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

General Information

Legal form of entity	Municipality in terms of section 1 of the Local Government: Municipal Structures Act (Act 117 of 1998) read with section 155 (1) of the Constitution of the Republic of South Africa (Act 108 of 1996)
Nature of business and principal activities	The primary function of AbaQulusi Local Municipality is to provide basic services to communities within the municipal boundaries
The following is included in the scope of operation	Water, Electricity, Sanitation and Refuse are the core basic services of the municipality. The municipality strives to provide these services in a sustainable manner, to promote social and economic development and to promote a safe and healthy environment.

Mayoral committee

Mayor	Mr S E Mkhwanazi
Speaker	Ms N P Ndlela
MPAC Chairperson	Ms M Viktor
MPWC Chairperson	Ms M B Mabaso
Executive Committee Members	Mr H B Khumalo
	Mr L Dube
	Ms L N Ntuli
	Mr L M Xulu
	Mr S Z Mdluli (Changed to EXCO Member on 11 December 2024)
	Mr L W C Mtshali (Changed to EXCO Member 1 May 2025)
	Mr M L Mtshali (Changed to EXCO Member 1 May 2025)
Councillors	M A Mazibuko
	Mr S B Mkhwanazi
	Mr K Z Mbatha
	Mr B E Ndlela
	Ms T E Vilakazi
	Mr B W Mdlalose
	Mr M D Khumalo
	Mr S S Mthembu
	Mr J X Sangweni
	Mr Z M Ngcobo
	Mrs K M Nthuli
	Mr M M Lambiso
	Mr X J Zungu (Passed away 23 April 2025)
	Mr M D Buthelezi
	Mr E Cronje (Passed away 22 December 2024)
	Ms P P Selepe
	Mr S N Buthelezi
	Mr S S Siyaya (Appointed 5 July 2024)
	Mr S N Ndlela
	Ms S T Mbokazi
	Mr B I Ngema
	Mr V V Dlamini
	Mr N M Sibiya
	Mr H V Khumalo
	Mr C B Hlatshwayo
	Mr S Shelembe
	Mr S P Ndaba

General Information

	Mr T Kunene Mr S Khuzwayo Ms S Z Mdluli Mr M B Khumalo Ms S O Xaba Ms K R Jiyane Mr T M Ntshingila Ms E Rodway Mr G A Hay (Appointed 11 February 2025)
Post-Year end appointments (Councillors)	Mr K N Myeni (Appointed 16 July 2025)
Grading of local authority	Grade 04 Medium Capacity
Chief Finance Officer (CFO)	Mr MPE Mthembu
Accounting Officer	Mrs SP Dlamini
Business address	Cnr of Mark & High Street Vryhied Kwa-Zulu Natal 3100
Postal address	P.O. Box 57 Vryheid Kwa-Zulu Natal 3100
Bankers	First National Bank ABSA Limited Nedbank
Auditors	Auditor General of South Africa
Attorneys	Garlicke & Bousfield Nxumalo & Partners Mathopo Attorneys S Pearl Ndaba Attorneys
Telephone Number	034 982 2133 080 020 1102
Email	information@abaqulusi.gov.za
Web	www.abaqulusi.gov.za

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Abbreviations used:

COID	Compensation for Occupational Injuries and Diseases
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IPSAS	International Public Sector Accounting Standards
MFMA	Municipal Finance Management Act
mSCOA	Municipal Standard Chart of Accounts
LED	Local Economic Development
DoT	Department of Transport
UIF	Unemployment Insurance Fund
MPAC	Municipal Public Accounts Committee
VAT	Value Added Taxation
PAYE	Pay-As-You-Earn
IDP	Integrated Development Plan
MPWC	Multi-party Women Caucus
NERSA	National Energy Regulator of South Africa

Accounting Officer's Responsibilities and Approval Report

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

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

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

I acknowledge that I am ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable me to meet these responsibilities, I set standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality’s business is conducted in a manner that 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.

I am 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.

I have 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, I am satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

My assumption is made based on the municipality receiving continuous grant funding from both National and Provincial Government. The municipality is dependent on revenue received from billing of property rates and services to the community and state for continued funding of operations. The annual financial statements are prepared on the basis that the municipality is a going concern and that AbaQulusi Local 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 as disclosed in the note entitled Remuneration of Councillors 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 Office Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

The Annual Financial Statements set out on page 4, which have been prepared on the going concern basis, were approved by the Accounting Officer on 31 August 2025.

Mrs SP Dlamini
Accounting Officer

Statement of Financial Position as at 30 June 2025

Figures in Rand	Note(s)	2025	2024 Restated*
Assets			
Current Assets			
Cash and cash equivalents	2	26 806 069	18 132 472
Receivables from exchange transactions	3&5	152 515 750	98 339 611
Receivables from non-exchange transactions	4&5	29 182 516	34 062 490
Inventories	6	94 793 322	84 585 671
		303 297 657	**235 120 244**
Non-Current Assets			
Investment property	7	68 609 000	64 797 000
Property, plant and equipment	8	877 994 343	937 182 419
Intangible assets	9	69 972	155 590
Heritage assets	10	3 854 570	3 854 570
Living Resources	11	34 552 823	29 255 804
		985 080 708	**1 035 245 383**
Total Assets		**1 288 378 365**	**1 270 365 627**
Liabilities			
Current Liabilities			
Payables from exchange transactions	12	397 014 817	285 936 000
Consumer deposits	13	18 949 333	18 002 243
Employee benefit obligation	14	4 818 173	4 191 000
Finance lease obligation	15	7 327 335	7 701 334
Unspent conditional grants and receipts	16	3 502 412	3 616 329
Provisions	17	1 089 129	879 700
VAT statutory payable		2 474 084	2 360 863
		435 175 283	**322 687 469**
Non-Current Liabilities			
Employee benefit obligation	14	63 183 729	55 989 001
Finance lease obligation	15	1 007 664	7 313 549
Provisions	17	87 596 514	80 620 035
Payables from exchange transactions - Non current portion	63	52 690 966	-
		204 478 873	**143 922 585**
Total Liabilities		**639 654 156**	**466 610 054**
Net Assets		**648 724 209**	**803 755 573**
Accumulated surplus		648 724 209	803 755 573
Total Net Assets		**648 724 209**	**803 755 573**

* See Note 60

Statement of Financial Performance

Figures in Rand	Note(s)	2025	2024 Restated*
Revenue			
Revenue from exchange transactions			
Sale of goods and Rendering of Services	19	2 488 228	620 062
Service charges	20	383 573 935	321 140 655
Construction contracts	21	-	4 231 827
Rental of facilities and equipment	22	1 557 444	1 055 337
Interest on receivables from exchange transactions	23	14 966 523	12 687 734
Agency services	25	5 434 899	5 797 435
Licences and permits	26	162 531	51 363
Operational Income	28	780 038	1 035 919
Water Inventory Gain	31	7 950 476	6 101 462
Interest on investments	29	2 753 272	3 773 168
Actuarial gains	46	1 850 099	5 654 000
Total revenue from exchange transactions		**421 517 445**	**362 148 962**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	32	138 259 315	118 186 250
Property rates - penalties imposed	32	12 002 248	9 211 067
Availability Charges on Services	30	50 682 361	41 749 147
Transfer revenue			
Government grants & subsidies	33	285 815 274	279 947 167
Fines, Penalties and Forfeits	24	8 818 789	11 156 860
Legal Fees Refundable		-	2 000 000
Fair Value Adjustment	62	9 109 018	2 773 769
Donated Assets	34	22 500	-
Total revenue from non-exchange transactions		**504 709 505**	**465 024 260**
Total revenue	18	**926 226 950**	**827 173 222**
Expenditure			
Employee related costs	35	(221 562 734)	(202 058 883)
Remuneration of councillors	36	(18 608 757)	(17 744 099)
Construction contracts	21	-	(4 231 827)
Finance costs	38	(31 701 426)	(20 959 702)
Lease rentals on operating lease	27	(3 642 680)	(3 861 735)
Bulk purchases	43	(309 509 527)	(262 622 991)
Contracted Services	44	(158 208 651)	(136 953 123)
Inventory Consumed	41	(107 291 151)	(79 844 900)
Operational Expenditure	42	(44 701 724)	(47 836 827)
Depreciation and amortisation	37	(111 575 788)	(130 246 231)
Debt Impairment	40	(73 025 922)	(72 376 308)
Loss on disposal of assets	45	(403 183)	(3 681 648)
Impairment losses on non cash generating assets	8	(1 026 771)	(413 335)
Land Purchase Provision Increases	17	-	(24 000 000)
Total expenditure		**(1 081 258 314)**	**(1 006 831 609)**
Deficit for the year		**(155 031 364)**	**(179 658 387)**

* See Note 60

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus / deficit	Total net assets
Opening balance as previously reported	944 084 938	944 084 938
Adjustments		
Prior year adjustments 60	39 329 022	39 329 022
Balance at 01 July 2023 as restated*	**983 413 960**	**983 413 960**
Changes in net assets		
Deficit for the year	(179 658 387)	(179 658 387)
Total changes	(179 658 387)	(179 658 387)
Restated* Balance at 01 July 2024	**803 755 573**	**803 755 573**
Changes in net assets		
Deficit for the year	(155 031 364)	(155 031 364)
Total changes	(155 031 364)	(155 031 364)
Balance at 30 June 2025	**648 724 209**	**648 724 209**

Note(s)

* See Note 60

Cash Flow Statement

Figures in Rand	Note(s)	2025	2024 Restated*
Cash flows from operating activities			
Receipts			
Taxation		122 395 970	96 899 495
Sale of goods and services		407 130 932	367 422 175
Transfers and Subsidies – Capital		58 963 719	65 598 457
Transfers and Subsidies – Operational		226 737 638	214 785 700
Interest income		4 698 739	8 531 176
Other receipts		10 423 140	14 646 588
Penalties		1 782 194	5 438 123
		832 132 332	773 321 714
Payments			
Employee costs		(228 738 147)	(209 105 480)
Suppliers		(518 074 731)	(482 596 412)
Finance costs		(10 525 186)	(14 494 191)
		(757 338 064)	(706 196 083)
Net cash flows from operating activities	47	**74 794 268**	**67 125 631**
Cash flows from investing activities			
Purchase of property, plant and equipment	8	(59 440 787)	(64 621 811)
Cash flows from financing activities			
Finance lease payments		(6 679 884)	(4 480 730)
Net increase/(decrease) in cash and cash equivalents		**8 673 597**	**(1 976 910)**
Cash and cash equivalents at the beginning of the year		18 132 472	20 109 382
Cash and cash equivalents at the end of the year	2	**26 806 069**	**18 132 472**

* See Note 60

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 and Rendering of Services	2 156 298	494 318	**2 650 616**	2 488 228	**(162 388)**	
Service charges	353 344 351	145 856 876	**499 201 227**	383 573 935	**(115 627 292)**	61
Rental of facilities and equipment	152 400	731 200	**883 600**	1 557 444	**673 844**	
Interest on receivables from exchange transactions	-	31 525 909	**31 525 909**	14 966 523	**(16 559 386)**	61
Agency services	3 500 000	3 500 000	**7 000 000**	5 434 899	**(1 565 101)**	61
Licences and permits	45 000	150 000	**195 000**	162 531	**(32 469)**	
Water Inventory Gain	-	-	**-**	7 950 476	**7 950 476**	61
Operational Income	-	204 789	**204 789**	780 038	**575 249**	
Interest on investments	2 000 000	1 500 000	**3 500 000**	2 753 272	**(746 728)**	
Total revenue from exchange transactions	**361 198 049**	**183 963 092**	**545 161 141**	**419 667 346**	**(125 493 795)**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	157 000 000	(16 600 113)	**140 399 887**	138 259 315	**(2 140 572)**	61
Property rates - penalties imposed	5 000 000	16 343 700	**21 343 700**	12 002 248	**(9 341 452)**	61
Licences and Permits (Non-exchange)	3 500 000	(3 500 000)	**-**	-	**-**	
Availability Charges on Services	-	55 121 746	**55 121 746**	50 682 361	**(4 439 385)**	61
Transfer revenue						
Government grants & subsidies	275 394 000	9 649 000	**285 043 000**	285 815 274	**772 274**	
Donated Assets	-	22 500	**22 500**	22 500	**-**	
Fines, Penalties and Forfeits	500 000	7 300 000	**7 800 000**	8 818 789	**1 018 789**	
Fair Value Adjustment	-	-	**-**	9 109 018	**9 109 018**	61
Total revenue from non-exchange transactions	**441 394 000**	**68 336 833**	**509 730 833**	**504 709 505**	**(5 021 328)**	
Total revenue	**802 592 049**	**252 299 925**	**1 054 891 974**	**924 376 851**	**(130 515 123)**	
Expenditure						
Employee related costs	(212 745 337)	(25 264 947)	**(238 010 284)**	(221 562 734)	**16 447 550**	61
Remuneration of councillors	(19 473 510)	-	**(19 473 510)**	(18 608 757)	**864 753**	
Depreciation and amortisation	(136 596 392)	(3 933 669)	**(140 530 061)**	(111 575 788)	**28 954 273**	61
Finance costs	-	-	**-**	(31 701 426)	**(31 701 426)**	61
Lease rentals on operating lease	(19 200 000)	(13 377 133)	**(32 577 133)**	(3 642 680)	**28 934 453**	61
Debt Impairment	(33 572 996)	-	**(33 572 996)**	(73 025 922)	**(39 452 926)**	61
Bulk purchases	(287 448 791)	(5 493 259)	**(292 942 050)**	(309 509 527)	**(16 567 477)**	61
Contracted Services	(86 801 750)	(33 457 696)	**(120 259 446)**	(158 208 651)	**(37 949 205)**	61
Inventory Consumed	(37 346 000)	(26 820 837)	**(64 166 837)**	(107 291 151)	**(43 124 314)**	61
Operational Expenditure	(43 463 834)	(11 320 367)	**(54 784 201)**	(44 701 724)	**10 082 477**	61
Total expenditure	**(876 648 610)**	**(119 667 908)**	**(996 316 518)**	**(1 079 828 360)**	**(83 511 842)**	

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
Operating deficit	**(74 056 561)**	**132 632 017**	**58 575 456**	**(155 451 509)**	**(214 026 965)**	
Loss on disposal of assets and liabilities	-	-	-	(403 183)	**(403 183)**	61
Impairment losses on non cash generating assets	-	-	-	(1 026 771)	**(1 026 771)**	61
Actuarial gains	-	-	-	1 850 099	**1 850 099**	61
	-	**-**	**-**	**420 145**	**420 145**	
Deficit before taxation	**(74 056 561)**	**132 632 017**	**58 575 456**	**(155 031 364)**	**(213 606 820)**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**(74 056 561)**	**132 632 017**	**58 575 456**	**(155 031 364)**	**(213 606 820)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Inventories	84 750 612	(193 811)	**84 556 801**	94 793 322	**10 236 521**	61
Receivables from exchange transactions	168 041 763	128 266 758	**296 308 521**	152 515 750	**(143 792 771)**	61
Receivables from non-exchange transactions	35 030 969	44 898 746	**79 929 715**	29 182 516	**(50 747 199)**	61
VAT receivable	60 818 232	275 883 656	**336 701 888**	-	**(336 701 888)**	61
Other Current Assets	58 452	(13 945 580)	**(13 887 128)**	-	**13 887 128**	61
Cash and cash equivalents	137 274 743	(92 951 509)	**44 323 234**	26 806 069	**(17 517 165)**	61
	485 974 771	**341 958 260**	**827 933 031**	**303 297 657**	**(524 635 374)**	
Non-Current Assets						
Living Resources	-	-	**-**	34 552 823	**34 552 823**	61
Investment property	42 413 000	21 084 000	**63 497 000**	68 609 000	**5 112 000**	61
Property, plant and equipment	910 903 708	(62 725 881)	**848 177 827**	877 994 343	**29 816 516**	61
Intangible assets	157 055	(83 880)	**73 175**	69 972	**(3 203)**	
Heritage assets	3 854 570	-	**3 854 570**	3 854 570	**-**	
	957 328 333	**(41 725 761)**	**915 602 572**	**985 080 708**	**69 478 136**	
Total Assets	**1 443 303 104**	**300 232 499**	**1 743 535 603**	**1 288 378 365**	**(455 157 238)**	
Liabilities						
Current Liabilities						
Finance lease obligation	2 836 599	4 864 735	**7 701 334**	7 327 335	**(373 999)**	
Payables from exchange transactions	324 606 862	(36 250 248)	**288 356 614**	397 014 817	**108 658 203**	61
VAT payable	54 083 251	271 344 514	**325 427 765**	-	**(325 427 765)**	61
Consumer deposits	18 064 884	(62 642)	**18 002 242**	18 949 333	**947 091**	61
Employee benefit obligation	5 157 115	(86 414)	**5 070 701**	4 818 173	**(252 528)**	
Unspent conditional grants and receipts	5 441 878	(1 848 048)	**3 593 830**	3 502 412	**(91 418)**	
Provisions	-	-	**-**	1 089 129	**1 089 129**	61
VAT statutory payable	-	-	**-**	2 474 084	**2 474 084**	
	410 190 589	**237 961 897**	**648 152 486**	**435 175 283**	**(212 977 203)**	
Non-Current Liabilities						
Finance lease obligation	4 607 425	2 706 124	**7 313 549**	1 007 664	**(6 305 885)**	
Employee benefit obligation	42 887 001	3 471 000	**46 358 001**	63 183 729	**16 825 728**	61
Provisions	51 828 188	26 863 328	**78 691 516**	87 596 514	**8 904 998**	61
Payables from exchange transactions - Non current portion	-	-	**-**	52 690 966	**52 690 966**	61
	99 322 614	**33 040 452**	**132 363 066**	**204 478 873**	**72 115 807**	
Total Liabilities	**509 513 203**	**271 002 349**	**780 515 552**	**639 654 156**	**(140 861 396)**	
Net Assets	**933 789 901**	**29 230 150**	**963 020 051**	**648 724 209**	**(314 295 842)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	933 789 901	29 230 150	**963 020 051**	648 724 209	**(314 295 842)**	61

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Taxation	159 137 445	4 155 145	**163 292 590**	122 395 970	**(40 896 620)**	61
Sale of goods and services	327 976 700	20 048 060	**348 024 760**	359 690 616	**11 665 856**	
Transfers and Subsidies - Operational	227 824 600	3 249 000	**231 073 600**	226 737 638	**(4 335 962)**	
Transfers and Subsidies - Capital	47 569 400	6 400 000	**53 969 400**	58 963 719	**4 994 319**	
Interest income	2 000 000	1 500 000	**3 500 000**	4 698 739	**1 198 739**	
Other receipts	21 372 974	734 120	**22 107 094**	10 423 140	**(11 683 954)**	61
Penalties	-	-	**-**	1 782 194	**1 782 194**	61
	785 881 119	**36 086 325**	**821 967 444**	**784 692 016**	**(37 275 428)**	
Payments						
Employee costs	(213 857 756)	(45 126 038)	**(258 983 794)**	(228 738 147)	**30 245 647**	61
Suppliers	(400 817 341)	(77 277 965)	**(478 095 306)**	(478 460 266)	**(364 960)**	61
Finance costs	-	-	**-**	(10 525 186)	**(10 525 186)**	61
	(614 675 097)	**(122 404 003)**	**(737 079 100)**	**(717 723 599)**	**19 355 501**	
Net cash flows from operating activities	**171 206 022**	**(86 317 678)**	**84 888 344**	**66 968 417**	**(17 919 927)**	
Cash flows from investing activities						
Purchase of property, plant and equipment	(54 044 400)	(4 695 652)	**(58 740 052)**	(51 614 936)	**7 125 116**	61
Cash flows from financing activities						
Finance Lease Payments	-	-	**-**	(6 679 884)	**(6 679 884)**	61
Net increase/(decrease) in cash and cash equivalents	117 161 622	(91 013 330)	**26 148 292**	8 673 597	**(17 474 695)**	
Cash and cash equivalents at the beginning of the year	20 113 121	(1 938 179)	**18 174 942**	18 132 472	**(42 470)**	61
Cash and cash equivalents at the end of the year	**137 274 743**	**(92 951 509)**	**44 323 234**	**26 806 069**	**(17 517 165)**	

Significant Accounting Policies

Figures in Rand	Note(s)	2025	2024

1. Significant accounting policies

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

Significant Accounting Policies

1.1 Basis of preparation

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

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

Standards of GRAP Approved but Not Yet Effective

The municipality has applied the Standards of GRAP as prescribed in the GRAP Reporting Framework issued by the Accounting Standards Board and approved by the Minister of Finance, as set out in Directive 5 for the financial year ended 30 June 2025.

The following Standards of GRAP have been approved for implementation but are not yet effective. The municipality has not early adopted these standards. The expected impact of each standard has been assessed based on the municipality’s current accounting treatment and disclosures:

Standard	Title	Effective Date (per ASB/Minister)	Expected Impact on AbaQulusi Municipality
GRAP 104 (Revised)	Financial Instruments	1 April 2025	Will require reclassification of certain receivables and payables. Expected to impact disclosure of credit risk and liquidity risk. May affect fair value hierarchy presentation.
GRAP 108	Statutory Receivables	Not yet determined	Will affect recognition and measurement of statutory receivables, including VAT-related balances. May require expanded impairment testing and disclosure.
GRAP 25	Employee Benefits	Not yet determined	Will require actuarial valuation of post-employment obligations. Expected to impact recognition and disclosure of defined benefit liabilities.
GRAP 1 (Amended)	Presentation of Financial Statements	Not yet determined	Will affect going concern disclosures and materiality-based presentation. May require updates to accounting policy structure.
GRAP 103 (Amended)	Heritage Assets	Not yet determined	Will refine definition and presentation of heritage assets. May require expanded narrative on preservation and restrictions.
GRAP 20	Related Party Disclosures	Not yet determined	Low impact. Disclosures already aligned with IPSAS 20.

Standards of GRAP that have been issued by the Accounting Standards Board but are not yet approved for implementation by the Minister of Finance — including GRAP 18 (Segment Reporting), GRAP 109 (Accounting by Principals and Agents), GRAP 110 (Revised), and GRAP 105 - 107 (Transfers and Mergers) — have been excluded from this disclosure. This approach is in accordance with Directive 5 and the Frequently Asked Questions issued by the ASB Secretariat.

The municipality does not early adopt any Standards of GRAP that have not been approved for implementation. This policy is consistent with GRAP 3.31 and ensures that only applicable standards are considered in the preparation of the Annual Financial Statements.

Significant Accounting Policies

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

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

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

Significant Accounting Policies

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.

Revenue Recognition

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

The management of the municipality is satisfied that recognition of the revenue in the current year is appropriate.

Impairment testing

Accounting policy 1.9 Financial Instruments describes the process followed to determine the value by which financial assets should be impaired. In making the estimation of the impairment, the management of the municipality considered the detailed criteria of impairment of financial assets as set out in GRAP 104: Financial Instruments. The management of the municipality is satisfied that the impairment of financial assets recorded during the year, is appropriate.

Provisions

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

Post-retirement benefits

As described in accounting policy 1.15 Employee Benefits, the municipality obtains actuarial valuations of its defined benefit plan liabilities. The defined benefit obligations of the municipality that were identified are Post-Retirement Health Benefit Obligations and Long Service Awards. The estimated liabilities are recorded in accordance with the requirements of GRAP 25 Employee Benefits.

Other key assumptions for Post retirement benefits are disclosed in Note 14.

Recognition and Derecognition of Land

In some instances the municipality is the legal owner or the custodian of land appointed in terms of legislation, but assessed that it does not controls such land. This includes land under the SASCO area to which legal ownership rests with the municipality. However, due to the agreement with Human Settlements to construct RDP houses on these land parcels, the municipality has lost control of the said land.

Additional information regarding land is disclosed in Note 8.

Accounting by principals and agent

The municipality makes assessments on whether it is the principal or agent in principal-agent relationships. Significant judgements applied are based on the nature of the agreement and the roles and responsibilities as defined in such agreements.

Impairment of statutory receivables

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

Significant Accounting Policies

1.5 Significant judgements and sources of estimation uncertainty (continued)

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

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

Accounting for adjustments to revenue

Determining whether an adjustment to revenue charged in terms of legislation or similar means is a correction of an error or a change in an accounting estimate requires the application of judgement by management. When adjustments to revenue already recognised arise from new information that becomes known to the municipality, the following considerations are applied to determine whether the adjustment to revenue already recognised is a correction of an error or a change in an accounting estimate:

(a) If information becomes known to the municipality, and the municipality could reasonably have been expected to know of the information and/or the information used was incorrect, the adjustment to revenue is likely to be a correction of an error.

(b) If information becomes known to the municipality, but the municipality could not reasonably have been expected to know of this information when the revenue was charged, the adjustment to revenue is likely to be a change in an accounting estimate.

Accounting for adjustments to revenue that correct an error or prior period error

Following the outcome of the determination processes noted above, and assessing whether this is new information that becomes known to the municipality, the municipality accounts for an adjustment to revenue already recognised, including interest and penalties, as the correction of an error or prior period error where the entity:

(a) has not followed a proper due process to promulgate the tariff, basis, percentage or formula to charge the revenue; and/or

(b) incorrectly applied the tariff, basis, percentage or formula in charging revenue.

Errors discovered within the reporting period which relates to that period are corrected before the annual financial statements are authorised for issue. The principles in GRAP 3 are applied to account for the adjustment to revenue already recognised as a result of the correction of a prior period error.

Accounting for adjustments to revenue as a change in an accounting estimate

Following the outcome of the determination processes noted above, and assessing whether this is new information that becomes known to the municipality, the municipality accounts for any adjustment to revenue already recognised, including interest and penalties, as a change in an accounting estimate if changes occur in the circumstances that led to the recognition of the revenue.

The principles in GRAP 3 are applied to account for a change in an accounting estimate.

Useful lives of Property Plant & Equipment

The municipality's management determines the estimated useful lives and related depreciation charges for property, plant and equipment and other assets. This estimate is based on industry norm. This estimate is based on the pattern in which an asset's future economic benefits or service potential are expected to be consumed by the municipality.

Impairment

Write down of property plant and equipment, intangible assets and inventories. 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.

The recoverable (service) 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.

Significant Accounting Policies

1.5 Significant judgements and sources of estimation uncertainty (continued)

It is reasonably possible that the assumptions may change which may then impact our estimations and may then require a material adjustment to the carrying value of tangible assets.

Offsetting

Assets, liabilities, revenue and expenses have not been offset, except when offsetting is required or permitted by a standard of GRAP.

1.6 Living Resources

Living resources are biological assets that undergo biological transformation and are held for service delivery, conservation, or other public sector purposes. The municipality recognises living resources as assets when it controls the resource, it is probable that future economic benefits or service potential will flow to the municipality, and the cost of the asset can be measured reliably.

Initial Measurement

Living resources were initially measured at fair value at the date of recognition. Where the municipality acquires a living resource through a non-exchange transaction, the fair value at the date of acquisition is used as the deemed cost.

Subsequent Measurement

Living resources are subsequently measured at the revalued amount at each reporting date. The revalued amount is its fair value at the date of the revaluation.

Application

The municipality recognises a timber plantation located on municipal land in Vryheid as a living resource. The plantation was acquired through a non-exchange transaction and is measured at fair value at initial recognition and at the revalued amount for each subsequent reporting date. Valuations are performed annually by an independent professional valuer using market-based techniques.

1.7 Investment property

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

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

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

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

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

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

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

Significant Accounting Policies

1.7 Investment property (continued)

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.

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no fu ture economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal procee ds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal

1.8 Property, plant and equipment

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

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

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

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

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

Significant Accounting Policies

1.8 Property, plant and equipment (continued)

Land is initially recognised at cost. Due to the nature of the asset, land is not depreciated over its indefinite useful life and as such, initial and subsequent measurement is at cost less any impairments losses.

Property, Plant & Equipment are depreciated on the straight-line basis over their expected useful lives.

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

Item	Depreciation method	Average useful life
Plant and machinery	Straight-line	02-15 years
Furniture and fixtures	Straight-line	03-10 years
Motor vehicles	Straight-line	05-15 years
IT equipment	Straight-line	03-07 years
Infrastructure		
• Roads & Stormwater	Straight-line	05-80 years
• Electricity	Straight-line	03-50 years
• Sanitation	Straight-line	15-100 years
• Water	Straight-line	05-80 years
• Landfill Sites	Straight-line	15-50 years
Community		
• Sport & Recreation facilities	Straight-line	05-50 years
• Cemeteries	Straight-line	05-50 years
• Halls	Straight-line	05-50 years
• Libraries	Straight-line	05-50 years
• Parks	Straight-line	05-50 years
• Fire Station	Straight-line	05-50 years
• Clinics	Straight-line	05-50 years
• Stadium	Straight-line	05-50 years
• Sports Fields	Straight-line	15-30 years

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

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

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

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

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

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

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

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

1.8 Property, plant and equipment (continued)

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 44).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 8).

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.

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:

1.9 Intangible assets (continued)

Item	Depreciation method	Average useful life
Computer software, other	Straight-line	05-10 years

The municipality discloses does not have any intangible assets under construction or development, to disclose in the notes to the financial statements.

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.

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

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 44).

The municipality does not have any heritage assets under construction or development, to disclose in the notes to the financial statements.

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.

1.10 Heritage assets (continued)

Initial measurement

Heritage assets are measured at cost.

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

Subsequent measurement

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

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

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

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

1.11 Financial instruments

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

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

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

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

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

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

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses.

The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

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

A financial asset is:

1.11 Financial instruments (continued)

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

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

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

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

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

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

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

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

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

- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity’s net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

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

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

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

1.11 Financial instruments (continued)

Classification

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

Class	Category
Receivables from exchange transactions	Financial asset measured at amortised cost
Cash & Cash equivalents	Financial asset measured at amortised cost

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

Class	Category
Payables from exchange transactions	Financial liability measured at amortised cost

Significant Accounting Policies

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.

VAT Receivables

VAT Input Accruals represent statutory receivables arising from the VAT Act (No. 89 of 1991), and are recognised at the transaction amount submitted via VAT201 returns.

These receivables are assessed for impairment based on recoverability from SARS, taking into account historical refund patterns, disputes, and timing delays.

Where recoverability is uncertain, impairment is recognised in accordance with GRAP 108 and GRAP 104. VAT receivables are derecognised when settled by SARS or written off in accordance with the municipality’s financial policies.

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

Assets subject to finance leases are derecognised and a lease receivable is recognised at an amount equal to the net investment in the lease.

Finance income is recognised based on a pattern reflecting a constant periodic rate of return on the net investment.

1.13 Leases (continued)

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at the commencement of the lease term at the lower of the fair value of the leased asset and the present value of the minimum lease payments. .

Lease payments are apportioned between finance charges and reduction of the lease liability using the effective interest method.

The asset is depreciated over the shorter of the lease term or the useful life of the asset.

Initial direct costs are included in the cost of the asset.

Operating leases - lessor

Lease income under operating leases is recognised on a straight-line basis over the lease term, unless the lease payments are variable or the lease term is indeterminate.

In such cases, lease revenue is recognised as receivable when earned, based on invoicing and contractual entitlement.

For leases subject to CPI-linked escalation and/or continuation on a month-to-month basis, straight-line recognition is not representative of the timing of benefits. Accordingly, lease revenue is accrued when receivable and disclosed with supporting CPI evidence.

Contingent rental income is recognised only when it is probable that the economic benefits will flow to the municipality and the amount can be measured reliably.

Revenue arising from profit-sharing clauses is recognised upon receipt of lessee management accounts confirming net profit, and only once those accounts have been validated through a reasonability review or supporting documentation. Contingent rent is not recognised when the lessee declares an operating loss or fails to provide sufficient substantiating documentation.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, unless another systematic basis is more representative of the time pattern of the user's benefit.

Lease payments made in advance or in arrears are accounted for as prepayments or accruals respectively.

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.

1.14 Inventories (continued)

The cost of consumables, stores, materials, and finished 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.

Land is however carried at cost until distribution.

The municipality's inventory consists of water, consumables, stores, materials, Land held for distribution and finished goods.

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.

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 Cash and cash equivalents

Cash and cash equivalents comprise bank balances, cash on hand, short-term deposits held at call with banks highly liquid investments with maturities of three months or less and are subject to an insignificant risk of changes in value.

For the purposes of the Cash flow statement, Cash & Cash equivalents includes cash on hand, and deposits held with banks.

Significant Accounting Policies

1.17 Value-Added Tax (VAT)

The municipality is registered as a VAT vendor and accounts for VAT on the invoice basis in accordance with the VAT Act (No. 89 of 1991). Output VAT is levied on taxable supplies of goods and services, while input VAT is claimed on qualifying purchases. VAT balances are presented separately where material, and disaggregated across receivables, payables, and statutory accounts to reflect timing differences and statutory obligations.

VAT receivables are assessed for impairment in accordance with GRAP 108 and GRAP 104, and derecognised when settled or written off.

This approach is consistent with GRAP 1, GRAP 108, MFMA Circular No. 12, and the VAT 419 Guide for Municipalities issued by SARS.

1.18 Impairment of 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.

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.

Judgements made by management in applying the criteria to designate assets as cash-generating assets or non-cash-generating assets, are as follows:

Designation

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

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

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

1.18 Impairment of assets (continued)

Identification

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

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

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

Value in use

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

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

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

1.18 Impairment of assets (continued)

Reversal of impairment loss

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

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

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

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

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

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

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

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

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

1.19 Employee benefits

Identification

Employee benefits

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

GRAP 25 on employee benefits is to provide accounting principles for amounts or benefits due to employees, their spouses

or third parties when employees have rendered services to the municipality, and the rendering of those services entitles employees to certain benefits.

Significant Accounting Policies

1.19 Employee benefits (continued)

Short-term employee benefits

Recognition and measurement

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

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and

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,and

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

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of nonaccumulating absences, when the absence occurs. The entity measures the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognises the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

Significant Accounting Policies

1.19 Employee benefits (continued)

Post-employment benefits: Defined contribution plans

Recognition and measurement

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

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

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and 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 concerned.

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 as sets to pay all employee benefits relating to employee service in the current and prior periods.

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.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

1.19 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

Recognition and measurement

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

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the entity recognises actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Assets held by a long-term employee benefit fund are assets (other than nontransferable financial instruments issued by the reporting entity) that 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 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:

- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting entity; or
- the assets are returned to the reporting entity to reimburse it for employee benefits already paid.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the entity recognises past service cost as an expense in the reporting period in which the plan is amended.

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

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.

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 any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefits obligation) less any tax payable by the plan itself.

The entity account not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the entity's informal practices. Informal practices give rise to a constructive obligation where the entity has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the entity's informal practices would cause unacceptable damage to its relationship with employees.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The amount determined as a defined benefit liability may be negative (an asset). The entity measures the resulting asset at the lower of:

- the amount determined above; and

1.19 Employee benefits (continued)

- 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 these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.

The entity determines the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

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:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

The entity uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method prorated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

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

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

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

The entity recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:

- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the entity re-measure the obligation (and the related plan assets, if any) using current actuarial assumptions(including current market interest rates and other current market prices).

Significant Accounting Policies

1.19 Employee benefits (continued)

The entity offsets an asset relating to one plan against a liability relating to another plan when the entity has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

Post-employment benefit obligations are measured on a basis that reflects:

- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
- those changes were enacted before the reporting date; or
- past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

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

Significant Accounting Policies

1.19 Employee benefits (continued)

Other post retirement benefits

Recognition and measurement

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

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

The amount recognised as a liability for other long-term employee benefits is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

The entity shall recognise the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement right recognised as an asset; actuarial gains and losses,which shall all be recognised immediately;
- past service cost, which shall all be recognised immediately; and
- the effect of any curtailments or settlements.

Termination benefits

Recognition

The entity recognises termination benefits as a liability and an expense when the entity is demonstrably committed to either:

- terminate the employment of an employee or group of employees before the normal retirement date; or
- provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

The entity is demonstrably committed to a termination when the entity has a detailed formal plan for the termination and is with out realistic possibility of withdrawal. The detailed plan includes [as a minimum]:

- the location, function, and approximate number of employees whose services are to be terminated;
- the termination benefits for each job classification or function; and
- the time at which the plan will be implemented.

Implementation begins as soon as possible and the period of time to complete implementation is such that material changes to the plan are not likely.

Where termination benefits fall due more than 12 months after the reporting date, they are discounted using an appropriate discount rate. The rate used to discount the benefit reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the benefit.

In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits shall be based on the number of employees expected to accept the offer.

1.20 Provisions and contingencies

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

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

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

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

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

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

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

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

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

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

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

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 49.

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.

1.20 Provisions and contingencies (continued)

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

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

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 1.18 and 17.

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

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

1.21 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

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

Significant Accounting Policies

1.22 Revenue from exchange transactions

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

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

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

Measurement

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

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

Sale of goods

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

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

Rendering of services

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

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

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

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

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

Interest, service fees

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.

1.22 Revenue from exchange transactions (continued)

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

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

Significant Accounting Policies

1.23 Revenue from non-exchange transactions

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

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

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

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

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

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

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

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

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

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

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

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

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

Recognition

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

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

Measurement

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

Significant Accounting Policies

1.23 Revenue from non-exchange transactions (continued)

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

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

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

Transfers

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

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

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

Fines

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

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

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

1.24 Investment income

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

1.25 Borrowing costs

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

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

1.26 Accounting by principals and agents

Identification

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

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).

Significant Accounting Policies

1.26 Accounting by principals and agents (continued)

Identifying whether an entity is a principal or an agent

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

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

Binding arrangement

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

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

Assessing which entity benefits from the transactions with third parties

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

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

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

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

Recognition

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

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

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

1.27 Comparative figures

Prior year comparatives

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatements of comparative information. The nature and reason for the reclassification is disclosed. Where material accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.28 Unauthorised expenditure

1.28 Unauthorised expenditure (continued)

Unauthorised expenditure is defined in Section 1 of the Municipal Finance Management Act (MFMA) as expenditure incurred otherwise than in accordance with an approved budget, including overspending of votes or the total budget.

Unauthorised expenditure is recognised as an expense in the Statement of Financial Performance when incurred, and disclosed separately in the notes to the financial statements in accordance with Section 125(2)(d) of the MFMA and GRAP 1.

Where recovery from an official is probable, a receivable is recognised in the Statement of Financial Position. If recovery is uncertain, a contingent asset is disclosed in accordance with GRAP 19.

The municipality investigates all incidents of unauthorised expenditure in terms of Section 32(2) of the MFMA. Outcomes of investigations, including council resolutions to condone, recover, or write off such expenditure, are disclosed in the notes to the financial statements.

The municipality maintains a register of unauthorised expenditure and implements preventative controls to reduce recurrence, including budget monitoring, vote-level controls, and internal audit oversight.

1.29 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is defined in Section 1 of the MFMA as expenditure made in vain and that could have been avoided had reasonable care been exercised.

Such expenditure is recognised in the Statement of Financial Performance according to the nature of the payment (e.g. interest, penalties, travel costs) and disclosed separately in the notes to the financial statements in accordance with Section 125(2)(d) of the MFMA and GRAP 1.

Where recovery from an official is probable, a receivable is recognised in the Statement of Financial Position. If recovery is uncertain, a contingent asset is disclosed in accordance with GRAP 19.

The municipality investigates all incidents of fruitless and wasteful expenditure in terms of Section 32(2) of the MFMA. Outcomes of investigations, including disciplinary steps taken and council resolutions to recover or write off such expenditure, are disclosed in the notes to the financial statements.

A fruitless and wasteful expenditure register is maintained by the Municipality and updated annually to support audit review and internal control monitoring.

1.30 Irregular expenditure

Irregular expenditure is defined in Section 1 of the MFMA as expenditure incurred in contravention of, or not in accordance with, a requirement of applicable legislation, including the MFMA, the Municipal Systems Act, and the Public Office Bearers Act.

Irregular expenditure is recognised in the Statement of Financial Performance according to the nature of the transaction and disclosed separately in the notes to the financial statements in accordance with Section 125(2)(d) of the MFMA and GRAP 1.

Where recovery from an official or service provider is probable, a receivable is recognised. If recovery is uncertain, a contingent asset is disclosed in accordance with GRAP 19.

The municipality investigates all incidents of irregular expenditure in terms of Section 32(2) of the MFMA. Outcomes of investigations, including disciplinary steps taken and council resolutions to recover or write off such expenditure, are disclosed in the notes to the financial statements.

A register of irregular expenditure is maintained and reconciled to the AFS. The register includes investigation status, MPAC recommendations, and Council decisions. The municipality applies preventative controls through its SCM policy, internal audit, and oversight committees to reduce recurrence.

1.31 Segment information

A segment is an activity of an entity:

1.31 Segment information (continued)

- 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 01 Jul 2024 to 30 Jun 2025.

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.

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 ventures).

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.

1.33 Related parties (continued)

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.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

2. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	6 402	7 291
Bank balances	12 128 954	4 571 379
Short-term deposits	14 670 713	13 553 802
	26 806 069	**18 132 472**

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2025	30 June 2024	30 June 2023	30 June 2025	30 June 2024	30 June 2023
ABSA Bank - Cheque Account - 1005001109	1 203 280	3 035 371	3 472 643	1 714 828	3 534 456	3 472 643
Nedbank Bank - Current Account - 106 737 9770	3 257 109	741 869	1 300 324	3 255 505	1 038 733	1 300 324
FNB - Cheque 63102116571	4 276 454	-	-	7 158 620	(1 811)	-
Standard Bank 32 Day Account- Account Number 06846 176 3-003	5 423	5 079	4 800	5 423	5 079	4 800
Standard Bank Money Market Account Number 068461763-011	86 425	80 123	74 828	86 425	80 123	74 828
ABSA Call Deposit Account Number - 9195460586	243	243	243	243	243	243
ABSA Call Deposit Account Number - 9122861337	2 598	2 476	2 349	2 598	2 476	2 349
ABSA Liquidity Account Number- 9363389794	1 532 339	47 995	2 864 019	1 532 339	47 995	2 864 019
Nedbank Call Deposit Account Number - 03/7165020780/000030	2 894 876	4 007 561	3 673 474	2 894 876	4 007 561	3 673 474
Nedbank Call Deposit Account Number - 03/7165020780/000039	4 805	4 456	4 084	4 805	4 456	4 084
Nedbank Call Deposit Account Number - 03/7165020780/000040	5 225	4 845	4 441	5 225	4 845	4 441
Nedbank Call Deposit Account Number - 03/7165020780/000042/44	937 698	869 467	796 984	937 698	869 467	796 984
Nedbank Call Deposit Account Number - 03/7165020780/000043	9 201 083	8 531 564	7 820 339	9 201 083	8 531 558	7 820 339
Interest accrued	-	-	81 378	-	-	81 378
Petty Cash & Cashier Floats	6 402	8 828	9 476	6 401	7 291	9 476
Total	**23 413 960**	**17 339 877**	**20 109 382**	**26 806 069**	**18 132 472**	**20 109 382**

Variances between the cashbook and bank statements relate to valid reconciling items.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024
The following bank accounts are pledged by the Municipality		
Nedbank Limited - 03/7165020780/000042/44	937 698	869 467
This Bank account was pledged for Eskom Guarantees		
Nedbank Limited - 03/7165020780/000043	9 201 083	8 531 564
This Bank account was pledged for Eskom Guarantees		
Restricted Cash Balances - Conditional Grants	3 502 412	3 616 329
Amounts comprise of various operational and capital conditional grants for which the municipality has previously received proceeds for, however, the conditions for the amounts to be spent have not yet been met, resulting in a restriction to the cash balance.		

3. Receivables from exchange transactions

	2025	2024
Consumer debtors - Electricity	43 027 581	30 855 312
Consumer debtors - Water	19 336 455	9 573 052
Consumer debtors - Waste water	11 019 219	1 214 657
Consumer debtors - Refuse	10 642 510	5 035 578
Consumer debtors - Other	20 667 098	21 414 902
VAT Input Accrual	47 822 887	30 246 110
	152 515 750	**98 339 611**
Breakdown Net Consumer Debtors - Other		
Land Sale Debtor	18 985 167	18 985 167
Property Rental Debtors	1 570 872	1 867 969
Sundry Debtors	111 059	558 156
Service Charges	-	3 610
	20 667 098	**21 414 902**
Financial asset receivables included in receivables from exchange transactions above	**131 848 652**	**76 924 709**
Total receivables from exchange transactions	152 515 750	98 339 611

For a detailed age analysis and impairment breakdown of consumer debtors disclosed in this note, refer to Note 5:Ageing and Impairment Analysis of Consumer Debtors.

Factors considered in assessing impairment losses

The municipality assesses at the end of each reporting date whether there is objective evidence that a receivable account or group of receivable accounts is impaired. The last day of each financial year is the reporting date for the municipality, being 30 June.

Impairment exclusions

The following accounts are specifically excluded from the assessment for impairment:

- Receivable accounts with a total credit balance at reporting date;
- Receivable account balances that have not been outstanding for more than 30 days at reporting date as these account balances are considered not to be past due.

Calculation and recognition of impairment loss

Receivables from Exchange Transactions:

The municipality assesses all receivables from exchange transactions, for both individual receivable impairment as well as collective group impairment.

Figures in Rand	2025	2024

Individual receivable impairment

Individual receivable impairment identifies individual receivable accounts that meet any one of the following criteria:

- Debtors where a formal arrangement has been made, however the last payment date by the customer was before 31 March of the current financial year;
- Accounts handed over to debt collectors and/or power of attorney;
- Debtors where the last payment date by the customer was before 01 July 2024;
- All accounts indicated as in-active accounts on the system;
- When accounts have been formally presented to the CFO for consideration for write off; and
- Indigent debtors where accounts are outstanding for more than 90 days

The individual debtors that meet the above mentioned criteria, will be considered for an impairment value of 100% of the outstanding debt due as at the reporting date.

Group receivable impairment

A group assessment of receivables is further conducted on the remaining receivables balance. This impairment is calculated based on the average collection rate for the previous five financial years for each group category and sub-category of receivables.

Trade and other receivables past due but not impaired

Debtors ageing		
Consumer Debtors - Electricity (31 - 365 days)	26 928 820	30 855 312
Consumer Debtors - Water (31 - 365 days)	13 591 003	9 573 052
Consumer Debtors - Waste Water (31 - 365 days)	7 986 119	1 214 657
Consumer Debtors - Waste Management (31 - 365 days)	6 505 289	5 035 579
Consumer Debtors - Other (31 - 365 days)	19 813 382	21 118 913
	74 824 613	**67 797 513**

Trade and other receivables impaired

Debtors ageing		
Consumer Debtors - Electricity (31 - 365 days)	29 532 334	20 664 790
Consumer Debtors - Water (31 - 365 days)	62 505 393	52 933 071
Consumer Debtors - Waste Water (31 - 365 days)	61 871 488	57 769 849
Consumer Debtors - Waste Management (31 - 365 days)	59 532 563	49 187 952
Consumer Debtors - Other (31 - 365 days)	10 126 344	10 834 907
	223 568 122	**191 390 569**

Reconciliation of provision for impairment of trade and other receivables

Opening balance	191 390 568	141 781 644
Provision for impairment	32 177 554	49 608 924
	223 568 122	**191 390 568**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

4. Receivables from non-exchange transactions

Fines	220 502	244 447
Other Non-Financial Debtors	315 097	283 388
Legal Fees Receivable	1 290 016	2 000 000
Consumer debtors - Rates	20 193 848	17 930 054
Consumer debtors - Service Availability Charges	7 163 053	13 604 601
	29 182 516	**34 062 490**

Statutory receivables included in receivables from non-exchange transactions above are as follows:		
Property Rates	20 193 848	17 930 053
Municipal Traffic Fines	220 502	244 447
	20 414 350	**18 174 500**

Other non-financial asset receivables included in receivables from non-exchange transactions above are as follows:		
Insurance Debtor	217 409	217 409
Cashier Shortages	97 688	65 979
	315 097	**283 388**
Financial asset receivables included in receivables from non-exchange transactions above	**8 453 069**	**15 604 600**
Legal Fees Receivable	**1 290 016**	**2 000 000**
Service Charges (Availability)	**8 704 954**	**13 604 601**

Total receivables from non-exchange transactions	29 182 516	34 062 488

For a detailed ageing and impairment breakdown of property rates and fines, refer to Note 5: Ageing and Impairment Analysis of Consumer Debtors.

Legal Fees Receivable

The legal fees receivable relate to a PMB High Court judgement that ruled in favour of the Municipality on 5 June 2024 (case no.9754/2021P) and 15 September 2023 (case no. 3003/2022P) respectively, with the respondents ordered to pay costs.

A receivable was therefore recognized for the costs order.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

Statutory receivables general information

Transaction(s) arising from statute

Property Rates Taxes are imposed in accordance with the Municipal Property Rates Act 6 of 2004. The Act gives the Municipality the right to levy Property Rates taxes on all properties within the Municipal jurisdiction.

Traffic fines are issued to offenders in terms of the Criminal Procedures Act, hence this is therefore recognised as a statutory receivable. The receivable is calculated by determining the value of the fine to be paid on initial recognition, and accounting for subsequent measurement by taking into account reductions and discounts made to the value of the fine payable in terms of the court of law. No interest is charged on outstanding fines, and any additional penalties applied by the court is paid by the offender to the court directly, and is therefore not considered to be revenue for the municipality.

Determination of transaction amount

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

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

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

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

Statutory receivables past due but not impaired

Municipal Traffic Fines	-	244 447
Property Rates	10 543 768	17 930 052

Statutory receivables impaired

Municipal Traffic Fines	89 565 639	82 605 864
Property Rates	162 114 888	129 977 808

Reconciliation of provision for impairment for statutory receivables

Opening balance	212 583 671	181 798 881
Provision for impairment	39 096 855	30 784 790
	251 680 526	**212 583 671**

Factors considered in assessing impairment losses

The municipality assesses at the end of each reporting date whether there is objective evidence that a receivable account or group of receivable accounts is impaired. The last day of each financial year is the reporting date for the municipality, being 30 June.

Impairment exclusions

The following accounts are specifically excluded from the assessment for impairment:

- Receivable accounts with a total credit balance at reporting date;
- Receivable account balances that have not been outstanding for more than 30 days at reporting date as these account balances are considered not to be past due.

Calculation and recognition of impairment loss

Receivables from Non-Exchange Transactions, excluding traffic fine receivables:

The municipality assesses all receivables from non-exchange transactions, with the exception of traffic fine receivables, for both individual receivable impairment as well as collective group impairment.

Individual receivable impairment

Individual receivable impairment identifies individual receivable accounts that meet any one of the following criteria:

- Debtors where a formal arrangement has been made, however the last payment date by the customer was before 31 March of the current financial year;
- Accounts handed over to debt collectors and/or power of attorney;
- Debtors where the last payment date by the customer was before 01 July 2024;
- All accounts indicated as in-active accounts on the system;
- When accounts have been formally presented to the CFO for consideration for write off; and
- Indigent debtors where accounts are outstanding for more than 90 days

The individual debtors that meet the above mentioned criteria, will be considered for an impairment value of 100% of the outstanding debt due as at the reporting date.

Group receivable impairment

A group assessment of receivables is further conducted on the remaining receivables balance. This impairment is calculated based on the average collection rate for the previous five financial years for each group category and sub-category of receivables.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024
Traffic Fines - Gross Debtor		
Current (0 - 30 days)	513 550	722 450
31 - 60 days	749 950	742 000
61 - 90 days	730 250	766 100
91 - 120 days	719 560	795 950
121 - 365 days	4 222 520	5 795 650
> 365 days	82 850 311	74 028 161
	89 786 141	**82 850 311**
Property Rates		
Current (0 - 30 days)	9 650 081	7 455 437
31 - 60 days	4 818 025	3 558 591
61 - 90 days	4 428 320	3 210 533
91 - 120 days	4 073 088	3 004 060
>121 days	159 339 224	130 679 239
	182 308 738	**147 907 860**
Breakdown of net Property Rates Debtors		
Gross Debtors	182 308 738	147 907 860
Provision for impairment	(162 114 888)	(129 977 808)
	20 193 850	**17 930 052**
Breakdown of net Traffic Fines Debtors		
Gross Debtors	89 786 141	82 850 311
Provision for impairment	(89 565 639)	(82 605 864)
	220 502	**244 447**

Receivables from non-exchange transactions past due but not impaired

Service Availability Charges	4 457 755	13 604 601

Receivables from non-exchange transactions impaired

Service Availability Charges	16 045 819	10 021 427

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

Opening balance	10 021 427	6 850 943
Provision for impairment	6 024 392	3 170 484
	16 045 819	**10 021 427**
Breakdown of net Service Charges Availability Debtors		
Gross Debtors	23 208 873	23 626 028
Provision for Impairment	(16 045 819)	(10 021 427)
	7 163 054	**13 604 601**

Figures in Rand	2025	2024

5. Ageing and Impairment Analysis of Consumer Debtors

Gross balances		
Consumer debtors - Rates	182 308 736	147 907 861
Consumer debtors - Electricity	72 559 915	51 520 102
Consumer debtors - Water	81 841 848	62 506 123
Consumer debtors - Waste water	72 890 706	58 984 506
Consumer debtors - Refuse	70 175 074	54 223 529
Consumer debtors - Other	30 793 442	32 249 809
VAT Input Accrual	47 822 887	30 246 110
Consumer debtors - Service Availability Charges	23 208 872	23 626 028
	581 601 480	**461 264 068**

Less: Allowance for impairment		
Consumer debtors - Rates	(162 114 888)	(129 977 807)
Consumer debtors - Electricity	(29 532 334)	(20 664 790)
Consumer debtors - Water	(62 505 393)	(52 933 071)
Consumer debtors - Waste water	(61 871 487)	(57 769 849)
Consumer debtors - Refuse	(59 532 564)	(49 187 951)
Consumer debtors - Other	(10 126 344)	(10 834 907)
Consumer debtors - Service Availability Charges	(16 045 819)	(10 021 427)
	(401 728 829)	**(331 389 802)**

Net balance		
Consumer debtors - Rates	20 193 848	17 930 054
Consumer debtors - Electricity	43 027 581	30 855 312
Consumer debtors - Water	19 336 455	9 573 052
Consumer debtors - Waste water	11 019 219	1 214 657
Consumer debtors - Refuse	10 642 510	5 035 578
Consumer debtors - Other	20 667 098	21 414 902
VAT Input Accrual	47 822 887	30 246 110
Consumer debtors - Service Availability Charges	7 163 053	13 604 601
	179 872 651	**129 874 266**

This note provides a detailed ageing and impairment breakdown of consumer debtors disclosed in Notes 3 and 4.
It includes both exchange and non-exchange receivables subject to impairment testing.

Rates		
Current (0 -30 days)	9 650 081	7 455 437
31 - 60 days	1 584 539	3 558 591
61 - 90 days	1 262 127	3 210 533
91 - 120 days	979 229	3 705 493
> 121 days	6 717 872	-
	20 193 848	**17 930 054**

Electricity		
Current (0 -30 days)	16 098 761	13 692 905
31 - 60 days	3 576 571	4 555 724
61 - 90 days	2 958 288	3 924 966
91 - 120 days	2 006 545	2 174 877
> 121 days	18 387 416	6 506 840
	43 027 581	**30 855 312**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024
Water		
Current (0 -30 days)	5 745 453	6 011 596
31 - 60 days	1 307 925	3 561 456
61 - 90 days	1 074 094	-
91 - 120 days	808 531	-
121 - 365 days	10 400 452	-
	19 336 455	**9 573 052**
Waste water		
Current (0 -30 days)	3 033 099	1 214 657
31 - 60 days	734 588	-
61 - 90 days	639 817	-
91 - 120 days	615 544	-
121 - 365 days	5 996 171	-
	11 019 219	**1 214 657**
Refuse		
Current (0 -30 days)	4 137 223	3 604 352
31 - 60 days	779 479	1 431 226
61 - 90 days	1 153 761	-
91 - 120 days	567 535	-
121 - 365 days	4 004 512	-
	10 642 510	**5 035 578**
Other		
Current (0 -30 days)	853 714	112 756
31 - 60 days	37 123	96 249
61 - 90 days	30 754	86 784
91 - 120 days	23 356	173 475
121 - 365 days	19 722 151	20 945 638
	20 667 098	**21 414 902**
Consumer debtors - Service Availability Charges		
Current (0 -30 days)	2 705 299	1 632 552
31 - 60 days	275 328	119 720
61 - 90 days	225 477	118 523
91 - 120 days	203 606	117 228
121 - 365 days	3 753 343	11 616 578
	7 163 053	**13 604 601**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

6. Inventories

Stores, Materials & Fuels	28 181 586	25 576 826
Water for distribution	192 442	179 551
Land Inventory	66 419 294	58 829 294
	94 793 322	**84 585 671**

Inventory pledged as security

No Inventory was pledged as security, and no inventory was written off in the current year and prior year.

Water for distribution

Opening balance	179 551	179 551
System input volume	12 891	-
Closing balance	**192 442**	**179 551**

Land Inventory

Reconciliation of Land Inventory		
Opening Balance	58 829 294	58 829 294
Transfer from Property, Plant and Equipment	7 590 000	-
	66 419 294	**58 829 294**

A register containing the information of land available for resale is available for inspection at the registered office of the Municipality.

7. Investment property

	2025			2024		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	68 609 000	-	68 609 000	64 797 000	-	64 797 000

Reconciliation of investment property - 2025

	Opening balance	Fair value adjustments	Total
Investment property	64 797 000	3 812 000	68 609 000

Reconciliation of investment property - 2024

	Opening balance	Fair value adjustments	Total
Investment property	61 557 000	3 240 000	64 797 000

Pledged as security

No investment property was pledge as security against any liability.

Contractual Obligations

The municipality has no contractual obligations for the purchase, construction, development, repairs, maintenance or enhancement of investment property as at 30 June 2025.

Details of property

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

Valuation Methodology and Assumptions

The effective date of the revaluations was 30 June 2025. The fair value of investment property was determined using the open market value approach, applying the comparable sales method. Key assumptions include location, zoning, property condition, and recent market transactions for similar properties. The valuation was performed by Umhlaba Geomatics Incorporated, an independent and registered professional valuer. The Municipality has Investment Properties in the Towns of Vryheid, Bhekuzulu, Mondlo A, Mondlo B and Louwsburg.

Operating Expenses

No direct operating expenses were incurred on investment property during the year.

Amounts recognised in surplus or deficit

Rental revenue from Investment property	1 719 584	1 040 448

8. 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	130 067 806	-	130 067 806	137 657 806	-	137 657 806
Buildings	149 743 190	(86 722 664)	63 020 526	149 994 147	(83 629 817)	66 364 330
Plant and machinery	3 171 206	(2 308 133)	863 073	3 319 106	(2 604 911)	714 195
Furniture and fixtures	2 783 773	(2 472 030)	311 743	2 813 770	(2 489 053)	324 717
Motor vehicles	35 971 274	(21 096 551)	14 874 723	35 363 285	(16 618 345)	18 744 940
IT equipment	5 781 178	(3 744 355)	2 036 823	4 779 734	(3 356 942)	1 422 792
Infrastructure	2 552 676 266	(2 064 433 532)	488 242 734	2 530 648 561	(1 972 028 362)	558 620 199
Community	326 815 626	(166 435 716)	160 379 910	295 514 740	(161 864 700)	133 650 040
Solid Waste Infrastructure	69 599 540	(51 402 535)	18 197 005	67 445 640	(47 762 240)	19 683 400
Total	**3 276 609 859**	**(2 398 615 516)**	**877 994 343**	**3 227 536 789**	**(2 290 354 370)**	**937 182 419**

Reconciliation of property, plant and equipment - 2025

	Opening balance	Additions	Disposals	Transfers in	Transfers out	Depreciation	Impairment loss	Total
Land	137 657 806	-	-	-	(7 590 000)	-	-	130 067 806
Buildings	66 364 330	-	(1 074)	-	-	(3 342 730)	-	63 020 526
Plant and machinery	714 195	298 575	(23 074)	-	-	(126 623)	-	863 073
Furniture and fixtures	324 717	58 844	(5)	-	-	(62 840)	(8 974)	311 743
Motor vehicles	18 744 940	1 089 557	(350 106)	-	-	(4 609 668)	-	14 874 723
IT equipment	1 422 792	1 065 499	(2 677)	-	-	(436 185)	(12 606)	2 036 823
Infrastructure	558 620 199	23 991 978	(17 689)	28 397 997	(28 397 997)	(93 351 317)	(1 000 437)	488 242 734
Community	133 650 040	32 663 989	(8 861)	20 569 268	(20 569 268)	(5 920 504)	(4 754)	160 379 910
Solid Waste Infrastructure	19 683 400	2 153 908	-	-	-	(3 640 303)	-	18 197 005
	937 182 419	**61 322 350**	**(403 486)**	**48 967 265**	**(56 557 265)**	**(111 490 170)**	**(1 026 771)**	**877 994 343**

Reconciliation of property, plant and equipment - 2024

	Opening balance	Additions	Disposals	Transfers in	Transfers out	Depreciation	Impairment loss	Total
Land	137 657 806	-	-	-	-	-	-	137 657 806
Buildings	69 757 035	-	(34 021)	-	-	(3 358 684)	-	66 364 330
Plant and machinery	915 167	-	(74 597)	-	-	(126 375)	-	714 195
Furniture and fixtures	353 876	76 628	(25 639)	-	-	(80 148)	-	324 717
Motor vehicles	14 532 921	12 051 656	(297 344)	-	-	(7 526 735)	(15 558)	18 744 940
IT equipment	820 634	1 027 686	(27 119)	-	-	(394 502)	(3 907)	1 422 792
Infrastructure	638 862 994	30 015 771	(225 706)	36 487 960	(36 487 960)	(109 641 174)	(391 686)	558 620 199
Community	114 597 760	24 709 636	(38 863)	7 235 216	(7 235 216)	(5 616 237)	(2 256)	133 650 040
Solid Waste Infrastructure	23 101 893	-	-	-	-	(3 418 493)	-	19 683 400
	1 000 600 086	**67 881 377**	**(723 289)**	**43 723 176**	**(43 723 176)**	**(130 162 348)**	**(413 407)**	**937 182 419**

Pledged as security

No Property, Plant & Equipment was pledged as security.

Depreciation

In accordance with GRAP 17.61, the municipality has assessed its infrastructure assets for componentization. Significant components with differing useful lives, such as roads and stormwater systems, are accounted for separately where applicable. Where componentization is not material or the useful lives are uniform, assets are depreciated as single units.

Residual values have been assessed as immaterial for all asset classes and are therefore not separately disclosed or applied in depreciation calculations.

During the current financial year, the municipality reassessed the remaining useful lives of several asset classes, resulting in a reduction in depreciation of R22,254,807. This change in accounting estimate is disclosed in Note 65 and has been applied prospectively in accordance with GRAP 3.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

Assets subject to finance lease (Motor Vehicles)

Reconciliation of finance leases assets		
Opening Balance	13 273 764	7 195 334
Additions	1 037 556	12 051 588
Depreciation	(3 511 800)	(5 973 158)
Disposals	(258 879)	-
	10 540 641	**13 273 764**

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	15 562 942	22 125 461
Community	36 593 468	24 499 046
	52 156 410	**46 624 507**

Property, plant and equipment that is taking a significantly longer period of time to complete than expected		
Mhlanga Gravel Road - Phase 3	-	1 378 600
This project has been completed.		
Market Stalls - Ward 18	-	3 495 751
This project has been completed.		
Mvuzini Community Hall - Ward 18	-	7 257 425
This project has been completed.		
KwaGwebu Sportsfield	-	4 019 313
This project has been completed..		
Louwsberg Sportfield	12 231 423	8 830 295
Project delayed due to Slow Progress on site (2025). Expected completion in the 2026 financial year.		
Mpongoza Access Road & Bridge Structure (Phase 3 to 4) - Ward 4	-	1 922 258
The project has been completed.		
Bhekuzulu Road Paving Phase 2	1 406 976	194 964
MIG funds were exhausted. Project put on hold.		
Tarring of Road Kwabalele next to Police Station	4 995 057	3 224 671
MIG funds exhausted, expected completion date not yet known.		
Bhekumthetho Electrification - Ward 19	6 994 415	6 400 381
Change in priority, funding channelled to MASON Street Sub-Station.		
	25 627 871	**36 723 661**

Reconciliation of Work-in-Progress 2025

	Included within Infrastructure	Included within Community	Total
Opening balance	22 125 461	24 499 046	46 624 507
Additions/capital expenditure	21 835 478	32 663 690	54 499 168
Transferred to PPE completed assets	(28 397 997)	(20 569 268)	(48 967 265)
Impairment loss on WIP	(900 059)	-	(900 059)
	14 662 883	**36 593 468**	**51 256 351**

Figures in Rand	2025	2024

Reconciliation of Work-in-Progress 2024

	Included within Infrastructure	Included within Community	Total
Opening balance	28 936 881	7 024 626	35 961 507
Additions/capital expenditure	30 015 762	24 709 636	54 725 398
Transferred to PPE completed assets	(36 487 960)	(7 235 216)	(43 723 176)
Impairment loss on WIP	(339 222)	-	(339 222)
	22 125 461	**24 499 046**	**46 624 507**

Expenditure incurred to repair and maintain property, plant and equipment

	2025	2024
Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance		
Contracted services	50 491 613	44 686 187

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.

9. 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	2 484 740	(2 414 768)	69 972	2 484 740	(2 329 150)	155 590

Reconciliation of intangible assets - 2025

	Opening balance	Amortisation	Total
Computer software, other	155 590	(85 618)	69 972

Reconciliation of intangible assets - 2024

	Opening balance	Amortisation	Total
Computer software, other	239 471	(83 881)	155 590

Pledged as security

No intangible assets was pledged as security.

Notes to the Annual Financial Statements

Other information

Nature and Description

The municipality’s intangible assets consist of acquired computer software used for financial management, billing, and GIS mapping. These assets are not internally generated and are held for administrative purposes.

Amortisation and Useful Life

Intangible assets are amortised on a straight-line basis over their estimated useful lives of 5–10 years. The amortisation method and useful life were reviewed at year-end in accordance with GRAP 31.63. No changes were deemed necessary.

Impairment Testing

In line with GRAP 31.118(e), the municipality assessed intangible assets for impairment at year-end. No indicators of impairment were identified, and no impairment losses or reversals were recognised.

Restrictions and Commitments

There are no restrictions on title, nor are any intangible assets pledged as security. The municipality has no contractual commitments for the acquisition or development of intangible assets at year-end (GRAP 31.118(g)).

10. Heritage assets

	2025			2024		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Monuments	3 854 570	-	3 854 570	3 854 570	-	3 854 570

Reconciliation of heritage assets 2025

	Opening balance	Total
Monuments	3 854 570	3 854 570

Reconciliation of heritage assets 2024

	Opening balance	Total
Monuments	3 854 570	3 854 570

Other Information

Nature and Location

The municipality’s heritage assets consist of five public monuments located in Vryheid and Louwsburg. These include war memorials and cultural statues of historical significance. The assets are held indefinitely for the benefit of present and future generations.

Preservation and Management Policies

The municipality has adopted a preservation policy that includes:

- Annual physical inspections
- Maintenance under the Parks and Recreation unit
- Restrictions on alteration or disposal without council resolution

These policies are disclosed in accordance with GRAP 103.74(c).

Restrictions on Disposal

In terms of municipal by-laws and heritage protection legislation, these assets are inalienable and cannot be disposed of without ministerial or council approval (GRAP 103.74(d)).

Impairment Testing

Heritage assets were assessed for impairment in accordance with GRAP 103.74(e). No impairment losses or reversals were recognised during the year.

Operating Expenditure

No direct operating expenditure was incurred on Heritage Assets during the year.

11. Living Resources

	2025			2024		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Timber Plantation	34 552 823	-	34 552 823	29 255 804	-	29 255 804

Reconciliation of living resources - 2025

	Opening balance	Decreases due to harvest / sales	Revaluation Adjustments	Total
Timber Plantation	29 255 804	(1 702 608)	6 999 627	34 552 823

Reconciliation of living resources - 2024

	Opening balance	Decreases due to harvest / sales	Revaluation Adjustments	Total
Timber Plantation	29 722 035	(7 333 189)	6 866 958	29 255 804

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

Classification

Nature and Classification

The plantations are situated across Portion 14 and 16 of Farm Grootgewacht No. 76 HT, and the Remainder of ERF 10 000 in Vryheid. The municipality controls timber plantations located on these properties, comprising Wattle (Acacia mearnsii), Gum (Eucalyptus Grandis, Dunnii, Smithii), and Pine (Pinus elliottii) species.

The timber plantation is recognised as a living resource held for custodial service potential under GRAP 110. The assets are not pledged as security, and there are no restrictions on title. No commitments or encumbrances exist in respect of the plantations.

Valuer Credentials

Valuation was performed by Mr. A.R. Stephenson, a registered Professional Valuer (No. 3012/2) holding qualifications in Agricultural Management, Law, and Forestry Valuation (FIV(SA), AFM(UK), LLB). The valuer is independent and accredited in terms of the Property Valuers Profession Act, 2000.

Notes to the Annual Financial Statements

Methods and assumptions used in determining fair value

The plantation is measured at fair value, based on the valuation conducted by independent valuators using stumpage pricing, species profiling, drone imagery and GIS mapping, as well as physical inspections.

For the purposes of determining the Market Value for the underlying timberland and veld grazing (Portion 14 of the Farm Grootgewacht No 76), the Comparable Sales Method has been used. This method involves applying the principle of substitution using market-derived data, on the basis that a person would pay no more for a good or service than the cost of acquiring an equally satisfactory substitute. This comparative approach considers sales of similar or substitute properties and related market data, and establishes a value estimate by comparison. This is the preferred method of the South African judicature.

For the purposes of determining the standing timber values, the Faustmann method has been applied. The Faustmann Formula relies on inputs in order to calculate the Net Standing Value per Specie per Rotation cycle. These rates were obtained from the following sources for the year ended 30 June 2025.

- FES Detailed Analysis and Cost Benchmark Report South Africa 2023 (escalated by the PPI Index for June 2025).
- Stats SA Producer Price Index May 2025 published 26 June 2025.
- NCT Prices for Wattle and Gum 2024 2023 (escalated by the PPI Index for June 2025)..
- FES Prices for Wattle Bark and Pine (escalated by the PPI Index for June 2025).

A summary of other key inputs are as follows:

The fair value measurement is classified as Level 3 in the fair value hierarchy in accordance with GRAP 110.60, due to the use of unobservable inputs, including species-specific growth rates, internal rate of return assumptions, and escalated cost benchmarks.

Internal Rate of Return per Rotation Period (IRR) based on the Faustmann Method					
Summary		**RotationPeriod**	**2023**	**2024**	**2025**
Species	Open/Unplanted		0%	0%	0%
	Wattle	10	11.42%	10.28%	10.35%
	Gum:				
	Grandis - Plant	10	9.07%	7.65%	7.70%
	Grandis - Coppice	10	11.74%	9.85%	9.94%
	Dunnii - Plant	10	5.14%	3.78%	3.81%
	Smithii - Plant	10	2.38%	1.06%	1.07%
	Smithii - Coppice	10	4.74%	3.00%	3.03%
	Pine - Plant	25	1.70%	1.67%	1.68%

Notes to the Annual Financial Statements

Sensitivity Analysis

In accordance with GRAP 110.45, a sensitivity analysis was performed to assess the impact of changes in key unobservable inputs. A 10% increase or decrease in income, expenditure, or volume (MAI) results in the following estimated valuation movements for the year ended 30 June 2025:

Variable	Base Value (R)	+10% Scenario (R)	-10% Scenario (R)	Variance Range (± R)
Income	34,552,822	38,158,965	31,000,617	7,158,348
Expenditure	34,552,822	33,861,203	35,164,938	1,303,735
Volume (MAI)	34,552,822	36,105,388	32,942,455	3,162,934

These ranges reflect the biological and economic uncertainty inherent in timber valuation and support the classification of the asset as Level 3.

Special Assumptions with regards to the valuation

*In Hill v Mercrowe Forestry, Case No I 1015/77, Freedman J found that the; *"Faustmann formula properly used and properly applied affords the most accurate starting point…of placing a valuation on the standing trees as they were before the fire"*

The above case dealt with a fire on the defendant's farm which spread to the plaintiff's farm where it caused considerable damage to the timber plantations. The plaintiff instituted action in order to recover compensation from the defendant for his losses. In the valuers experience, and him having consulted with the various forestry experts, a purchaser, purchasing the standing timber requires a profit on his investment. Thus, the purchaser would discount the costs of establishing and tending the plantations etc. as determined by the Faustmann formula by between 20% and 30%. The valuer has adopted a rate of 25%.

Explanations of Significant Movement

The increase in carrying value over the three-year period is attributable to:

- Species maturity progression across compartments and age classes.
- Inflation-adjusted valuation inputs based on CPI and PPI indices.
- Updated market pricing for timber and bark.

Commitments and Restrictions:

There are no commitments associated with the Timber Plantation at 30 June 2025. The municipality retains control over the asset, and no restrictions on title exist nor is any timber pledged as security for liabilities. The operations of the timber plantation are currently subject to litigation relating to historical operational arrangements. The matter has been disclosed as a contingent liability in Note 50.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

12. Payables from exchange transactions

Trade payables and accruals	306 086 271	204 465 290
VAT Output Accrual	32 122 374	27 955 848
Retentions	13 025 940	14 182 051
Accrued leave pay	16 213 969	14 877 847
Unallocated deposits	12 409 741	7 347 399
Advance payments	7 004 473	7 171 309
Payroll related - third parties payable	3 264 203	3 604 727
Standby allowance payable	277 311	309 347
Overtime payable	1 970 415	1 657 578
Bonus Accrual	4 640 120	4 364 604
	397 014 817	**285 936 000**

13. Consumer deposits

Electricity	15 950 464	15 135 451
Water	1 781 358	1 676 212
Property Rentals - Halls	1 217 511	1 190 580
	18 949 333	**18 002 243**

14. Employee benefit obligations

Defined benefit plans - General information

Post retirement benefit plan

The municipality provides certain post retirement medical benefits by funding the medical aid contributions of certain retired members of the municipality. According to the rules of the medical aid funds with which the municipality is associated a member (who is on the current condition of service) on retirement is entitled to remain a continued member of such medical aid fund in which case the municipality is liable for a certain portion of the medical aid membership fee.

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

Carrying value		
Present value of the defined benefit obligation-wholly unfunded	(56 144 361)	(48 599 000)
Present value of the defined benefit obligation-partly or wholly funded	(11 857 541)	(11 581 001)
	(68 001 902)	**(60 180 001)**
Non-current liabilities	(63 183 729)	(55 989 001)
Current liabilities	(4 818 173)	(4 191 000)
	(68 001 902)	**(60 180 001)**

The Provision for Post Employment Medical Aid Subsidy and Long Service Bonus Awards was determine in accordance with the revised GRAP 25 effectively from 1 April 2024. The GRAP 25 Accounting Standard which requires the liability to be measure using the Projected Unit Credit Method at valuation date as at 30 June 2025.

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

Opening balance	60 180 001	56 438 000
Net expense recognised in the statement of financial performance	7 821 901	3 742 001
	68 001 902	**60 180 001**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

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

Service cost	926 901	(2 883 000)
- Current service cost	2 777 000	2 771 000
- Gains & losses on settlement	(1 850 099)	(5 654 000)
Net interest on the net defined benefit liability (asset)	6 895 000	6 625 000
	7 821 901	**3 742 000**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

Key assumptions used

The following assumptions were used at the reporting date for Post Employment Medical Aids Subsidy:

	2025	2024
Discount rates used	11,65 %	12,20 %
Future price inflation expectation	5,56 %	6,19 %
Health care cost inflation	7,06 %	7,69 %
Net discount rate	4,28 %	5,39 %

The yield curves used for the derivation of the discount rate are the NACS (Nominal and Real) Zero Curves as published by the Johannesburg Stock Exchange. The Nominal NACS curve illustrates the nominal zero-coupon yields, which are Nominal Compounded Semi-Annually. This gives an idea of the nominal return at varying durations.

The Real NACS curve illustrates Real zero-coupon bond yields, which are Nominal Annual Compounded Semi-Annually. This gives an idea of the real return at varying durations.

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 11.79 years. At this duration, the discount rate determined by using the Bond Exchange Zero Coupon Yield Curve as at 30 June 2025 is 11.65% per annum, and the yield on inflation-linked bonds of a similar term was about 5.29% per annum. This implies an underlying expectation of inflation of 5.56% per annum ([1 + 11.65%-0.5%] / [1+ 5.29%] - 1). The 0.5% deduction is there to account for biases and market frictions that distort the clean nominal–real yield differential due to seasonal CPI lags in index-linked bonds, liquidity premiums, market segmentation and mismatching compounding projections that might be present in the market.

The assumption is that healthcare cost inflation would exceed general inflation by 1.50% per annum, i.e. 7.06% 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. The assumption is thus a net discount factor of 4.28% per annum ([1 + 11.65%] / [1 + 7.06%] - 1).

Eligible Employees

	Average age (Years) 30 June 2025	Average employer monthly subsidy 30 June 2025
Active employees (medical aid members)	45.03	R4,3,43.71*
Continuation pensioners	72.73	R5,529.41

*Based on the marriage assumptions detailed in this report.

Subsidy Policy

Employees who retire while belonging to a medical aid scheme will qualify for a post-retirement subsidy on their contributions, provided they have completed at least ten years of service at the time of retirement. The level of subsidy depends on the medical scheme:

- Those enrolled with Bonitas will receive a subsidy equal to 61.8% of their contribution.
- Members of any other approved medical schemes will receive a subsidy of 66.7%.

These subsidy levels also apply to continuation members and their eligible dependants. In the event of a member's death while still employed, surviving dependants are assumed to qualify for the same post -retirement subsidy, subject to the same minimum service requirement.

Demographic Assumptions

The demographic and decrement assumptions were consistent in the previous and current valuation period, and are as follows:

Assumptions	Active employees	Pensioners
Normal retirement age	65	-
Fully accrued age. This is the average age of retirement, taking into account early retirement and ill-health decrements.	63	-
Employment age used for past service period	Actual service entry ages	
Age difference between spouses, is assumed that the male spouse is older.	5 years	5 years
Proportion married	60% assumed married at retirement	Actual marital status
Continuation percentage of post-employment medical aid subsidies at retirement for active members.	75%	N/A
The proportion of active employees not on medical aid joining a medical scheme by retirement and continuing the subsidy in retirement. We have assumed they would opt for the SAMWUMED option B plan.	10%	N/A

Age Band	Withdrawal rates (Male)	Withdrawal rates (Female)
20-24	9.0%	9.0%
25-29	8.0%	8.0%
30-34	6.0%	6.0%
35-39	5.0%	5.0%
40-44	5.0%	5.0%
45-49	4.0%	4.0%
50-54	3.0%	3.0%
55-59	-	-
60+	-	-

Member profile

Active Employees who are medical scheme members:

Age Band	Number of active employees	Average past service (years)
<25	-	-
25<20	10	1.43
30<35	31	4.63
35<40	41	6.63
40<45	60	10.53
45<50	56	13.55
50<55	46	16.13
55<60	27	17.81
60<65	14	22.73
>=65	2	28.05
Total	**287**	**11.91**

Active Employees who are not medical scheme members:

Age Band	Number of active employees	Average past service (years)
<25	-	-
25<20	19	1.70
30<35	25	2.54
35<40	26	4.31
40<45	27	8.01
45<50	23	12.31
50<55	18	15.09
55<60	22	18.18
60<65	18	25.48
>=65	4	23.59
Total	**182**	**10.61**

Continuation Members:

Age Band	Number of continuation pensioners
<45	-
45-49	1
50-54	-
55-59	1
60-64	6
65-69	13
70-74	10
75-79	5
80-84	5
85-89	6
>90	2
Total	**49**

Notes to the Annual Financial Statements

Sensitivity analysis

Healthcare Cost Inflation And Discount Rate

	Percentage Change	1% decrease R	Valuation Basis R	1% increase R	Percentage Change
Healthcare Cost Inflation Rate					
Accrued Liability	-9.53%	50 795 862	56 144 361	63 604 476	13.29%
Service Cost	-7.74%	1 747 695	1 894 242	2 515 647	32.08%
Net Interest Expense	-6.84%	5 906 976	6 340 507	7 476 962	17.91%
Discount Rate					
Accrued Liability	12.83%	63 348 848	56 144 361	50 917 204	-9.31%
Service Cost	30.78%	2 477 216	1 894 242	1 779 006	-6.08%
Net Interest Expense	7.33%	6 805 481	6 340 507	6 432 225	1.45%

As per the table above, a 1% increase in the healthcare cost inflation rate results in a 13.29% increase in the accrued liability, whilst a 1% decrease in the salary increase rate will result in a 9.53% decrease in the accrued liability. Increasing healthcare cost inflation leads to greater subsidies being paid by the entity in respect of continuation members. This, in turn, increases the size of the accrued liability.

Inversely, a 1% increase in the discount rate results in a 9.31% decrease in the accrued liability, whilst a 1% decrease in the discount rate will result in a 12.83% increase in the accrued liability. The discount rate is inversely related to the accrued liability. An increase in the discount rate increases the accrued liability and vice versa.

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

Post-retirement mortality

The table below shows the impact of a 20% increase and 20% decrease in the mortality assumptions:

	Percentage Change	20% decrease R	Valuation Basis R	20% increase R	Percentage Change
Healthcare Cost Inflation Rate					
Accrued Liability	8.13%	60 711 457	56 144 361	53 170 601	-5.30%
Service Costs	16.70%	2 210 664	1 894 242	1 987 866	4.94%
Net Interest Expense	12.17%	7 112 216	6 340 507	6 208 236	-2 09%

A 20% reduction in the mortality basis will increase the accrued liability by 8.13% while a 20% increase will reduce the accrued liability by 5.30%.

Notes to the Annual Financial Statements

Long Service Bonus Awards

It is the policy of the municipality to provide Long Service Bonus Awards to eligible employees. The municipality makes a provision for the Long Service Bonus Awards in accordance with the revised GRAP 25 effectively from 1 April 2024. The GRAP 25 Accounting Standard which requires the liability to be measure using the Projected Unit Credit Method at valuation date as at 30 June 2025.

The municipality offers eligible employees Long Service Bonus Awards for every 5 years of service completed. The Long Service Bonus Award is applicable from 5 years to 45 years of service completed.

Long Service Bonus Award Policy

The table below outlines the applicable Long Service Awards Bonus Policy:

Completed service (Years)	Long Service Bonus Awards (Days Accumulated)	Determination of cash bonus R
5	10 days accumulative leave	10/250* x Annual Salary
10	20 days accumulative leave	20/250* x Annual Salary
15,20,25,30,35,40,45	30 days accumulative leave	30/250* x Annual Salary

*A day of accumulated leave is worth 1/250 of the annual salary.

Long service accumulated leave must be taken within one year of receiving such leave or may be wholly or partially cashed. In most cases, employees choose to exercise the option to wholly convert their accumulated leave bonus days into cash.

Employees that reach 25 years of service are further are granted a cash award of R10,000. This amount is fixed, with no future increases anticipated.

Key Assumptions used

Financial Assumptions

Assumption	30 June 2025	30 June 2024
Discount rate	8.86%	10.89%
Future Price Inflation Expectation	3.36%	5.00%
Salary Increase Rate	4.36%	6.00%
Net Discount Rate	**5.32%**	**4.62%**

The yield curves used for the derivation of the discount rate are the NACS (Nominal and Real) Zero Curves as published by the Johannesburg Stock Exchange. The Nominal NACS curve illustrates the nominal zero-coupon yields which are Nominal Compounded Semi-Annually. This gives us an idea of the nominal return at varying durations. The Real NACS curve illustrates Real zero-coupon bond yields,which are Nominal Annual Compounded Semi-Annually. This gives us an idea of the real return at varying durations.

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 4.93 years. At this duration, the discount rate determined by using the Bond Exchange Zero Coupon Yield Curve as at 30 June 2025 is 8.86%per annum, and the yield on inflation-linked bonds of a similar term was about 4.83% per annum. This implies an underlying expectation of price inflation of 3.36% per annum ([1 + 8.86%-0.5%] / [1+ 4.83%] - 1). The 0.5% deduction is there to account for biases and market frictions that distort the clean nominal–real yield differential due to seasonal CPI lags in index-linked bonds, liquidity premiums, market segmentation and mismatching compounding projections that might be present in the market.

It is assumed that salary inflation would exceed general inflation by 1.00% per annum, i.e. 4.36% per annum.

Notes to the Annual Financial Statements

However, it is the relative levels of the discount rate and salary inflation to one another that are important, rather than the nominal values. Municipality has assumed a net discount factor of 5.32% per annum ([1 + 8.86%] / [1 + 4.36%] - 1).

Demographic Assumptions

Assumption	30 June 2025	30 June 2024
Normal retirement age (years)	65	65
Average retirement age (years)	63*	63*
Mortality	SA85-90**	SA85-90**

* The average retirement age for all active employees was assumed to be 63 years. This assumption implicitly allows for early retirement and ill-health retirement.

** These are standard mortality tables, and their use complies with industry practice. They are published by ASSA.

The following withdrawal assumptions were applicable over the prior and current valuation periods:

Age Band	Withdrawal rates (Male)	Withdrawal rates (Female)
20-24	9.0%	9.0%
25-29	8.0%	8.0%
30-34	6.0%	6.0%
35-39	5.0%	5.0%
40-44	5.0%	5.0%
45-49	4.0%	4.0%
50-54	3.0%	3.0%
55-59	-	-
60+	-	-

These rates are based on the professional judgement of the actuary and the past experience of the municipality. They are updated regularly to ensure that they align with the actual experience and expected future trends as closely as possible.

Eligible Employees

	30 June 2025	30 June 2024
Number of employees	469	446
Average annual salary (R)	265 927*	247 999
Average age (years)	44.75	45.30
Average past service (years)	11.41	12.00

*The average annual salary includes a provision of 5.01% increase as at 1 July 2024. This is the salary increase rate published by the SALGA Bargaining Council.

Notes to the Annual Financial Statements

Sensitivity analysis

Salary Increase And Discount Rate

	Percentage Change	1% decrease R	Valuation Basis R	1% increase R	Percentage Change
Salary Inflation Rate					
Opening Accrued Liability	-4.29%	11 804 000	11 581 000	12 122 000	4.67%
Service Cost	-5.75%	1 132 000	1 201 000	1 277 000	6.33%
Net Interest Expense	-4.88%	1 071 000	1 126 000	1 185 000	5.24%
Discount Rate					
Opening Accrued Liability	5.18%	12 181 000	11 581 000	11 038 000	-4.69%
Service Cost	5.83%	1 271 000	1 201 000	1 138 000	-5.25%
Net Interest Expense	-4.00%	1 081 000	1 126 000	1 165 000	3.46%

A 1% increase in the salary increase rate as at 30 June 2026 results in a 5.60%increase in the accrued liability,whilst a 1% decrease in the salary increase rate will result in a 5.14% decrease in the accrued liability. An increase in salary inflation increases the salaries upon which the long-service awards are based. This, in turn, leads to an increase in the accrued liability.

Inversely, a 1% increase in the discount rate as at 30 June 2026 results in a 5.15% decrease in the accrued liability, whilst a 1% decrease in the discount rate will result in a 5.69% increase in the accrued liability. The discount rate is inversely related to the accrued liability. An increase in the discount rate decreases the accrued liability and vice versa.

Average Retirement Age

	Percentage Change	61 years R	Valuation Basis R	65 years R	Percentage Change
Opening Accrued Liability	-8.82%	10 559 000	11 581 000	12 414 000	7.19%
Service Cost	-7.24%	1 114 000	1 201 000	1 260 000	4.91%
Net Interest Expense	-9.95%	1 014 000	1 126 000	1 215 000	7.90%

The adjustment would result in a 10.43% decrease and a 7.32% increase in the accrued liability, respectively. By decreasing the average retirement age, we are reducing the chances of eligible members receiving bonuses before they retire e.g. consider a member aged 61 years who is eligible to receive a bonus at age 62. Reducing the average retirement age disqualifies this member and therefore reduces the accrued liability in respect of this member. The converse applies to increasing the average retirement age. This will qualify members who were disqualified under the valuation basis.

Withdrawal Rates

	Percentage Change	200% Higher R	Valuation Basis R	50% Lower R	Percentage Change
Opening Accrued Liability	-15.57%	9 778 000	11 581 000	12 753 000	10.12%
Service Cost	-22.98%	925 000	1 201 000	1 394 000	16.07%
Net Interest Expense	-17.32%	931 000	1 126 000	1 252 000	11.19%

Figures in Rand	2025	2024

Increasing the withdrawal rates at each age band decreases the number of remaining employees. This in turn decreases the number of employees eligible for long-service awards, consequently reducing the accrued liability. The converse applies when we decrease the withdrawal rates at each age band.

A 50% multiplicative decrease in the withdrawal rates increases the accrued liability by 9.37% while a 200% increase in withdrawal rates decreases the accrued liability by 19.40%.

15. Finance lease obligation

	2025	2024
Minimum lease payments due		
- within one year	7 327 335	7 701 335
- in second to fifth year inclusive	1 007 664	7 313 547
	8 334 999	15 014 882
less: future finance charges	(1 011 507)	(2 601 234)
Present value of minimum lease payments	**7 323 492**	**12 413 648**

	2025	2024
Present value of minimum lease payments due		
- within one year	6 379 984	5 947 448
- in second to fifth year inclusive	943 508	6 466 202
	7 323 492	**12 413 650**

	2025	2024
Non-current liabilities	1 007 664	7 313 549
Current liabilities	7 327 335	7 701 334
	8 334 999	**15 014 883**

The Municipality leases motor vehicles and these are classified as finance leases. The lease term of these assets is three years.

The Municipality has used the rate implicit in the lease agreement of 13%-16% (2024 - 13%-16%) to amortise these finance leases.The carrying values of the leased assets are included under property plant and equipment.

The leasing arrangement stipulates that that the Municipality shall be entitled to exercise the option to purchase the vehicles from supplier upon the agreement reaching its termination date. Two of the leased vehicles are subjected to escalation clauses in relation to discount rates.

There are no restrictions imposed by lease arrangement.

16. Unspent conditional grants and receipts

Unspent conditional grants and receipts disclosed above represent funds received where the conditions for recognition as revenue in terms of GRAP 23 have not yet been met. These amounts are ring-fenced in accordance with the MFMA and are disclosed as current liabilities. The nature, extent, and conditions of government grants and other forms of assistance are detailed in Note 33.

Unspent conditional grants and receipts comprises of:

	2025	2024
Unspent conditional grants and receipts		
Housing Grant	167 393	167 393
Housing Grant - Deeds Restoration	2 827 962	3 448 936
Municipal Disaster Response Grant	1 035	-
Sportfield Maintenance Grant	506 022	-
	3 502 412	**3 616 329**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024
Movement during the year		
Balance at the beginning of the year	3 616 329	5 441 876
Additions during the year	70 064 970	73 658 188
Income recognition during the year	(70 178 887)	(75 483 735)
	3 502 412	**3 616 329**

Figures in Rand	2025	2024

17. Provisions

Reconciliation of provisions - 2025

	Opening Balance	Additions	Change in discount factor	Total
Environmental rehabilitation	56 620 035	2 153 900	4 822 579	63 596 514
Performance Bonus - Senior Management	879 700	209 429	-	1 089 129
Legal Provision	24 000 000	-	-	24 000 000
	81 499 735	**2 363 329**	**4 822 579**	**88 685 643**

Reconciliation of provisions - 2024

	Opening Balance	Additions	Utilised during the year	Change in discount factor	Total
Environmental rehabilitation - Landfill Sites	49 421 662	2 592 329	-	4 606 044	56 620 035
Performance Bonus - Senior Management	966 115	-	(86 415)	-	879 700
Legal Provision	-	24 000 000	-	-	24 000 000
	50 387 777	**26 592 329**	**(86 415)**	**4 606 044**	**81 499 735**

	2025	2024
Non-current liabilities	87 596 514	80 620 035
Current liabilities	1 089 129	879 700
	88 685 643	**81 499 735**

Environmental Rehabilitation - Landfill Sites provision

The Municipality has recognised a provision for the rehabilitation of landfill sites in accordance with the requirements of GRAP 19, GRAP 17, GRAP 3, and the ASB Guideline on Accounting for Landfill Sites (effective 1 April 2023). The provision reflects the present value of expected future outflows required to rehabilitate both active and closed landfill sites under the Municipality’s control.

The valuation was performed by Hill & Associates, an independent firm of civil and environmental engineers appointed by the Municipality. The expert, Mr. LS Hill (Pr. Tech. Eng.), applying site-specific engineering quantities, market-related unit rates, and allowances of 25% for Preliminary & General (P&G) and 10% for contingency. The estimates are based on closure plans aligned with the Minimum Requirements for Waste Disposal by Landfill (1998), the site’s Waste Management Licence, and expected rehabilitation activities.

Key Assumptions:

- Discount rate: 9.5% per annum
- Inflation rate: 5% per annum
- Closure date for Vryheid site: 30 April 2033
- Rehabilitation scope includes reshaping and compaction of waste, installation of Geosynthetic Clay Liner (GCL), placement of ballast and topsoil layers, hydroseeding, stormwater control structures, fencing, and environmental oversight.

Estimation Uncertainty:

The provision is subject to uncertainty arising from:

- Changes in environmental legislation or licensing requirements
- Variability in construction costs and market rates
- Final rehabilitation scope pending detailed survey and EIA

- Potential delays in closure approvals or execution

Legal provision relating to Land Purchase Court Order

The Municipality has recognised a provision of R24,000,000 (2024: R24,000,000) in respect of a legal obligation arising from a High Court judgment (PMB Case No. 8926/2019P) delivered on 15 September 2023. The judgment ordered the Municipality to negotiate the sale of a property with the claimant, Autumn Storm Investments 379 (Pty) Ltd, and to reimburse historical rental amounts for prior occupation.

This provision reflects the Municipality's best estimate of the expenditure required to settle the obligation, based on legal advice and the terms of the judgment. The obligation is considered present and legally enforceable, satisfying the recognition criteria under GRAP 19.69–70.

Key Details:

- Nature of obligation: Court-ordered reimbursement and land sale negotiation
- Judgment reference: PMB High Court, Case No. 8926/2019P
- Estimated outflow: R24,000,000
- Timing of settlement: Uncertain, pending finalisation of sale terms and Council ratification
- Reimbursement: No reimbursement expected from third parties

Estimation Uncertainty:

The provision is subject to uncertainty due to:

- Final negotiation outcomes and timing of land transfer
- Potential escalation of costs if settlement is delayed
- Council approval and budgetary allocation processes

The liability is classified as non-current as the obligation is not expected to be settled within the next financial year, as it is subject to appeal and council approval and execution of the sale agreement.

Bonus Provision

The Municipality has recognised a provision of R1,089,129 (2024: R879,700) for performance bonuses payable to senior management. This provision is based on estimated bonus percentages applied to qualifying employees' annual remuneration, in accordance with the Municipality's performance management framework and Council-approved bonus policy.

Performance bonuses are typically paid in December of the following financial year, subject to the completion of individual performance evaluations and formal approval by Council. The final bonus percentage is determined based on the outcome of these evaluations, which are conducted in terms of the Municipal Systems Act and relevant performance regulations.

Key Assumptions:

- Bonus percentage applied: Estimated at 14% of annual basic salary for eligible senior managers, subject to performance outcomes.
- Number of qualifying employees: Based on current senior management structure as at 30 June 2025.
- Timing of outflows: Expected in December 2025, following Council approval.
- No reimbursement is expected from third parties.

Estimation Uncertainty:

Notes to the Annual Financial Statements

The provision is subject to uncertainty arising from:

- Variability in performance scores and Council ratification.
- Potential changes in senior management composition.
- Finalisation of performance agreements and evaluation outcomes.

The provision represents management's best estimate of the expenditure required to settle the present obligation at year-end, in accordance with GRAP 19.69–70. The liability is classified as current, as payment is expected within 12 months of the reporting date.

18. Revenue

Figures in Rand	2025	2024
Sale of goods and rendering of services	2 488 228	620 062
Service charges	383 573 935	321 140 655
Construction contracts	-	4 231 827
Rental of facilities and equipment	1 557 444	1 055 337
Interest on receivables from exchange transactions	14 966 523	12 687 734
Agency services	5 434 899	5 797 435
Licences and permits	162 531	51 363
Water Inventory gain	7 950 476	6 101 462
Operational Income	780 038	1 035 919
Interest received on investments	2 753 272	3 773 168
Property rates	138 259 315	118 186 250
Property rates - penalties imposed	12 002 248	9 211 067
Availability Charges on services	50 682 361	41 749 147
Government grants & subsidies	285 815 274	279 947 167
Public contributions and donations	22 500	-
Fines, Penalties and Forfeits	8 818 789	11 156 860
Legal Fees Refundable	-	2 000 000
Fair value adjustments	9 109 018	2 773 769
	924 376 851	**821 519 222**

The amount included in revenue arising from exchanges of goods or services are as follows:		
Sale of goods and rendering of services	2 488 228	620 062
Service charges	383 573 935	321 140 655
Construction contracts	-	4 231 827
Rental of facilities and equipment	1 557 444	1 055 337
Interest on receivables from exchange transactions	14 966 523	12 687 734
Agency services	5 434 899	5 797 435
Licences and permits	162 531	51 363
Water inventory gain	7 950 476	6 101 462
Operational Income	780 038	1 035 919
Interest received on investments	2 753 272	3 773 168
	419 667 346	**356 494 962**

Figures in Rand	2025	2024
The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	138 259 315	118 186 250
Property rates - penalties imposed	12 002 248	9 211 067
Availability charges on services	50 682 361	41 749 147
Transfer revenue		
Government grants & subsidies	285 815 274	279 947 167
Donated assets	22 500	-
Fines, Penalties and Forfeits	8 818 789	11 156 860
Legal Fees Refundable	-	2 000 000
Fair value adjustments	9 109 018	2 773 769
	504 709 505	**465 024 260**

19. Sale of Goods and Rendering of Services

Advertisements	31 379	13 270
Cemetery and Burial	222 034	236 833
Entrance Fees	-	626
Library Fees	7 830	7 152
Photocopies faxes and telephone charges	2 019	1 381
Building plan approval	244 475	111 748
Application fees for land usage	3 290	16 265
Building plan clause levy	385	3 108
Clearance certificate	61 039	59 632
Encroachment fees	1 903 586	150 164
Removal of restrictions	322	8 569
Valuation services	5 456	3 957
Sale of goods	6 413	7 357
	2 488 228	**620 062**

20. Service charges

Sale of electricity	283 621 220	229 545 753
Sale of water	44 285 780	37 605 520
Solid waste	44 785 274	40 589 587
Sewerage and sanitation charges	27 666 007	28 664 862
Indigent Customer rebates Electricity	(2 811 145)	(164 059)
Indigent customer rebates - Water	(1 801 838)	(2 079 756)
Indigent customer rebates - Solid Waste	(7 578 393)	(10 213 962)
Indigent Customer rebates Sewerage and Sanitation	(4 592 970)	(2 807 290)
	383 573 935	**321 140 655**

21. Construction Contracts

In 2023/2024, the municipality received a schedule 5b grant to electrify unlicenced areas. The municipality was undertaking construction activities as a primary contractor on behalf of the Department of Mineral Resources and Energy, and Eskom in areas where it does not have an approved licence for the supply of electricity. The municipality has accounted for this transaction according to GRAP 11 Construction Contracts. To measure reliably the work performed, the completion of a contract is determined by the proportion that contract costs incurred for work performed to date to, bear to the estimated total contract costs and completion of a physical proportion of the contract work. As at end of 30 June 2024, there were no gross amounts due from customers for work as an asset and the gross amount due to customers for work as a liability. The municipality will transfer these projects to ESKOM after completion as per the Memorandum of understanding signed between the municipality and ESKOM.

In the current financial period no electrification projects were scheduled within the ESKOM licence areas

Notes to the Annual Financial Statements

Figures in Rand	2025	2024
Construction contracts - Revenue	-	4 231 827
Construction contracts - Expenditure	-	(4 231 827)
	-	-

22. Rental of facilities and equipment

Facilities and equipment		
Rental of facilities	1 557 444	1 055 337

23. Interest receivable from exchange transactions

Service Charges	14 306 378	12 345 619
Property Rentals	660 145	342 115
	14 966 523	**12 687 734**

24. Fines, Penalties and Forfeits

Illegal Connections Fines	1 465 299	6 278 462
Overdue Books Fines	3 910	2 411
Municipal Traffic Fines	7 162 100	4 628 987
Retentions Forfeits	180 000	247 000
Fines, Penalties and Forfeits	7 480	-
	8 818 789	**11 156 860**

25. Agency services

Driver's Licenses	3 290 687	3 198 590
Vehicle Registration	2 144 212	2 598 845
	5 434 899	**5 797 435**

26. Licences and permits

Trading	162 531	51 363

27. Lease rentals on operating lease

Motor vehicles		
Contractual amounts	2 730 915	2 822 368
Equipment		
Contractual amounts	911 765	1 039 367
	3 642 680	**3 861 735**

28. Operational Income

Bad Debts Recovered	280 717	-
Staff Recoveries	550	130 917
Skill Development Levy Refund	384 289	719 826
Incidental Cashier Surpluses	12 985	8 934
Insurance Refund	101 497	169 952
Request for Information	-	1 636
Commission	-	4 654
	780 038	**1 035 919**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

29. Investment revenue

Interest revenue		
Call Accounts & Bank	2 753 272	3 773 168

30. Availability Charges (Services)

Electricity Availability Charges	16 923 785	14 335 836
Sanitation Availability Charges	9 084 110	9 188 451
Water Availability Charges	24 674 466	18 224 860
	50 682 361	**41 749 147**

31. Water Inventory Gain

Water Inventory Gain	7 950 476	6 101 462

32. Property rates

Rates received

Property rates	139 897 422	120 507 381
Less: Income forgone	(1 638 107)	(2 321 131)
	138 259 315	118 186 250
Property rates - penalties imposed	12 002 248	9 211 067
	150 261 563	**127 397 317**

	2025	2024
Agricultural Properties	14 027 898	10 610 786
Business and Commercial Properties	44 484 628	38 983 444
Public Benefit Organisations	308 496	235 319
Public Service Infrastructure Properties	34 168 027	29 291 199
Residential Properties	41 746 299	36 354 742
Vacant Land	3 523 967	2 710 760
	138 259 315	**118 186 250**

Valuations

Residential	5 830 167 000	3 473 577 792
Commercial	2 301 192 000	1 355 888 000
State	1 545 060 000	1 200 905 000
Municipal	358 723 000	292 625 000
Small holdings and farms	4 687 494 000	3 336 618 000
Public Benefit	81 754 000	59 193 000
NEMA	-	535 034 000
Public Service Infrastructure	124 555 000	327 428 000
	14 928 945 000	**10 581 268 792**

Valuations on land and buildings are performed every 5 years. The last general valuation came into effect on 2 July 2019. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

Figures in Rand	2025	2024

33. Government grants & subsidies

Operating grants		
Equitable share	215 636 000	203 715 000
Financial Management Grant	3 000 000	3 000 000
Museum Grant	260 000	249 000
Expanded Public Work Programme	1 793 000	2 220 000
Provincial Library Grant	4 975 000	4 763 000
Sport Maintenance Grant	323 978	-
Housing Grant Deeds Restoration	864 612	491 710
	226 852 590	**214 438 710**

Capital grants		
Donations received from Departments	-	5 045 000
Municipal Infrastructure Grant	43 212 000	40 385 000
Sports & Recreation	2 833 719	5 692 908
Integrated National Electrification Programme	5 518 000	10 768 003
Municipal Disaster Response Grant	5 398 965	-
LED Market Stalls	2 000 000	3 617 546
	58 962 684	**65 508 457**
	285 815 274	**279 947 167**

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	70 179 274	76 579 155
Unconditional grants received	215 636 000	203 715 000
	285 815 274	**280 294 155**

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members and is also utilised to supplement the Municipality's operations.

Integrated National Electrification Grant

Current-year receipts	5 518 000	15 000 000
Conditions met - transferred to revenue	(5 518 000)	(10 768 000)
Construction Expenditure Conditions Met	-	(4 232 000)
	-	-

Municipal Infrastructure Grant

Current-year receipts	43 212 000	40 385 000
Conditions met - transferred to revenue	(43 212 000)	(40 385 000)
	-	-

Housing Grant

Balance unspent at beginning of year	167 393	167 393

Conditions still to be met as remain liabilities refer to Note 16.

Housing Grant - Deeds Restoration

Notes to the Annual Financial Statements

Figures in Rand	2025	2024
Balance unspent at beginning of year	3 448 936	3 630 695
Current-year receipts	243 638	309 781
Conditions met - transferred to revenue	(864 612)	(491 540)
	2 827 962	**3 448 936**

Conditions still to be met as remain liabilities refer to Note 16.

LED Market Stalls

Balance unspent at beginning of year	-	1 617 546
Current-year receipts	2 000 000	2 000 000
Conditions met - transferred to revenue	(2 000 000)	(3 617 546)
	-	-

Sport & Recreation

Balance unspent at beginning of year	-	26 242
Current-year receipts	2 833 719	5 666 667
Conditions met - transferred to revenue	(2 833 719)	(5 692 909)
	-	-

Expanded Public Work Programme

Current-year receipts	1 793 000	2 220 000
Conditions met - transferred to revenue	(1 793 000)	(2 220 000)
	-	-

Financial Management Grant

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

Museum Grant

Current-year receipts	260 000	249 000
Conditions met - transferred to revenue	(260 000)	(249 000)
	-	-

Provincial Library Grant

Current-year receipts	4 975 000	4 763 000
Conditions met - transferred to revenue	(4 975 000)	(4 763 000)
	-	-

Municipal Disaster Response Grant

Current-year receipts	5 400 000	-
Conditions met - transferred to revenue	(5 398 965)	-
	1 035	-

Conditions still to be met remain as liabilities refer to Note 16.

Sportsfield Maintenance Grant

Notes to the Annual Financial Statements

Figures in Rand	2025	2024
Current-year receipts	830 000	-
Conditions met - transferred to revenue	(323 978)	-
	506 022	**-**

Conditions still to be met remain as liabilities refer to Note 16.

34. Donated Assets

Donated Assets	22 500	-

35. Employee related costs

Basic	116 386 104	104 278 385
Bonus	10 916 152	13 438 569
Medical aid - company contributions	21 320 735	19 211 257
UIF	1 144 474	1 025 821
Other Benefits: Long-service awards	4 470 081	3 936 564
Allowances: Travel or Motor Vehicle	10 448 684	11 769 307
Housing benefits and allowances	452 394	394 128
Allowance: Service Related	30 360 820	24 528 981
Other Benefits: Leave Gratuity	2 231 632	1 379 908
Bargaining Council	69 549	64 892
Allowances: Cellular and Telephone	1 566 530	1 459 138
Pension	22 195 579	20 571 933
	221 562 734	**202 058 883**

36. Remuneration of councillors

Mayor	958 694	896 622
Deputy Mayor	-	609 592
Executive Committee Members	3 488 713	3 382 988
Speaker	776 355	727 444
Ordinary Councillors	12 496 523	11 457 213
MPAC Chairperson	888 472	670 240
	18 608 757	**17 744 099**

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.

37. Depreciation and amortisation

Property, plant and equipment	111 490 170	130 162 350
Intangible assets	85 618	83 881
	111 575 788	**130 246 231**

38. Finance costs

Finance leases	1 779 393	2 415 037
Interest Charges on Landfill Sites	4 822 580	4 606 045
Interest on unpaid creditors	25 099 453	13 938 620
	31 701 426	**20 959 702**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

39. Auditors' remuneration

Fees	5 273 517	4 578 871

40. Debt impairment

Debt impairment	73 025 922	72 376 308

41. Inventory Consumed

Materials and Supplies	52 184 155	35 451 226
Consumables	29 992 613	25 471 170
Water Inventory Losses	25 114 383	18 922 504
	107 291 151	**79 844 900**

Water Inventory Losses

Reconciliation of Water Distribution Losses				
Opening Balance	-	-	27 090	24 591
Unit purified (Kl)	-	-	8 338 202	6 799 044
Unit sold (Kl)	-	-	(3 512 901)	(3 253 625)
Closing balance	-	-	(30 325)	(27 090)
Total Losses (Kl)	**-**	**-**	**4 822 066**	**3 542 920**

Losses Comprising of:		
Technical losses	4 822 066	3 452 920

Percentage of losses:		
Technical losses	58 %	52 %

Rand Value of Water Distribution Losses		
Total Units lost in distribution	4 822 066	3 452 920
Cost of providing the service	43 420 355	36 356 543
Cost per unit	5,21	5,35
Cost of Units lost through distribution and theft	**25 114 383**	**18 922 504**

The water distribution losses experienced by the municipality were 58% (52% 2023/24)

The technical losses tolerable range is between 5 - 15%. These abnormal distribution losses were as a result of aging infrastructure, illegal connections and meter tampering.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

42. Operational Expenditure

Advertising	423 177	1 153 020
Auditors remuneration	5 273 517	4 578 871
Bank charges	2 156 514	1 829 134
Commission paid	1 792 333	1 599 464
Computer expenses	13 298 973	11 683 033
Insurance	1 267 473	2 754 811
Conferences and seminars	67 907	2 546 140
Wet Fuel	6 002 532	6 616 112
Protective clothing	868 585	-
Professional bodies and subscriptions and membership fees	2 233 574	2 343 741
Communications	60 012	115 462
Vehicle tracking	112 882	118 566
Travel and Subsistence - local	1 538 063	2 054 278
Title deed search fees	17 894	-
Assets less than Capitalisation Threshold	159 170	135 951
Municipal Services	1 029 297	1 851 980
Learnership and Internships	331 163	650 601
Seating Allowance for Traditional Leaders	38 754	10 500
Skills Development Fund Levy	2 275 778	1 803 196
Ward Committees	4 060 500	4 021 500
Workmens Compensation Fund	1 617 793	1 121 071
Bursaries (employees)	75 833	849 396
	44 701 724	**47 836 827**

43. Bulk purchases

Electricity - Eskom	309 509 527	262 622 991

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

Electricity distribution losses

Units purchased	138 017 996	127 587 699
Units sold	(106 385 442)	(94 246 364)
Total loss	**31 632 554**	**33 341 335**
Comprising of:		
Technical losses	1 107 139	1 166 946
Non-technical losses	30 525 415	32 174 388
Total	**31 632 554**	**33 341 334**
Percentage Loss:		
Technical losses	0,80 %	0,90 %
Non-technical losses	22,12 %	25,10 %
Total	**22,92 %**	**26,00 %**
Total units lost in distribution	31 632 554	33 341 335
Cost of providing the service	309 509 527	262 622 991
Cost per unit	2,23	2,06
Total cost lost through distribution and theft	70 540 596	68 683 150

The electricity distribution losses experienced by the municipality were 22,92% (26% 2023/24).

The technical losses tolerable range prescribed by NERSA is between 5 - 12%. These abnormal distribution losses were as a result of aging infrastructure, illegal connections and meter tampering

44. Contracted services

Outsourced Services		
Business and Advisory	3 846 630	2 952 245
Meter Management	4 850 628	4 302 833
Refuse Removal	13 763 901	11 743 653
Security Services	25 585 572	22 146 638
Traffic Fines Management	487 849	209 333
Water Tankers	7 370 880	6 939 078
Consultants and Professional Services		
Business and Advisory	6 670 513	5 346 494
Infrastructure and Planning	2 199 835	857 175
Laboratory Services	1 370 066	1 480 413
Legal Cost	10 325 452	9 696 768
Contractors		
Catering Services	13 050	27 878
Electrical	20 739 391	17 478 431
Gardening Services	10 493 271	9 085 997
Maintenance of Buildings and Facilities	8 999 465	7 071 103
Maintenance of Other Assets	41 492 148	37 615 084
	158 208 651	**136 953 123**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

45. Loss on disposal of assets

Property, plant and equipment	(403 183)	(3 681 648)

46. Actuarial gains/losses

Actuarial gains	1 850 099	5 654 000

47. Cash generated from operations

Deficit	(155 031 364)	(179 658 387)
Adjustments for:		
Depreciation and amortisation	111 575 788	130 246 231
Loss on disposal of assets	403 183	3 681 648
Impairment loss on non cash generating assets	1 026 771	413 335
Debt impairment	73 025 922	72 376 308
Movements in retirement benefit liabilities	9 672 000	9 396 100
Water Losses	25 114 383	18 922 504
Non-cash donations and other in-kind benefits	(22 500)	-
Water Inventory Gain	(7 950 476)	(6 101 462)
Actuarial gains	(1 850 099)	(5 654 000)
Fair Value Adjustment	(9 109 018)	(2 773 769)
Finance costs (rehabilitation provision)	4 822 580	4 606 045
Changes in working capital:		
Inventories	(19 781 558)	(135 046)
Receivables from exchange transactions	(40 146 420)	(40 911 490)
Receivables from non exchange transactions	(34 902 187)	(32 196 615)
Payables from exchange transactions	64 100 474	96 445 427
Unspent conditional grants and receipts	(113 917)	(1 825 645)
Consumer deposits	947 090	(60 883)
Provisions	209 429	(86 414)
VAT statutory payable	113 221	441 744
Payables from non-exchange transactions	52 690 966	-
	74 794 268	**67 125 631**

48. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Community Assets	12 773 972	14 042 302
• Infrastructure Assets	18 833 389	26 192 245
	31 607 361	**40 234 547**

Total capital commitments		
Already contracted for but not provided for	31 607 361	40 234 547

Total commitments

Total commitments		
Authorised capital expenditure	31 607 361	40 234 547

This committed expenditure relates to property,plant and equipment and will be financed by government grants and subsidies.
All commitments are disclosed inclusive of VAT.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

49. Contingencies

Claimant	Description of Incident	2025	2024
Irene Bland	Damages due to personal injuries claim as a result of an alleged accident on municipal pavement. The court reserved its judgement on the matter.	715 000	715 000
Sibiya	Eviction matter wherein the applicant obtained an order directing unlawful occupiers to evict its property (an eviction date was not determined – sine die).	50 000	50 000
Mbatha	Eviction matter wherein the applicant obtained an order directing unlawful occupiers to evict its property (an eviction date was not determined – sine die).	50 000	50 000
Masondo	Eviction matter wherein the applicant seeks an order to evict the alleged unlawful occupier from their property. The 1st respondent and the municipality are represented by one attorney.	50 000	50 000
Madela	Eviction matter wherein the court granted an eviction order against the 1st respondent in February 2022 and a Sheriff affixed the order on her premises.	50 000	50 000
Afriforum	The applicant challenged the decision to appoint Mr Mbatha to manage and operate the Municipality's farm situated on Portion 16 of the farm Grootgewacht No. 76 in extent 612 hectares and leasehold 7 over the Remainder of Vryheid Township pending a proper tender process.	150 000	150 000
Afriforum	The applicant instituted urgent proceedings against NERSA, the Municipality and various other municipalities in respect of the formula used for the determination of tariffs	200 000	50 000
Mhlannga & Family	The municipality awarded the applicant a tender to supply computers, however the computers supplied didn't meet the required specifications. The municipality then instituted action to recover the monies. The contigent portion relates to estimated legal costs.	30 000	-
Quantum Leap Investments	The applicant instituted a breach of contract action against the municipality for non-payment for services rendered for the vegetation clearance in various municipal open areas.	23 188 127	21 273 510
Liana Consulting	The applicant brought an urgent application to suspend the implementation of an award of the tender for refuse removal and collection to Magnacorp pending its review. The matter was heard on 10 October 2024 and the Court refused to grant the urgent application and granted the parties the right to approach the Court for a preferential date to argue the review application	100 000	100 000
Hannelize Nagel N.O. & Others	The applicant brought an urgent application for an interdict directing the Municipality to reconnect the electricity to the property owned by the Alettha Beleggings Trust for a municipal debt of R175 000.00. The matter was heard on the 7th of May 2025 for the return date of the interim interdict and the court granted the interdict directing the Municipality to reconnect the electricity and to pay the Applicant's costs on the attorney and client scale	50 000	50 000

Notes to the Annual Financial Statements

Figures in Rand		2025	2024
Ria Ally	This matter came as an urgent application brought by the owner of the property situated at 162 Landdrost Street, Vryheid. The Applicant claimed that the disconnection was done without notice and without a valid court order. An agreement was reached between the parties at the municipal offices to reconnect the electricity pending the application. Subsequent to delivery of the answering affidavit, the applicant paid the entire debt of R162 000. A supplementary answering affidavit dealing with the admission of liability for the municipal debt by the applicant because it paid the debt in full and arguing for costs.	50 000	50 000
SCS Transact	The municipality opposed an urgent application brought by SCS Transact for the disconnection of electricity on its property. The Applicant's disputes various amounts billed by the Municipality for electricity usage.	-	50 000
Mthembu	Delictual Claim for R12 864 349.00 for alleged injuries sustained by the Plaintiff as a result of being electrocuted by electricity wires belonging to the municipality.	12 900 000	12 900 000
Waseela Distributors CC	Liquidation Matter, the first meeting with creditors was convened at the PMB Master's Office and the final liquidators of the estate were appointed	50 000	50 000
SALGBC obo SAMWU CASE NO: C/HQ/03/25/06	Bargaining council matter for the failure to comply with Section B, Clause 8.2 of SALGBC Collective Agreement in relation to Mr S.H Ntshali's unpaid sick leave	35 000	35 000
S.H NTSHALI – CASE NO: D 725/23	Review and set aside an arbitration award in favour of Mr Ntshali directing the Municipality to pay Mr Ntshali an equivalent of 7 months of his salary.	75 739	75 739
ZG Dhlamini CASE NO: D486/2024	Review application brought by Mr. Dhlamini against a ruling in the Inquiry by Arbitrator wherein he was found guilty of misconduct and dismissed.	1 725 000	345 000
S.H. NTSHALI CASE NO: D425/2023	Review application brought by Mr. Ntshali against an arbitration award which was in favour of the Municipality. He had referred a promotion dispute to the Bargaining Council, claiming that he should have been appointed and promoted to electrician position	386 788	214 882
S.H. NTSHALI CASE NO: KNNC 391/24	Claim by Mr Ntshali for alleged unpaid remuneration in terms of section 73A of the BCEA.	292 138	162 299
		40 147 792	**36 421 430**

Contingent assets

In terms of the Term Sheet signed on 15 April 2025 between AbaQulusi Local Municipality (ALM) and Zululand District Municipality (ZDM), ZDM has committed to applying for rehabilitation funding to support the restoration and upgrade of Phase 1 water services infrastructure operated by ALM.

As at 30 June 2025, no formal approval or allocation of funding has been received. The municipality has not recognized any asset or revenue in respect of this commitment, as the outcome of the application process remains uncertain and subject to external adjudication.

The municipality has disclosed this arrangement as a contingent asset in accordance with GRAP 19, as there is a possible asset that may arise from future funding approvals, the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

The municipality will continue to monitor the progress of the funding application and reassess its accounting treatment in future reporting periods.

Figures in Rand	2025	2024

50. Related parties

Related party balances

Amounts included in Trade receivable regarding related parties		
Councillors	24 230	113 449

The figures disclosed above are due to the municipality and are for rates, electricity, water, sanitation and solid waste services rendered to related parties.

Related party transactions

Rentals billed and paid to municipality from related parties		
Abaqulusi Enterprise (Pty) Ltd	135 425	129 394

On 4 December 2020, the municipality appointed Mr. Hendrick Vusumuzi Mbatha (sole director of Abaqulusi Enterprise (Pty) Ltd) and granted full permission to manage the forestry business of the Grootgewacht and Bloemveld farms. A lease agreement was entered into and signed on 4 December 2020 for a period of two (2) years, and extended on a 12 months basis post expiry. The lease is currently on a month to month basis.

Remuneration of management

Management class: Councillors

2025

Name	Basic salary	Other benefits received	Total
Councillors	15 476 293	3 132 464	18 608 757

2024

Name	Basic salary	Other benefits received	Total
Councillors	14 939 167	2 804 932	17 744 099

Refer to note "Remuneration of councillors"

Management class: Councillors - 2025

	Councillor uppper limits	**Total**
Mayor	958 694	958 694
Speaker	776 355	776 355
Executive Committee	3 488 713	3 488 713
Other Councillors	13 384 995	13 384 995
	18 608 757	**18 608 757**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

Management class: Councillors - 2024

	Councillor upper limits	Total
Mayor	896 622	896 622
Deputy Mayor	609 592	609 592
Speaker	727 444	727 444
Executive Committee	3 382 988	3 382 988
Other Councillors	12 127 454	12 127 454
	17 744 100	**17 744 100**

Additional information

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

Management class: Senior Management

2025

Name	Basic salary	Other benefits received	Total
S P Dlamini (Municipal Manager)	1 428 471	922 340	2 350 811
M P E Mthembu (Chief Financial Officer)	1 196 881	610 751	1 807 632
N W Mbongwa (Director Technical Services)	1 196 881	329 220	1 526 101
T S Mthembu (Director Community Services)	1 050 411	339 608	1 390 019
J S Landman (Director Development Planning)	1 196 881	560 052	1 756 933
	6 069 525	**2 761 971**	**8 831 496**

2024

Name	Basic salary	Other benefits received	Total
Z G Dhlamini (Municipal Manager)	1 086 457	213 064	1 299 521
M P E Mthembu (Chief Financial Officer)	1 191 257	357 997	1 549 254
N W Mbongwa (Director Technical Services)	1 191 257	357 997	1 549 254
S P Dlamini (Director Corporate Services)	1 191 257	395 662	1 586 919
T Xaba and T S Mthembu(Director Community Services)	437 671	138 127	575 798
J S Landman (Director Development Planning)	1 191 257	357 997	1 549 254
	6 289 156	**1 820 844**	**8 110 000**

*Refer to note "Employee related costs"

51. Comparative figures

Certain comparative figures have been restated.

52. 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.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored. The liquidity ratio is outlined below.

Financial Instruments	2025	2024
Current Assets	188 089 985	132 360 072
Current Liabilities	(423 291 485)	(311 639 577)
Liquidity Ratio	0,44	0,42

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the municipality. The municipality has a sound credit control and debt collection policy and obtains sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The municipality uses other publicly available financial information and its own trading records to assess its major customers. The municipality's exposure of its counterparties is monitored regularly.

Potential concentrations of credit rate risk consist mainly of consumer debtors, other debtors, bank and cash balances. The municipality limits its counterparty exposures from its investment operations (financial assets that are neither past due nor impaired) by only dealing with well-established financial institutions of high credit standing. The credit exposure to any single counterparty is managed by setting transaction / exposure limits, which are included in the municipality's Investment Policy. These limits are reviewed annually by the Chief Financial Officer and authorised by the Council.

Receivables from exchange transactions comprise of a large number of ratepayers, dispersed across different industries and geographical areas within the jurisdiction of the municipality. Ongoing credit evaluations are performed on the financial condition of these receivables. Receivables from exchange transactions are presented net of the allowance for impairment.

Receivables from non-exchange transactions comprise of a large number of ratepayers, dispersed across different industries and geographical areas within the jurisdiction of the municipality. Ongoing credit evaluations are performed on the financial condition of these receivables. Receivables from non - exchange transactions are presented net of the allowance for impairment.

The municipality establishes an allowance for impairment that represents its estimate of anticipated losses in respect of receivables. Receivables are provided for based on estimated irrecoverable amounts, determined by reference to a non-payment rate. In the case of debtors whose accounts become in arrears, it is endeavoured to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

Payment to accounts of consumer debtors who are unable to pay, are renegotiated as an ongoing customer relationship in response to an adverse change in the circumstances of the customer.

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

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

Financial instrument	2025	2024
Cash & Cash Equivalents	26 806 069	18 132 472
Receivables from non-exchange transactions (excl property rates and traffic fines)	8 768 166	15 887 989
Receivables from exchange transactions	152 515 670	98 339 611

Market risk

Interest rate risk

The municipality has no significant interest bearing assets, and the income and operating cash flows are substantially independent of changes in market interest rates. As at 30 June 2025 financial instruments exposed to interest rate risk were call and notice deposits.

53. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern.

This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The municipality used the following ratios to determine the going concern assessment. The ratios can be interpreted as follows:

The acid test ratio is used to determine the ability of the municipality to settle its current obligations. A ratio of 1:1 is used as norm, therefore any ratio above 1, is favourable.

A current asset ratio is used to determine the extent of which current and short term assets can be disposed to liquidate current or short-term liabilities. A ratio of 1:1 is used as norm, therefore any ratio above 1, is favourable.

The debt ratio is used to determine how much the municipality relies on debt to finance assets.

Other ratios not explicit in the note below have also been considered in our going concern assessment.

Adverse financial ratios noted

Several adverse financial ratios that may cast significant doubt on the municipality’s ability to continue as a going concern were identified as follows:

- The municipality is in a net current liability position, which entails that the municipality cannot settle their current creditors using current assets.
- The municipality has been operating on an operating loss position.
- Creditors' payment period exceeding 30 days.
- Current liabilities (excluding unspent conditional grants) exceed 10% of next year’s budgeted resources.
- Debtors’ impairment provision exceeds 10% of accounts receivable.
- Electricity distribution losses exceed 10% and Water distribution losses exceed 30%.
- Cash coverage is less than one month.
- Capital expenditure is less than 10% of total operating and capital expenditure and repairs and maintenance expenditure is below 8%.
- Existing assets renewal and rehabilitation expenditure is less than 40% of capital expenditure.
- Existing assets renewal and rehabilitation expenditure is less than 100% of total depreciation and impairment.
- Acid test ratio: A ratio of less than 1 suggests that a municipality will be unable to pay all its current or short-term obligations from liquid assets if they fall due at any specific point .
- Current ratio: A ratio of less than 1 suggests that a municipality will be unable to pay all its current or short-term obligations if they fall due at any specific point.

- Total debt vs. total revenue: The indicator's objective is to provide information on whether the municipality is generating revenue that is sufficient to repay liabilities. Alternatively, the ratio assesses the affordability level of a municipality to service debt from own generated revenue. The threshold for total borrowing is 45 per cent of the total operating revenue.

Mitigating circumstances that support the municipality being a going concern

- The municipality is operating on a net asset position, meaning that the municipality can settle all their creditors using the asset portfolio.

- The municipality has R26 million worth of Cash reserves at year end.

- The municipality is on an operating deficit of R155 million, however, this is mainly due to non-cash estimations that do not accurately reflect the strong cash position that the municipality is in. This deficit, adjusted for Depreciation of R111 million and Impairment of R 73 million respectively indicates that the municipality would be operating on net surplus.

- The municipality as at year end, has an accumulated surplus of about R648 million.

- The municipality is not under administration and is guaranteed to receive an equitable share to be used for expenditure incurred over the next 12 months, various grants have been and will be received over the course of the year. The municipality will continue to bill for all services rendered to the public.

Acid Test Ratio	Current Assets	Current Liabilities	Ratio
2021/2022	125 307 847	169 598 799	0,73
2022/2023	128 150 690	217 340 356	0,59
2023/2024	150 534 573	322 687 469	0,47
2024/2025	208 504 335	435 175 283	0,48

Current Asset Ratio	Current Assets	Current Liabilities	Ratio
2021/2022	125 307 847	169 598 799	0,73
2022/2023	128 150 690	217 340 356	0,59
2023/2024	235 120 244	322 687 469	0,73
2024/2025	303 297 657	435 175 283	0,70

Debt Ratio	Total Liabilities	Total Assets	Ratio
2021/2022	262 551 133	1 329 195 499	19%
2022/2023	316 662 969	1 260 747 904	25%
2023/2024	466 410 054	1 270 365 627	37%
2024/2025	639 654 156	1 288 378 365	50%

54. Unauthorised expenditure

	2025	2024
Opening balance as previously reported	159 225 194	250 142 420
Add: Unauthorised expenditure - current	172 440 199	361 028 908
Add: Unauthorised expenditure - prior period	-	1 999 650
Less: Amount authorised - current	-	(220 021 784)
Less: Amount authorised - prior period	(108 876 832)	(233 924 000)
Closing balance	**222 788 561**	**159 225 194**

Unauthorised Expenditure after investigation was authorised for write-off by Council Resolution Number CR 79/2025.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

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

Non-cash	65 997 263	183 136 780
Cash	106 442 936	177 892 128
	172 440 199	**361 028 908**

Analysed as follows: non-cash

Depreciation and amortisation	-	87 742 985
Loss on disposal of property, plant and equipment	403 183	3 681 648
Impairment losses on non cash generating assets	1 026 771	-
Water Losses	25 114 383	18 922 504
Debt Impairment	39 452 926	72 789 643
	65 997 263	**183 136 780**

Analysed as follows: cash

Bulk purchases	16 567 477	37 297 037
Contracted services	37 949 205	45 678 943
Operational expenditure	-	28 428 237
Inventory Consumed	18 009 931	13 455 427
Finance Costs- Interest Paid	25 099 453	13 938 620
Finance Costs- Finance Leases	1 779 393	1 546 610
Finance Costs - Interest Landfill Sites	4 822 580	-
Capital Expenditure	2 214 897	37 547 254
	106 442 936	**177 892 128**

Unauthorised expenditure: Budget overspending – per municipal vote

Vote 2 - Finance & Administration	102 493 854	133 359 782
Vote 3 - Community & Social Services	403 183	22 430 230
Vote 4 - Energy Sources	32 343 947	95 243 235
Vote 6 - Internal Audit	-	76 592
Vote 8 - Planning and Development	1 154 840	1 163 182
Vote 9 - Public Safety	7 669 759	3 654 508
Vote 10 - Road Transport	-	35 061 508
Vote 11 - Sport and Recreation	1 026 771	-
Vote 12 - Waste Management	-	24 795 000
Vote 14 - Water Management	27 347 845	45 244 871
	172 440 199	**361 028 908**

55. Fruitless and wasteful expenditure

Opening balance as previously reported	1 750 874	3 629 199
Add: Fruitless and wasteful expenditure identified - current	25 099 347	9 860 008
Less: Fruitless and wasteful expenditure correction – prior period	-	(1 002 471)
Less: Amount written off - current	(9 749 623)	(8 347 969)
Less: Amount written off - prior period	(1 750 876)	(2 387 893)
Closing balance	**15 349 722**	**1 750 874**

A comprehensive register is maintained by the municipality in accordance with the municipal finance management act

All fruitless and wasteful expenditure is always calculated inclusive of VAT while the figures disclosed above have been presented in this set of Financial's exclusive of VAT.

Fruitless and Wasteful Expenditure after investigation was authorised for write-off by Council Resolution Number CR 32/2025.

Notes to the Annual Financial Statements

Figures in Rand		2025	2024

Details of fruitless and wasteful expenditure

	Disciplinary steps taken/criminal proceedings		
Eskom (interest on late payment)	Pending investigations by management	25 024 955	9 860 008
MUNSOFT	Pending investigations by management	7 868	-
Auditor General of South Africa	Pending investigations by management	66 524	-
		25 099 347	**9 860 008**

56. Irregular expenditure

Opening balance as previously reported	244 188 146	298 867 536
Add: Irregular expenditure - current	253 609 252	125 585 967
Add: Irregular expenditure - prior period	-	11 694 404
Less: Amount written off - current	-	(41 530 149)
Less: Amount written off - prior period	(232 493 747)	(150 429 612)
Closing balance	**265 303 651**	**244 188 146**

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

	Disciplinary steps taken/criminal proceedings	2025	2024
False declarations submitted	Pending investigations by management	-	76 261
Three written quotations not invited	Pending investigations by management	-	23 958 454
Non-compliance with Section 15(1)(g) of the Government Gazette No. 1426 of 2018	Pending investigations by management	-	583 996
Month to month contracts	Pending investigations by management	16 459 704	4 066 217
Poor planning by the municipality	Pending investigations by management	-	817 871
No rotation of suppliers from a panel	Pending investigations by management	193 208 134	95 117 168
Bidder is CSD non compliant	Pending investigations by management	-	966 000
SCM process not followed	Pending investigations by management	6 211 990	-
Bids not advertised for the minimum number of days	Pending investigations by management	35 553 373	-
Awards to Suppliers with incorrect CIDB ratings	Pending investigations by management	2 176 091	-
		253 609 292	**125 585 967**

Irregular Expenditure after investigation was authorised for write-off by Council Resolution Numbers CR 97/2025, CR 98/2025 and CR 99/2025.

Irregular Expenditure is presented inclusive of VAT.

57. Additional disclosure in terms of Municipal Finance Management Act

Audit fees

	2025	2024
Current year subscription / fee	5 273 517	4 578 871
Amount paid - current year	(5 273 517)	(4 578 871)
	-	-

PAYE, SDL and UIF

	2025	2024
Opening balance	3 011 392	-
Current year subscription / fee	39 900 502	35 494 095
Amount paid - current year	(39 647 691)	(32 482 703)
	3 264 203	**3 011 392**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

Pension and Medical Aid Deductions

Current year subscription / fee	36 145 863	42 141 190
Amount paid - current year	(36 145 863)	(42 141 190)
	-	-

VAT

VAT Input Accrual	47 822 887	30 246 110
VAT Output Accrual	(32 122 374)	(27 955 848)
VAT Statutory Payable	(2 474 084)	(2 360 863)
	13 226 429	**(70 601)**

All VAT 201 returns have been submitted by the due date throughout the year.

Councillors' arrear consumer accounts

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

30 June 2025	Outstanding less than 90 days	Outstanding more than 90 days	Total
S T Mbokazi	1 265	16 644	17 909
S B Mkhwanazi	4 663	-	4 663
C N & H B Khumalo	1 269	389	1 658
	7 197	**17 033**	**24 230**

30 June 2024	Outstanding less than 90 days	Outstanding more than 90 days	Total
S T Mbokazi	1 683	46 948	48 631
S B Mkhwanazi	8 130	13 871	22 001
E Cronje	6 859	27 242	34 101
C N & H B Khumalo	1 756	6 960	8 716
	18 428	**95 021**	**113 449**

58. 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 MPAC and includes a note to the Annual Financial Statements.

The current deviations related to various expenditure due to service delivery emergencies, making it impractical to follow the procurement process. A detailed register of all deviations is maintained at the Supply Chain Management Department within the Municipality.

Deviation from Supply Chain Management Regulations granted during the reporting period		
Investigation of the suspended municipal manager Mr ZG Dhlamini	-	397 992

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

59. Segment information

General information

Identification of segments

For management purposes, the municipality is organised and operates in four key functional segments (or business units). To this end, management monitors the operating results of these business units for the purpose of making decisions about resource allocations and assessment of performance. Revenues and expenditures relating to these business units are allocated at a transactional level. Costs relating to the governance and administration of the municipality are not allocated to these business units.

The four key business units comprise of:

- Community and public safety which includes community and social services, sport and recreation, public safety, health, and housing services;
- Economic and environmental services which includes planning and development, road transport and environmental protection services;
- Trading services which include energy sources, water management, waste water management and waste management services;
- Other, which includes Executive and Council, Finance and Admin, Health, Housing. Internal audit and other services

The grouping of these segments is consistent with the functional classification of government activities which considers the nature of the services, the beneficiaries of such services and the fees charged for the services rendered (if any).

The core function of the municipality is the provision of services to the community. To this end the 4 main segments classified under Trading services are:

- The provision of water to the community
- The provision of electricity within the municipal licenced area
- The provision of sanitation
- The removal of refuse, cleaning of streets and maintaining the solid waste site

Economic and environmental services include:

- Planning and development which includes town planning, IDP and LED.
- Roads which include the project management unit which oversee the monitoring of projects funded from grants and internal funds

Community and public safety comprise of services for the community including Libraries, the Museum, Halls, Cemeteries, Sports fields, Public safety, vehicle licencing and driver testing

Other services comprise of the Mayor, Municipal Manager, Corporate Services, Finance, Internal Audit, Human Resources, Information Technology, Fleet, Licencing, Supply Chain Management – all these services provide support to the other departments

Aggregated segments

Segments were aggregated on the basis of services delivered as management considered that the economic characteristics of the segments throughout AbaQulusi Local Municipality were sufficiently similar to warrant aggregation.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

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**
Trading	Water, Electricity, Waste and Waste Water
Economic and environmental	Planning and Development, Road transport and Environmental protection services;
Community and public safety	Libraries, Museums, Community Halls, Cemeteries, Sports fields, Public safety

Notes to the Annual Financial Statements

Figures in Rand

Segment surplus or deficit, assets and liabilities

2025

	Trading	Community & Public Safety	Economic & Environmental	Other (Aggregated)	Total
Revenue					
Revenue from non-exchange transactions	59 761 067	47 392 667	21 730 317	375 825 454	504 709 505
Revenue from exchange transactions	383 580 346	922 339	7 589 056	29 425 704	421 517 445
Total segment revenue	**443 341 413**	**48 315 006**	**29 319 373**	**405 251 158**	**926 226 950**
Entity's revenue					**926 226 950**
Expenditure					
Employee Costs	53 128 052	36 970 014	31 423 973	118 649 452	240 171 491
Contracted Services	51 538 370	36 580 254	862 453	69 227 574	158 208 651
General Expenses	3 577 290	8 217 028	1 324 668	141 382 720	154 501 706
Inventory Consumed	67 349 985	5 742 918	7 230 864	1 853 001	82 176 768
Bulk Purchases	309 509 527	-	-	-	309 509 527
Depreciation & Amortisation	51 520 741	7 665 147	39 943 560	12 446 340	111 575 788
Water Losses	25 114 383	-	-	-	25 114 383
Total segment expenditure	**561 738 348**	**95 175 361**	**80 785 518**	**343 559 087**	**1 081 258 314**
Total segmental surplus/(deficit)	**(118 396 935)**	**(46 860 355)**	**(51 466 145)**	**61 692 071**	**(155 031 364)**
Assets					
Segment assets	988 165 734	30 834 832	258 361 838	11 015 961	1 288 378 365
Total assets as per Statement of financial Position					**1 288 378 365**
Liabilities					
Segment liabilities	(589 932 168)	8 929 398	13 391 706	(72 043 092)	(639 654 156)
Total liabilities as per Statement of financial Position					**(639 654 156)**

2024

Notes to the Annual Financial Statements

Figures in Rand

	Trading	Community & Public Safety	Economic & Environmental	Other (Aggregated)	Total
Revenue					
Revenue from non-exchange transactions	21 278 292	19 934 701	3 864 546	419 946 721	465 024 260
Revenue from exchange transactions	357 836 744	925 552	6 096 106	(2 709 440)	362 148 962
Total segment revenue	**379 115 036**	**20 860 253**	**9 960 652**	**417 237 281**	**827 173 222**
Entity's revenue					**827 173 222**
Expenditure					
Employee Costs	48 753 471	43 099 952	16 640 785	111 308 774	219 802 982
Contracted Services	69 895 851	36 416 133	10 926 498	23 946 468	141 184 950
General Expenses	4 043 161	6 033 811	353 770	162 698 815	173 129 557
Inventory Consumed	51 829 515	4 459 146	978 640	3 655 095	60 922 396
Bulk Purchases	262 622 991	-	-	-	262 622 991
Depreciation & Amortisation	84 107 925	5 972 949	28 743 254	11 422 101	130 246 229
Water Losses	18 922 504	-	-	-	18 922 504
Total segment expenditure	**540 175 418**	**95 981 991**	**57 642 947**	**313 031 253**	**1 006 831 609**
Total segmental surplus/(deficit)	**(161 060 382)**	**(75 121 738)**	**(47 682 295)**	**104 206 028**	**(179 658 387)**
Assets					
Segment assets	933 876 158	34 681 687	253 078 849	48 728 933	1 270 365 627
Total assets as per Statement of financial Position					**1 270 365 627**
Liabilities					
Segment liabilities	(440 971 976)	(13 416 614)	(1 179 944)	(11 041 520)	(466 610 054)
Total liabilities as per Statement of financial Position					**(466 610 054)**

60. Prior-year adjustments

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

Statement of financial position

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

2024

	Note	As previously reported	Correction of error	Re-classification	Restated
Cash and cash equivalents	2	18 176 753	(44 281)	-	18 132 472
Receivables from exchange transactions	3	67 867 514	2 008 175	28 463 922	98 339 611
Inventories	6	84 205 670	380 000	-	84 585 670
Investment Property	7	64 397 000	400 000	-	64 797 000
Property, Plant & Equipment	8	918 327 777	18 854 642	-	937 182 419
Living Resources	11	-	29 255 804	-	29 255 804
Payables from exchange transactions	12	(255 333 698)	(4 692 161)	(25 910 141)	(285 936 000)
Consumer Deposits	13	(18 004 052)	1 809	-	(18 002 243)
Provisions	17	(69 060 516)	(11 559 519)	-	(80 620 035)
VAT Input Accrual		28 463 922	-	(28 463 922)	-
VAT Output Accrual		(25 910 141)	-	25 910 141	-
Accumulated Surplus		(769 151 100)	(34 604 469)	-	(803 755 569)
		43 979 129	**-**	**-**	**43 979 129**

Statement of financial performance

2024

	Note	As previously reported	Correction of error	Restated
Rental of facilities and equipment	22	1 040 448	14 889	1 055 337
Fines, penalties & Forfeits	24	10 909 860	247 000	11 156 860
Licence and Permits	26	51 263	100	51 363
Government Grants & Subsidies	33	280 294 157	(346 990)	279 947 167
Employee related costs	35	(200 757 381)	(1 301 502)	(202 058 883)
Finance Costs	38	(14 494 191)	(6 465 511)	(20 959 702)
Inventory Consumed	41	(60 638 281)	(284 115)	(60 922 396)
Operational Expenditure	42	(47 655 149)	(181 678)	(47 836 827)
Bulk Purchases	43	(264 243 266)	1 620 275	(262 622 991)
Contracted Services	44	(138 512 336)	1 559 213	(136 953 123)
Fair Value Adjustments	62	2 360 000	413 769	2 773 769
Surplus for the year		**(431 644 876)**	**(4 724 550)**	**(436 369 426)**

Cash flow statement

2024

	Note	As previously reported	Correction of error	Restated
Cash flow from operating activities				
Transfers & Subsidies		284 525 984	(4 141 827)	280 384 157
Suppliers		(450 456 415)	4 097 548	(446 358 867)
		(165 930 431)	**(44 279)**	**(165 974 710)**

Transfer & Subsidies and Suppliers

- The movements in grants was not taken into account in the cashflow statement, resulting in the above error.

Prior Period Errors

The following prior period errors adjustments occurred:

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

Living Resources

The municipality has corrected a prior period error arising from the omission of the timber plantation asset previously held under custodial lease. Recognition has been affected from 01 July 2023, being the start of the earliest comparative period presented in the 2024/25 Annual Financial Statements.

While prior financial years (2020/21; 2021/22 and 2022/23) have not been restated, the revalued opening balance for Living Resources incorporates the net cumulative impact of Living Resources and custodial asset movements from lease commencement through 30 June 2023.

Balance previously reported	
Add: Fair value of timber plantation at initial recognition (2023)	29 722 035
Restated balance as at 30 June 2023	29 722 035
Less: Derecognition due to harvest/ sales	- 7 333 189
Add: Revaluation surplus for 2024	6 866 958
Restated balance as at 30 June 2024	29 255 803

Statement Financial Position Error Explanations

1. Cash & Cash Equivalents

- The restatements relates to invoices in the previous years paid but not captured in the cash book.

2. Receivables from exchange transactions

- VAT input accrual and output accrual have been reclassified in line with Fact sheet 11 and FAQ 4.12 from the ASB.

The correction of error for receivables from exchange transactions is comprised as follows:

Increase from recognition of rental income from Timber Plantation	196 512
Reclassification of bulk purchases to finance costs (VAT impact)	-239 191
VAT on cessions	1 962 814
VAT on other expenditure not previously captured	88 040
	2 008 175

3. VAT Input Accrual

- VAT input accrual and output accrual have been reclassified in line with Fact sheet 11 and FAQ 4.12 from the ASB.

4. Investment Property

Investment property was incorrectly classified as property, plant and equipment and vica versa. The net effect of the change is as follows:

Transferred out of Investment property to land at cost	-35 335 000
Transferred out of land at cost to Investment property	21 965 000
Investment property not previously recognised	13 770 000
Net movement to investment property	**400 000**

5. Property, Plant and Equipment

The restatement to Property,Plant and Equipment arose from the following land and infrastructure adjustments:

Land restatement

Transferred out of Investment property to land at cost	29 067 000
Transferred out of land at cost to Investment property	-11 100 000
Restatement to land	**17 967 000**

WIP restatement

Removal of Hluma Causeway from WIP	-268 451
KwaGwebu Sportsfield retention not captured	26 251
Bhekuzulu Paving Road1 Phase 2 already capitalised	-606 905
Mhlanga Gravel Road - Phase 3 retention not captured	24 642
Louwsburg Sportfield invoices incorrectly in expenditure	1 712 105
Restatement to WIP	**887 642**

Total restatement to PPE	**18 854 642**

6. Payables from exchange transactions

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

- VAT input accrual and output accrual have been reclassified in line with Fact sheet 11 and FAQ 4.12 from the ASB.

The municipality did not accrue for certain trade payables in the previous year as follows:

Bonus accrual not previously accrued for		4 364 604
Other payables and retention not accrued for		327 557
	-	**4 692 161**

7. VAT Output Accrual

- VAT input accrual and output accrual have been reclassified in line with Fact sheet 11 and FAQ 4.12 from the ASB.

8. Landfill rehabilitation provision

In the previous years, the landfill site rehabilitation provision was incorrectly not discounted back to its present value. A restatement was required to effect the impact of the discounting.

2023 Discounting impact		6 953 474
2024 Discounting impact		4 606 045
Restatement to provisions		**11 559 519**

9. Inventories

- Increase in Land inventory amounting to R 380 000, was previously derecognised as housing arrangement.

10. Accumulated Surplus

Accumulated surplus was restated as follows:

Adjustment for 2023 and Prior	
Timber plantation recognition	29 722 035
Land fill site not discounted	-6 953 474
Investment property not previously recognised	13 120 000
Transferred out of Investment property to land at cost	-5 378 000
Transferred out of land at cost to Investment property	9 745 000
Rental income not invoiced	181 621
Removal of Hluma Causeway from WIP	-268 451
Bhekuzulu Paving Road1 Phase 2 already capitalised	-606 378
Land inventory previously derecognised as housing arrangement	380 000
Expenditure not previously captured	-613 331
Restatement in the Opening balance	**39 329 022**
Adjustments for 2024	
Refer to Statement of financial performance	-4 724 550
Total restatement to accumulated surplus	**34 604 472**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

Statement Financial Performance Error Explanations

1. Fair value adjustments

Fair value adjustments on the Timber Plantation and Investment Property.

Fair value adjustment on Timber Plantation	-466 231
Fair Valuation adjustments 2024 Investment Property	880 000
Restatement to Fair Value Adjustments	**413 769**

2. Finance Costs

Discounting Impact on Interest for Landfill Site 2024	4 606 045
Reclassification of excess demand penalties	1 859 466
Restatement to Finance Costs	**6 465 511**

3. Bulk Purchases

- Excess demand penalties of R 1 859 466 were reclassified to finance costs.

4. Contracted Services

Adjustments were made to expenditure within Contracted Services:

Invoices not previously captured	172 576
Removal of VAT on cessions	-404 674
Credit notes processed	-2 128
Expenditure reclassified to WIP	-1 324 989
Restatement to Contracted Services	**-1 559 215**

Contingencies

Balance Previously Reported	-	5 120 040
Add: Contingencies reported at incorrect values	-	29 303 470
Add: Contingencies not previously report	-	2 097 920
Less: Contingencies removed from register	-	(100 000)
	-	**36 421 430**

Refer to **Note 50** for listing of Contingencies as at 30 June 2024.

Irregular expenditure

Opening balance	-	232 493 742
Adjustments made	-	11 694 404
Restated opening balance	**-**	**244 188 146**

Fruitless and wasteful expenditure

Balance Previously Reported	-	2 753 345
Adjustments made	-	(1 002 471)
Restated opening balance	**-**	**1 750 874**

Adjustment made to opening balance of fruitless and wasteful expenditure is due to the a settlement amount with a creditor included as interest in error.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

Unauthorised expenditure

	2025	2024
Balance Previously Reported	-	106 877 182
Unauthorised Expenditure identified after investigation	-	1 999 650
Unauthorised Expenditure identified during the financial year 2025, that related to 2024 which was not reported	-	50 348 362
Restated opening balance	**-**	**159 225 194**

Adjustment made to opening balance of unauthorised expenditure is due to understatement.

Related Parties

- Travel and subsistence claims was incorrectly dislcosed within Other benefits and Non-pensionable benefits was disclosed within Basic Salary. The changes are disclosed below.

Management Class: Senior Management previously reported 2023/2024:

Name	Basic Salary	Other benefits received	Total
Z G Dhlamini (Municipal Manager)	1 134 409	233 404	1 367 813
M P E Mthembu (Chief Financial Officer)	1 230 628	378 337	1 608 965
N W Mbongwa(Director Technical Services)	1 230 628	378 337	1 608 965
S P Dlamini (Director Corporate Services)	1 230 628	416 002	1 646 630
T Xaba and T S Mthembu (Director Community Services)	468 606	156 772	625 378
J S Landman (Director Development Planning)	1 230 628	378 337	1 608 965
	6 525 527	**1 941 189**	**8 466 716**

Management Class: Senior Management restated 2023/2024:

Name	Basic Salary	Other benefits received	Total
Z G Dhlamini (Municipal Manager)	1 086 457	213 064	1 299 521
M P E Mthembu (Chief Financial Officer)	1 191 257	357 997	1 549 254
N W Mbongwa(Director Technical Services)	1 191 257	357 997	1 549 254
S P Dlamini (Director Corporate Services)	1 191 257	395 662	1 586 919
T Xaba and T S Mthembu (Director Community Services)	437 671	138 127	575 798
J S Landman (Director Development Planning)	1 191 257	357 997	1 549 254
-	**6 289 156**	**1 820 844**	**8 110 000**

Electricity distribution losses

In the 2024 financial statements, the Municipality erroneously had a cost of providing the service of R268,626,804. This amount was incorrectly included in the disclosure and should have been R264 243 266.

61. Budget differences

Material differences between budget and actual amounts - Revenue and Expenditure Items

Revenue Items	Reason for variance
Service charges	The service charges should be combined with the availability charges to compare the budget versus the actual. The Municipality experienced a larger than expected increase in water and electricity losses, which resulted in revenue targets not being met.
Agency fees	The budget was based on an expected 20% increase in the agency fee from licence renewals, however, year on year this number remained flat as budget was not met.

Figures in Rand	2025	2024

Interest receivable from exchange transactions	The lower than expected service charges revenue resulted in lower than expected debtors book, thus resulting in interest received being below the budgeted amount. Further consumers are not paying their arrear amounts, which includes interest levied.
Water Inventory Gain	The Municipality does not budget for water inventory purchases which arise as a result of raw water being obtained directly from the Dams
Property Rates	Under-collection of revenue
Property Rates Penalities	Under-collection of revenue
Availability Charges on Services	The service charges should be combined with the availability charges to compare the budget versus the actual. The Municipality experienced a larger than expected increase in water and electricity losses, which resulted in revenue targets not being met.
Fair Value Adjustments	The Municipality didnt budget for these changes to investment property and living resources. The change in the living resouces was a result of municipality recognised the timder plantation for the first time.
Expenture Items	**Reason for variance**
Employee costs	At year end the Municipality reallocates salaries in the Water department for the water losses value which is not budgeted for. Total water losses estimates the budget versus actual difference in employee costs
Contracted Services	The Municipality is on a cost saving drive and had budgeted in line with the cost saving drive, however, repairs and maintenance to infrastructure assets remained high due to old and dilapidated infrastructure. Further, heavy rains during the financial year damaged infrastructure and expenditure was incurred for repairs.
Bulk Purchases	The Municipality under-budgeted. The change is due to the increases in tariffs by NERSA.
Inventory Consumed	The Municipality under-budgted. The change is due to repairs and maintenance incurred as a result of heavy rains during the financial year that damaged infrastructure.
Loss on disposal of assets and liabilities	The municipality didn't budget for this item and this was a result of changes in Property, Plant and Equipment after physical verfication.
Impairment losses on non-cash generating assets	The municipality didn't budget for this item and this was a result of changes in Property, Plant and Equipment after physical verfication.
Acturial Gains	The municipality didn't budget for this item and this was a result of changes in acturial valuations in employees benefit plans. The municpality couldnt budget for this item as the estimates are done at year-end.
Water Losses	The Municipality does not budget for water inventory losses which arise as a result of raw water being obtained directly from the Dams. The calculation for losses are done at year-end.
Finance costs	Finance costs mainly relates to interest from Eskom bulk purchases, the Municipality did not budget for this
Debt Impairment	The municipality under-budgeted for this line item.
Operational Expenditure	The Municipality is on a cost saving drive and had budgeted in line with the cost saving drive and was able to cut costs on operating expenses
Depreciation and amortisation	The municipality re-estimated the useful lives of its assets, which resulted in a significant reduction in depreciation which resulted in a saving.
Lease rentals on operating leases	The municipality has classified its vehicle leases as finance leases which resulted in a saving.

Notes to the Annual Financial Statements

Material differences between budget and actual amounts - Assets and Liability Items

Asset Items	Reason for variance
Inventory	Change is due to the reclassification of land at year-end, due to physical verification.
Receivables from exchange transactions	Impairment calculation was not incorporated into budget.
Receivables from non-exchange transactions	Impairment calculation was not incorporated into budget.
VAT	The budget was split between Input and Output Accruals, whilst the Actuals was consolidated.
Cash & Cash Equivalents	Budget was over estimated based on revenue collections and investments to be made.
Living Resources	The municipality didn’t budget for the fair valuation of living resources. The change in the living resources was as a result of the municipality recognizing the timber plantation for the first time
Investment Property	The Municipality didnt budget for the fair valuation of investment property.
Property, Plant & Equipment	The municipality didnt budget for the WIP additions and the completion of projects during the year.
Other Current Assets	No expenditure was incurred under this line item.
Liability Items	**Reason for variance**
Payable from exhange transactions	The Municipality budgeted, for the ESKOM debt to be spread over repayment periods covering different budget years. This resulted in under-budgeting for the repayment to ESKOM.
Provisions	The Municipality didn't budget for the change in the provision for landfill site which is done at year-end.
Employee Benefit Obligations	The Municipality didn’t budget for this item and this was as a result of changes in actuarial valuations in employees benefit plans. The Municipality couldn’t budget for this item as the estimates are done at year-end

Material differences between budget and actual amounts - Cash Flow Items

Cashflow from Operating Activities	Reason for variance
Taxation Revenue	Budget was based on collection rates of revenue, which was over-estimated.
Other Receipts	Budget was based on collection rates of revenue, which was over-estimated.
Employees Costs	Salary outflow was budgeted on the organogram, however not all vacant positions were filled, resulting in a decrease in outflow versus the budget

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

Suppliers	Cost containment measures were implemented to improve the cash flow. Further payments were delayed and paid when cash became available. This is evident in the increase in payables.
Finance Costs	The municipality does not budget to pay interest on overdue accounts as this is non-compliant with the MFMA. Interest was incurred as an outflow, due to payments being delayed as a result of cash availability
Cashflow from Investing Activities	**Reason for variance**
Property, Plant and Equipment	Cost containment measures were implemented to improve the cash flow. Further payments were delayed and paid when cash became available. This is evident in the increase in payables.
Cashflow from Financing Activities	**Reason for variance**
Finance Lease Payments	The municipality didn't budget for this outflow.
Bank Balances	**Reason for variance**
Cash and cash equivalents at the beginning of the year	Prior period adjustment to bank balances. Refer to Note 61.

62. Fair Value Adjustment

	2025	2024
Investment Property	3 812 000	3 240 000
Living Resources	5 297 018	(466 231)
	9 109 018	**2 773 769**

63. Payables from exchange transactions - Non current portion

During the current financial period, the municipality entered into a payment arrangement with Eskom, to settle the arrear debt. The amount detailed below is the Non-current portion of debt.

	2025	2024
Payables from exchange transactions - Non-current portion	52 690 966	-

64. Change in estimate

Property, plant and equipment

The Municipality has reassessed the useful lives of property, plant and equipment which resulted in the below assets remaining useful lives to change from 33.24 to 35.02 years on average. The effect of the change in accounting estimate has resulted in a decrease in depreciation amounting to R22,254,807 for the current period which is also expected to be the effect on future periods. The table below further details the change in estimate:

Asset Classification	Average of Previous Useful Life	Average of Current Useful Life	Sum of Depreciation Before Reassessment	Sum of Depreciation After Reassessment	Change in Estimate
Buildings	12,75	15,25	5 241	3 320	1 921
Community Assets	27,97	30,77	325 969	145 247	180 722
Computer equipment	12,11	13,96	134 555	68 727	65 828
Furniture and office equipment	13,41	15,43	42 320	23 080	19 240
Machinery and equipment	13,67	15,50	13 660	8 108	5 552
Transport assets	13,24	17,99	6 802 788	3 470 811	3 331 977
Infrastructure	144,60	153,09	84 875 406	65 925 839	18 649 567
Totals			**91 899 939**	**69 645 131**	**22 254 807**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

65. Events after the reporting date

Timber Plantation

On 6 August 2025, a post-year-end inspection confirmed that a portion of the municipality's timber plantation, classified as a living resource in terms of GRAP 110, was damaged by a runaway fire. The affected compartment (002a), measuring 3.3 hectares, had been previously valued at R158,608 in the 2024/2025 valuation report.

The event occurred after the reporting date of 30 June 2025 and does not provide evidence of conditions that existed at year-end. Accordingly, it is considered a non-adjusting event in terms of GRAP 14. The carrying amount of the living resource remains unchanged at R 34 552 823.

Irregular Expenditure

The municipality held a council meeting on 28 August 2025 which represents a post year-end adjusting event. The impact of the resolutions taken are as follows:

Resolution CR 97/2025 taken on 28 August 2025. R 136 157 352 irregular expenditure relating to the period between 2014/2015 and 2020/2021 financial years was resolved to be written off.

Resolution CR 98/2025 taken on 28 August 2025. R 84 055 821 irregular expenditure relating to the period ending 30 June 2024 was resolved to be written off.

Resolution CR 99/2025 taken on 28 August 2025. R 12 280 574 irregular expenditure relating to the prior financial periods, that was previously referred for further investigation, was resolved to be written off.

Fire Damage to Municipal Infrastructure

In September 2025, protest action in the Mondlo township resulted in fire damage to municipal infrastructure. The incident was triggered by community dissatisfaction with electricity load reduction practices and led to the destruction of municipal offices and movable assets.

The assets affected include:
- A municipal building located at Mondlo Regional Office.
- A tractor-loader-backhoe vehicle.
- Office furniture, IT equipment, and filing systems.

The book value of the damaged assets as at 30 June 2025 is estimated at R4,490,977. An insurance claim has been submitted based on replacement values totaling R 15,603,795.

This event occurred after the reporting date and is classified as a non-adjusting subsequent event in terms of GRAP 14. While the financial impact is not recognised in the current reporting period, the event is considered qualitatively material due to its implications for service delivery, public trust, and operational continuity. Accordingly, it has been disclosed to ensure transparency and completeness.

66. Accounting by principals and agents

The municipality is an agent to the following arrangements.

Details of the arrangements are as follows:

KwaZulu-Natal Department of Transport - Motor Vehicle, Learner and Driver Licencing

The municipality entered into an agreement with KwaZulu Natal Department of Transport on the 1 May 2023 for a period of 3 years, to act as an Agent to provide the Community with the services of Motor Vehicle, Learner and Driver Licencing services.

The significant conditions of the arrangement are as follows:

Motor Licencing

- The KwaZulu Natal Department of Transport shall issue the motor vehicle licence renewal form to the respective owners of the motor vehicles, indicating the amount due for the year.
- The municipality provide facilities for owners of motor vehicles to pay their licences.
- The KwaZulu Natal Department of Transport provide the municipality with access to its IT systems to enable capturing of the amounts received and issuing of the motor vehicle licences on their behalf. The system automatically generates the motor vehicle licence upon capturing the payment of the fees due.
- The municipality collects the fees due from motor vehicle owners and simultaneously issue the new licences on behalf of the KwaZulu Natal Department of Transport .
- The municipality is required to pay over any revenue (cash) collected to the Department in respect of motor vehicle licences.

Learner Licencing

- Application for Learner Licences.
- Testing of Learner drivers by means of written tests or computerised leaner licence testing system.
- Issuing of Learner Licences.
- Issuing of Duplicate Learner Licences.
- The municipality collects the fees due from Learner Licencing.

Drivers Licencing

- Application for Drivers Licencing.
- Testing of Learner Licence for competency to drive an appropriate code of motor vehicle.
- Issue of Credit Card Format of Driving Licence Card, including eye-testing and fingerprints.
- Issue of duplicate Credit Card Format of Driving Licence Card.
- Renewal of Credit Card Format of Driving Licence Card.
- Issue of Temporary Driving Licence.
- Application for Professional Driving Permits.
- Issue of Professional Driving Permits, including eye-testing and fingerprints.
- Issue of Duplicate Professional Driving Permits.
- Issue of Instructor's Certificate.
- The municipality collects the fees due from Drivers Licencing.

The municipality is entitled to retain 8,62% of the cash collected for undertaking the above activities on behalf of the KwaZulu Natal Department of Transport.

Notes to the Annual Financial Statements

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

No resources have been recognised by the municipality in its financial statements.The municipality is required to return the equipment supplied by the KwaZulu Natal Department of Transport should the agreement be terminated.

Revenue recognised

The aggregate amount of revenue that the municipality recognised as compensation for the transactions carried out on behalf of the KwaZulu Natal Department of Transport is R 5 434 899 (2024: R 5 797 435).

Liabilities and corresponding rights of reimbursement recognised as assets

No liabilities were incurred on behalf of the KwaZulu Natal Department of Transport during the financial year, and hence no outstanding payments were recorded at year end. No corresponding rights of reimbursement have been recognised at year end.

Entity as principal

The Municipality is a principal to the following arrangements:

The Municipality has a principal-agent arrangement with a service provider (Contour Technology (Pty) Ltd) effective from 1 March 2023. The agreement is for a period of 36 months. The agreement is binding and directs the service provider to sell prepaid electricity to the Municipality's customers and collect all cash and funds relating to these sales. The agent must remit the full amount collected from the sales to the municipality.

The agent is entitled to be paid a commission of 1.67% excluding VAT, on the sales from 3rd party vendors.

Significant benefits

The Muicipality can reliably sell prepaid electricity without incurring the costs of establishing a system to be able to sell and collect prepaid electricity.

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

No resources have been recognised by the municipality in its financial statements.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024
Fee paid as compensation to the agent		
Commission Paid	1 792 333	1 599 464

Cost or resource implications if the principal-agent arrangement is terminated

The Agreement has the following remedies in the event of breaches by either party:

- Shall be entitled, without prejudice, to any right afforded in terms of the Agreement or by Law.
- Cancel the agreement and claim damages as result of defaulting parties breach or cancellation.
- Claim specific performance of the defaulting party's obligation.

The principle can also elect to terminate the Agreement if the Agent is non-complaint with taxes, arrears with municpal services, liquidated, bankrupt, and insolvent.

The agent forfiets all rights to claim damages, breaches and/or specific performance in the event of termination in accordance with clause 11 of the Agreement.