-
H Coetzer vs Ray Nkonyeni Municipality		Damages claim to Vehicle from tree falling over	Damages caused to Motor vehicle as a result of tree falling on car	98,700	-
S Mjweni vs Ray Nkonyeni Municipality		Alleged damages to motor vehicle caused by brushctters	Damage to motor vehicle allegedly caused by brushcutter at or near Mbayimbayi Community Hall	1,680	-
ME Ogle vs Ray Nkonyeni Municipality		Damages claim tree falling on vehicle and house	Damages to motor vehicl abd house allegedly caused by tree falling at Pelican road Albersiville	41,779	-
				23,397,240	**21,861,780**

48. Risk management

Financial risk management

Liquidity risk

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

Notes to the Annual Financial Statements

48. Risk management (continued)

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. Sales to retail customers are settled in cash or using major credit cards.

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.

The municipality’s interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the municipality to cash flow interest rate risk. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk. Municipality policy is to maintain approximately 60% of its borrowings in fixed rate instruments. During 2025 and 2024, the municipality’s borrowings at variable rate were denominated in the Rand and the UK pound.

The municipality analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on these scenarios, the municipality calculates the impact on surplus and deficit of a defined interest rate shift. For each simulation, the same interest rate shift is used for all currencies.

Based on the various scenarios, the municipality manages its cash flow interest rate risk by using floating-to-fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates. Generally, the municipality raises long-term borrowings at floating rates and swaps them into fixed rates that are lower than those available if the municipality borrowed at fixed rates directly. Under the interest rate swaps, the municipality agrees with other parties to exchange, at specified intervals (primarily quarterly), the difference between fixed contract rates and floating-rate interest amounts calculated by reference to the agreed notional amounts.

49. Going concern

We draw attention to the fact that at 30 June 2025, the municipality had an accumulated surplus of 1,918,058,246 and that the municipality's total assets exceed its liabilities by 1,918,058,246.

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

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

Notes to the Annual Financial Statements

50. Segment information

General information

Identification of segments

The municipality is organised and reports to management on the basis of two major functional areas: Technical Services and Community Services. The segments were organised around the type of service delivered and the target market. Management uses these same segments for determining strategic objectives.

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.

The Municipality has other departments namely Budget and Treasury, Corporate Services, Strategic Planning and Governance, Development planning services and Public safety that it has considered as not meeting the definition and classification as a reportable segment as supported by paragraph 8 of Grap 18 as these departments do not undertake activities of the municipality that generates significant economic benefits or service potential.

Aggregated segments

There were no segments of the municipality that were aggregated for this disclosure.

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
Technical Services	Provision and Maintenance of electrification infrastructure
Community Services	Provision of Refuse removal basic service delivery

Notes to the Annual Financial Statements

Figures in Rand

50. Segment information (continued)

Segment surplus or deficit, assets and liabilities

2025

	Technical Services	Community Services	Total
Revenue			
Revenue from non-exchange transactions	5,502,363	3,255,000	8,757,363
Revenue from exchange transactions	203,222,636	72,538,851	275,761,487
Total segment revenue	**208,724,999**	**75,793,851**	**284,518,850**
unallocated revenue			1,137,227,783
Municipality's revenue			**1,421,746,633**
Expenditure			
Salaries and wages	15,109,561	113,385,795	128,495,356
Bulk purchases	177,510,341	-	177,510,341
Contracted services	18,936,027	50,906,668	69,842,695
Operating leases	16,907	200,582	217,489
Operational cost	6,814,935	21,607,963	28,422,898
Finance costs	1,775,493	-	1,775,493
Inventory cost	2,175,490	7,826,938	10,002,428
Irrecoverable debts written off	22,988	879,039	902,027
Total segment expenditure	**222,361,742**	**194,806,985**	**417,168,727**
Total segmental surplus/(deficit)	**(13,636,743)**	**(119,013,134)**	**(132,649,877)**
Total Municipality's expenditure			1,076,432,499
Entity's surplus (deficit) for the period			**(71,854,596)**

Notes to the Annual Financial Statements

Figures in Rand

50. Segment information (continued)

	Technical Services	Community Services	Total
Assets			
Current assets	306,280,602	-	306,280,602
Non-current assets	76,784,464	-	76,784,464
Total segment assets	**383,065,066**	**-**	**383,065,066**
Unallocated assets			2,215,457,889
Total assets as per Statement of financial Position			**2,598,522,955**
Liabilities			
Current liabilities	151,983,116	126,258,607	278,241,723
Non-current liabilities	12,930,286	-	12,930,286
Total segment liabilities	**164,913,402**	**126,258,607**	**291,172,009**
Unallocated liabilities			389,741,586
Total liabilities as per Statement of financial Position			**680,913,595**

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

2024

	Technical Services	Community Services	Total
Revenue			
Revenue from non-exchange transactions	548,841	5,084,000	5,632,841
Revenue from exchange transactions	189,209,910	71,302,696	260,512,606
Total segment revenue	**189,758,751**	**76,386,696**	**266,145,447**
Other unallocated revenue 1			1,194,138,208

Notes to the Annual Financial Statements

Figures in Rand

50. Segment information (continued)

Municipality's Revenue			**1,460,283,655**
Expenditure			
Salaries and wages	13,213,377	100,875,837	114,089,214
Bulk purchases	142,879,822	-	142,879,822
Contracted services	15,344,543	48,493,917	63,838,460
Operating leases	486,043	5,243,692	5,729,735
Operational cost	5,760,367	23,614,793	29,375,160
Inventory cost	58,664	9,188,524	9,247,188
Finance costs	1,930,661	-	1,930,661
Total segment expenditure	**179,673,477**	**187,416,763**	**367,090,240**
Total segmental surplus/(deficit)	**10,085,274**	**(111,030,067)**	**(100,944,793)**
Unallocated expenses			986,010,501
Entity's surplus (deficit) for the period			**107,182,914**
Assets			
Current assets	250,994,770	-	250,994,770
Non-current assets	73,164,890	-	73,164,890
Total segment assets	**324,159,660**	**-**	**324,159,660**
Unallocated assets			2,543,271,080
Total assets as per Statement of financial Position			**2,867,430,740**
Liabilities			
Current liabilities	94,791,856	32,376,835	127,168,691
Non-current liabilities	12,930,286	-	12,930,286
Total segment liabilities	**107,722,142**	**32,376,835**	**140,098,977**
Unallocated liabilities			419,282,826
Total liabilities as per Statement of financial Position			**559,381,803**

50. Segment information (continued)

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

51. Accounting by principals and agents

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

Details of the arrangements are as follows:

Ray Nkonyeni Municipality entered into an agreement with KwaZulu Natal Department of Transport to act on its behalf. The agreement was entered into is for the execution of motor vehicle registration and licensing, learner and driving licence testing and vehicle testing functions on behalf of the department of transport. The municipality will be acting as an agent of the KwaZulu Natal Department of Transport. The municipality is entitled to a fee equal to the collection fee of 10% (ten percent), including VAT for all fees collected.

The municipality entered into tripartite agreements with the Department of Human Settlements. The roles and responsibilities stipulated in the agreement are assigned to the municipality and the implementing agent such as executing the project with due diligence and care and undertaking of the construction of top structures. Ray Nkonyeni Municipality was granted Level 1 accreditation by the Honorable MEC for Human Settlements, in accordance with the legal mandate of the MEC. the Municipality receives funding equivalent to 3% of expenditure incurred against the HSDG allocation, which is transferred on a quarterly basis at the end of each quarter.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

51. Accounting by principals and agents (continued)

Entity as agent

Revenue recognised

The amount of revenue that the municipality recognised as compensation for the transactions carried out on behalf of the principal is 2025 R16 524 082 : (2024 R19 544 393)

Additional information

Commission earned based on the rights and obligations established in the binding arrangement(s)

Commission Earned

Department of Human Settlements		
Accreditation fees received	3,713,765	4,359,773

Department of Transport		
Commission Earned	12,810,317	15,184,620

52. Awards made to a person who is a spouse, child or parent of a person in service of the state, or has been in the service of the state in the previous twelve months

Company and Relationship		
Margate Construction relative employed at TVET college in Port Shepstone	17,210,895	59,094,535
Luyaneli Events (Pty)Ltd - Official at Ray Nkonyeni Municipality	677,721	854,036
Tower 13 Lifeguard services cc - Councillor at Ray Nkonyeni Municipality	-	273,055
Andrews Hire - Official at Ray Nkonyeni Municipality- Relative employed at Ray Nkonyeni Municipality	73,000	14,250
RDC Builders - relative employed at SAPS	2,609,903	5,266,812
	20,571,519	**65,502,688**

53. Construction Contracts Revenue

Integrated National Electrification Programme	6,836,522	283,930
Human Settlement	-	34,639,260
	6,836,522	**34,923,190**

Method used to determine the Revenue- Integrated National Electrification Programme

Revenue is recognised when conditions are met on INEP projects.

Method used to determine the stage of completion of contracts in progress

The municipality received tranches as per the National Treasury payment schedule. Projects are implemented per stage and the contractors are also paid per stage.

Method used to determine the Revenue- Human Settlement

Revenue is determined on a claims basis where the municipality submits the claims to the Department of Human Settlement for expenditure incured.

Method used to determine the stage of completion of contracts in progress

Subsidies are approved per site for a set amount which is determined by the department of Human Settlement. Projects are implemented per stage and contractors are also paid per stage.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

53. Construction Contracts Revenue (continued)

54. VAT payable

Tax payables	3,376,385	2,686,236

55. Accrued Interest from receivables

Interest from exchange transactions billing	10,415,314	8,154,821
Interest from exchange transactions collection	(2,592,476)	(1,981,303)
Interest from non-exchange transactions billing	36,019,898	31,858,238
Interest from non-exchange transactions collection	(10,771,120)	(11,921,703)
	33,071,616	**26,110,053**

56. Related parties

Relationships	
UGU District Municipality	Inter governmental relations
South Coast Tourism and Investment Enterprise	Inter governmental relations
Councillors	Refer to the Councillors remuneration note
Key management personnel	Refer to the employee cost note

Audit Committee

The MFMA obliges every municipality to establish an independent audit committee, which must advise the municipal council, political office-bearers, accounting officer and management staff of the municipality, on matters relating to internal financial controls and internal audits, risk management, accounting policies, the adequacy, reliability and accuracy of financial reporting and information, performance management, effective governance, compliance with the MFMA, the annual Division of Revenue Act (DoRA) and any other applicable legislation, and any other issues referred to it by the municipality. The audit committee is governed by formal terms of reference (the Audit Committee Charter), which are regularly reviewed and approved by the council

Audit Committee Fees		
Audit Committee Chairperson	158,019	139,499
Audit Committee Members	254,139	193,769
	412,158	**333,268**

The audit committee comprises of five (5) external, non-executive members.

All members are external and therefore independent with no conflicts of interests being reported.

Five (5) audit committee meetings were held since the beginning of this financial year. The audit committee held meetings with the accounting officer, senior management of the municipality, the internal audit function and the AGSA (external auditors) collectively and individually, on matters related to governance, internal control, and risk in the municipality, throughout the reporting period. The chairperson of the MPAC is a standard invitee to our meeting and is encouraged to attend some of our meetings. Representatives from the AGSA, and COGTA attended some of the audit committee meetings.

Related party balances

Grants to related parties		
South Coast Tourism and Investment Enterprise	3,632,748	3,422,844

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

57. Change in estimate

Property, plant and equipment

A change in the estimated remaining useful life of various assets of the Municipality based on their conditional assessment conducted as at 30 June 2025 and resulted in the following decreases in the depreciation for property plant and equipment in the 2025 financial year and future periods:

The impact on the statement of financial performance (Depreciation) in 2025 financial year and future periods:

Machinery and Equipment	(782,034)	(260,511)
Furniture and Equipment	(570,410)	(123,996)
Motor Vehicles	(3,775,068)	(883,955)
Computer and Office Equipment	(1,734,300)	(140,739)
Infrastructure Assets	(2,420,986)	(2,427,265)
Community Assets	(1,930,008)	(3,402,241)
	(11,212,806)	**(7,238,707)**

Intangible Assets

A change in the estimated remaining useful life of various assets of the Municipality based on their conditional assessment conducted as at 30 June 2025 and resulted in the following decreases in the amortisation for intangible asset in the 2025 financial year and future periods:

The impact on the statement of financial performance (Amortisation) and statement of financial position accumulated amortisation in 2025 financial year and future period.

Increase/ (Decrease) Change in amortization	(17,343)	(217,088)

58. Prior period errors

Property Plant and Equipment and Investment Property

The municipality has done a process of land verification and has identified land that is used and belongs to the municipality that needs to be included in the land register in terms of GRAP 17. The municipality affected the correction on 30 June 2023 according to GRAP 3 “the entity shall restate the comparative information to correct the error retrospectively from the earliest date practicable.

The municipality has done a process of assets verification and has identified assets that is used and belongs to the municipality that needs to be included in the community assets register in terms of GRAP 17. During the assets verification, the municipality has identified assets recorded on community assets that were supposed to be investment property in the prior years. The municipality affected the correction on 30 June 2023 according to GRAP 3 “the entity shall restate the comparative information to correct the error retrospectively from the earliest date practicable.

There were municipal-owned properties that were leased out in the prior years for a consideration, however, the change of use was not considered in those years to apply the requirements of GRAP 16- Investment Property. This resulted in fair value not being determined for those years as required by GRAP 16 as the municipality was using the cost model for its Property, Plant and Equipment as allowed by GRAP 17. Therefore, during the asset verification, the municipality has identified assets that were supposed to be investment property in the prior years. The municipality effected the correction on 30 June 2023 according to GRAP 3 “the entity shall restate the comparative information to correct the error retrospectively from the earliest date practicable”).

Figures in the 2024 column relate to the 2023 and prior financial years.:

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

58. Prior period errors (continued)

Statement of Financial Position		
Increase/ (Decrease) in PPE- Cost -Community Asset	-	(35,968,282)
Increase/(Decrease)in PPE_ Cost -Land	-	2,302,830
(Increase)/ Decrease in PPE Accumulated Depreciation -Community asset	548,851	33,599,786
(Increase)/ Decrease in PPE Accumulated Impairment -Community asset	9,971	1,284,880
Increase/(Decrease) in PPE Cost- Infrastructure	-	(26,075,139)
(Increase)/ Decrease in Net Assets	-	28,382,797
Increase / (Decrease) in FV Investment Property	2,673,796	(3,526,872)
	3,232,618	**-**

Statement of Financial Performance		
Increase/(Decrease) In Depreciation	(548,851)	-
Increase/(Decrease) In Impairment	(9,971)	-
(Increase) / Decrease in Fair value adjustment	(2,673,796)	-
	(3,232,618)	**-**

Integrated National Electrification Programme

During the preparation of the Annual Financial Statements National the municipality implemented mSCOA circular 16 issued by National Treasury as guidance in Accounting for The Integrated National Electrification Programme (INEP) Grant allocations.

Figures in the 2025 column relate to the 2023/24 financial year

Statement of Financial Performance		
(Increase) / Decrease in Construction Revenue	(283,930)	-
Increase/ (Decrease) in Contracted Services	228,769	-
	(55,161)	**-**

Statement of Financial Position		
Increase/ (Decrease) in VAT Receivable	34,315	-
(Increase) / Decrease in VAT Payable	(42,589)	-
(Increase) / Decrease in unspent conditional grant	63,435	-
	55,161	**-**

VAT Payable

Recognition of VAT impairment for impairment recognised on receivables from exchange transactions.

Statement of Financial Position		
(Increase) / Decrease in VAT Payable	2,060,508	-

Statement of Financial Performance		
Increase/(Decrease) in Impairment	(2,060,508)	-

Receivables from exchange transactions

Agency services revenue for the 2023/24 financial year was received and allocated in the 2024/25 financial year, and therefore a debt was raised in the 2023/24 financial for the agency services revenue due to the municipality.During the 2024/25 Financial year audit, management revised the calculation for the impairment provision and the recalculation resulted in the following prior year correction as disclosed below

Statement of Financial Position

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

58. Prior period errors (continued)

Increase /(Decrease) Receivables from exchange transactions	(6,112,889)	(79,524,858)
(Increase) /Decrease in VAT Payable	858,789	10,372,808
(Increase)/ Decrease in Net Assets -Accumulated Surplus	-	69,152,050
	(5,254,100)	**-**

Statement of Financial Performance

(Increase)/Decrease in Agency Services	(947,814)	-
Increase/(Decrease) in Impairment	6,201,914	-
	5,254,100	**-**

Payables from exchange transactions

Contractor appointed to upgrade main harding road was terminated and the retention held for the project was forfeited in the prior year.

Unknown deposits older than 3 years have been recognised as revenue in the 2023/24 FY and unknown deposits prior to the 2020 financial year have been written of against accumulated surplus.

Figures in the 2025 column relate to the 2023/24 financial year, Figures in the 2024 column relate to the 2023 and prior financial years

Statement of Financial Position

(Increase) /Decrease Payables - Retentions	3,968,470	-
Increase /(Decrease) VAT Receivable	(517,627)	-
(Increase) /Decrease Unknown deposits-	2,055,692	9,928,299
(Increase)/ Decrease in Net Assets -Accumulated Surplus	-	(9,928,299)
	5,506,535	**-**

Statement of financial performance

(Increase)/Decrease Fines, Penalties and Forfeits	(5,506,535)	-

Unspent Conditional Grant

During the preparation of 2024/2025 financial statements, unrecognised revenue was identified for the small town rejuvenation grant as conditions were met due to expenditure incurred in the prior year.

Figures in the 2025 column relate to the 2023/24 financial year

Statement of Financial Position

(Increase) / Decrease in Unspent conditional grant	1,377,516	-

Statement of financial performance

(Increase) / Decrease in Government Grant and Subsidies	(1,377,516)	-

Property Plant and Equipment- Movable assets

During the 2024/2025 physical verification of assets, assets incorrectly classified were identified and corrected.

Figures in the 2025 column relate to the 2023/24 financial year

Statement of Financial Position

(Increase/Decrease) Machinery Cost	(98,818)	-
(Increase/Decrease) Machinery Accumulated Depreciation	112,699	-
(Increase/Decrease) Furniture & Fittings Cost	29,566	-

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

58. Prior period errors (continued)

(Increase/Decrease) Furniture & Fittings Accumulated Depreciation	(44,775)	-
(Increase/Decrease) Computer & Office Equipment Cost	69,252	-
(Increase/Decrease) Computer & Office Equipment Accumulated Depreciation	(67,924)	-
	-	-

Statement of financial performance

(Increase/Decrease) Machinery Depreciation	4,215	-
(Increase/Decrease) Furniture & Fittings Depreciation	(2,723)	-
(Increase/Decrease) Computer Equipment Depreciation	(1,492)	-
	-	-

Receivables from Non-exchange transactions

During the 2024/25 Financial year audit, management revised the calculation for the impairment provision and the recalculation resulted in the following prior year correction as disclosed below.

Statement of Financial Position

(Increase) /Decrease Accumulated provision for Impairment	(10,788,175)	(234,458,394)
(Increase)/ Decrease in Net Assets -Accumulated Surplus	-	234,458,394
	(10,788,175)	**-**

Statement of financial performance

Increase/(Decrease) in Impairment	10,788,175	-

59. Comparative figures

Certain comparative figures have been reclassified.

The effects of the reclassification are as follows:

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

59. Comparative figures (continued)

Agency Services		
Audited Amount	-	11,002,587
Correction of Error	-	947,814
Reclassification from licences and permits from non-exchange	-	8,330,278
	-	**20,280,679**
Depreciation and amortisation		
Audited Amount	-	89,321,628
Correction of Error	-	(548,852)
	-	**88,772,776**
Impairments		
Audited Amount	-	103,559,489
Correction of error	-	14,919,611
	-	**118,479,100**
Receivables from exchange transactions		
Audited Amount	-	134,253,996
Correction of error	-	(85,637,747)
	-	**48,616,249**
Investment property		
Audited Amount	-	395,905,550
Correction of error	-	(853,075)
	-	**395,052,475**
Property, plant and equipment		
Audited Amount	-	1,927,298,194
Correction of error	-	(24,297,104)
	-	**1,903,001,090**
Construction contracts		
Audited Amount	-	34,639,260
Correction of error	-	283,930
	-	**34,923,190**
Fair value adjustments		
Audited Amount	-	36,062,800
Correction of error	-	2,673,797
	-	**38,736,597**
Contracted services		
Audited Amount	-	218,213,224
Correction of error	-	228,769
	-	**218,441,993**
VAT Receivable		
Audited Amount	-	196,457,016

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

59. Comparative figures (continued)

Correction of error	-	(483,311)
Reclassification from VAT Payable	-	(136,982,790)
	-	**58,990,915**

VAT Payable

Audited Amount	-	152,921,153
Correction of error	-	(13,252,127)
Reclassification to VAT Receivable	-	(136,982,790)
	-	**2,686,236**

Accumulated surplus

Audited Amount	-	2,315,787,708
Correction of error	-	(325,874,881)
	-	**1,989,912,827**

Fines, Penalties and Forfeits

Audited Amount	-	20,598,006
Correction of error	-	5,506,535
	-	**26,104,541**

Government grants & subsidies

Audited Amount	-	511,103,019
Correction of error	-	1,377,516
	-	**512,480,535**

Unspent Conditional Grants and receipts

Audited Amount	-	2,255,163
Correction of error	-	(1,377,516)
	-	**877,647**

Licences and Permits from non-exchange

Audited Amount	-	9,059,580
Reclassification to Agency Services	-	(8,330,278)
	-	**729,302**

Payables from exchange transactions

Audited Amount	-	172,221,104
Correction of Error	-	(15,952,451)
	-	**156,268,653**

Receivables from Non-exchange transactions

Audited Amount	-	309,162,903
Correction of Error	-	(245,246,569)
	-	**63,916,334**

60. Unauthorised expenditure

Add: Unauthorised expenditure - current	188,232,340	-

Notes to the Annual Financial Statements

60. Unauthorised expenditure (continued)

The over expenditure incurred by municipal departments during the year is attributable to the following categories:

Non-cash	100,714,654	-
Cash	87,517,686	-
	188,232,340	**-**

Analysed as follows: non-cash

Impairment	85,771,168	-
Depreciation and Armotisation	5,557,656	-
Bad debts written off	8,768,277	-
Inventory Consumed	617,553	-
	100,714,654	**-**

Analysed as follows: cash

Employee related costs	41,271,076	-
Bulk purchases	23,960,393	-
Finance cost	20,316,587	-
Remuneration of councillors	1,969,630	-
	87,517,686	**-**

61. Fruitless and wasteful expenditure

Opening balance as previously reported	31,342	31,342
Add: Fruitless and wasteful expenditure identified - current	13,935	7,281
Less: Amount written off - current	(10,180)	(7,281)
Closing balance	**35,097**	**31,342**

Details of fruitless and wasteful expenditure

	Disciplinary steps taken/criminal proceedings		
Eskom interest	None	13,785	7,122
Ugu Accounts Interest	None	150	159
		13,935	**7,281**

62. Irregular expenditure

Opening balance as previously reported	85,284,072	423,217,632
Add: Irregular expenditure - current	5,120,375	185,793,157
Less: Amount written off - current	-	(136,432,171)
Less: Amount written off - prior period	(49,360,985)	(387,294,546)
Closing balance	**41,043,462**	**85,284,072**

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

Cases under investigation

Municipal Finance Management Act	35,923,087	35,923,087

Notes to the Annual Financial Statements

Figures in Rand

63. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year subscription / fee	5,459,996	5,117,442
Amount paid - current year	(5,459,996)	(5,117,442)
	-	-

Audit fees

Current year subscription / fee	6,023,127	5,821,678
Amount paid - current year	(6,023,127)	(5,821,678)
	-	-

PAYE and UIF

Current year subscription / fee	89,309,549	69,567,623
Amount paid - current year	(89,309,549)	(69,567,623)
	-	-

Pension and Medical Aid Deductions

Current year subscription / fee	120,074,784	111,579,265
Amount paid - current year	(120,074,784)	(111,579,265)
	-	-

VAT

VAT receivable	35,369,128	58,990,915
VAT payable	(3,376,385)	(2,686,236)

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

Notes to the Annual Financial Statements

Figures in Rand

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

Councillors' arrear consumer accounts

The following Councillors' accounts had arrear accounts outstanding for more than 90 days at 30 June 2025: The municipality deducts arrears on a monthly basis as per policy guided by legislation, currently there is no debt outstanding beyond 120 days.

30 June 2025	Outstanding less than 90 days	Outstanding more than 90 days	Total
Account number:0001101325	3,632	460	4,092
Account number:0003004337	1,266	431	1,697
Account number:0004020305	777	559	1,336
Account number:0004029240	1,154	474	1,628
	6,829	**1,924**	**8,753**

30 June 2024	Outstanding less than 90 days	Outstanding more than 90 days	Total
Account number: 0004005915	893	517	1,410
Account number: 0001101325	2,076	863	2,939
Account number: 0001165934	1,372	1,054	2,426
Account number: 0004029240	1,036	979	2,015
Account number: 0004020305	742	701	1,443
Account number: 0003004337	1,282	4,872	6,154
Account number: 0004529021	1,332	1,903	3,235
	8,733	**10,889**	**19,622**

64. Utilisation of Long-term liabilities reconciliation

Long-term liabilities raised	15,056,207	17,010,025

Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act. Sufficient cash has been set aside to ensure that long-term liabilities can be repaid on redemption date.

65. Deviation from supply chain management regulations

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

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

Section 36 Deviations		
Emergency s36(1)(a)(i)	580,098	1,241,567
Sole Supplier s36(1)(a)(ii)	3,465,842	3,026,304
Special works of art or historical objects where specifications are difficult to compile s(36(1)(a)(iii)	50,000	100,255
Impractical or impossible to follow the official procurement process s36(1)(a)(v)	8,759,488	5,512,250
	12,855,428	**9,880,376**

66. Housing Development Fund

Housing Development Fund	33,242,603	39,593,077

67. Budget differences

Material differences between budget and actual amounts

The reasons for Revenue and Expenditure above 10% or below 10% between budget and actual amounts have been explained below:

Sales of goods- Olympic Pool tickect increased with the Margate olympic pool being repaired increase the revenue anticipated from ticket sales for the period.

Construction Contracts- Revenue budget was inclusive of VAT as INEP was budgeted for as a grant and the VAT being zero rated, mSCOA circular 16 guides the municipality to account for both VAT input and Output respectively and record the revenue excluding VAT as construction revenue.

Rental of Facilities- Property rental revenue is contingent on rentals requested within a period.

Operational Revenue- Operational revenue largely comprises of sheriff recovery fees billed to consumers accounts for fees incurred by the sheriffs office in attempts to recover outstanding debt and recovery revenue is based on the fees incurred by the sherrifs office and paid by the municipality.

Interest received- investment- Investment revenue is directly linked to the availability of surplus funds and the prevailing interest rates. The lower-than-expected investment income suggests that the municipality had less surplus cash available for investment than originally forecasted, this is due to higher operational expenditures, delayed revenue inflows and increased in service delivery demands.

Licences and permits (Non- exchange)- The introduction of online motor vehicle licences such as banking apps licence renewal options has reduced revenue earned from licences and permits for the period.

Fines, Penalties and Forfeits - Fines are contingent on law infringements identified in each period like traffic fines and municipal by-laws which will have an impact on the actual revenue billed for the year.

Agency Services- Agency services commission from the department of transport for motor vehicle registration renewals was incorrectly budgeted under licences and permits resulting in the increase in agency services.

Contracted services -The low expenditure on contracted services is primarily attributable to the Maintenance Plan and the Estuary Management Plans, both of which are classified under Consultants and Professional Services. The delay in the Maintenance Plan arose due to a hold-up in the submission process by the Development Planning Department Services. Furthermore, the Estuary Management Plans could not progress as the tender process had to be re-advertised owing to non-responsiveness from service providers.

Transfers and Subsidies- The variance is a result of deliberate financial management decisions taken by the municipality in response to its current constrained financial position. As part of prudent fiscal control measures, the municipality opted to cut certain non-essential donations and discretionary transfers, thereby generating cost savings on this expenditure line. This approach was adopted to safeguard the municipality’s financial sustainability until its financial health improves and allows for the full resumption of such developmental support.

Inventory consumed- The variance is primarily attributable to the lower-than-anticipated consumption of inventories across various municipal departments. Inventories typically include consumable goods such as stationery, cleaning materials, maintenance supplies, and other operational materials required for day-to-day municipal activities and service delivery.

Recoveries- Recoveries for employee cost incurred for employees seconded to the Ugu district.

Public contributions and donations- The municipality received a donation from BP Southern Africa for fuel infrustructure assets for the Airport.

Notes to the Annual Financial Statements

Figures in Rand

67. Repairs and Maintenance Related Expenditure (continued)

Finance Costs- The municipality acquired additional assets on a finance lease agreement which has resulted in an increased interest cost as interest is higher than capital repayments in the beginning of a financing agreement.

Bad debts written off- Receivables for employee cost in advance was written off by council increase the total for bad debt written off in the current year and the budget was for bad debts written off for consumers.

Fair value adjustments- The current fair value gain is based on the current year market property valuations.

68. Repairs and Maintenance Related Expenditure

Employee related cost	48,691,429	44,452,492
Contracted services	75,110,459	66,153,272
Operational cost	11,279,856	14,719,753
Operating leases	16,907	15,615
Inventory Consumed	2,363,604	244,943
	137,462,255	**125,586,075**