Big 5 Hlabisa Local Municipality
(Registration number KZ276)
Annual Financial Statements for the year ended 30 June 2025

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(Registration number KZ276)
Annual Financial Statements
for the year ended 30 June 2025
Auditor General of South Africa

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) The Municipality's operations are governed by:-Municipal Finance Management Act 56 of 2003,-Municipal Structures Act 117 of 1998,-Municipal Systems Act 32 of 2000,-Municipal Property rates act 6 of 2004 and -Various other acts and regulations
Nature of business and principal activities	Service Delivery
The following is included in the scope of operation	Rates and Waste Management and General services Local Government Activities
Grading of local authority	Medium Capacity Municipality Grade 3
Accounting Officer	Mr LMV Cele
Chief Finance Officer (CFO)	Mr JM Nkosi
Registered office	Municipal Buildings Hlabisa Lot 808 Off Masson Street Hlabisa 3937
Postal address	P O Box 387 Hlabisa 3937
Bankers	First National Bank ABSA Bank
Auditors	Auditor General of South Africa
Attorneys	Philip Walsh Attorneys
Mayor	Cllr CT Khumalo
Deputy Mayor	Cllr HT Nkosi
Speaker	Cllr BW Shangase
Exco Members	Cllr FZ Nkwanyana Cllr TN Ngema Cllr LL Ntshangase
Ordinary Councillors:	Cllr CN Maphisa Cllr JP Zungu Cllr MC Cele Cllr GMC Mdaka Cllr NH Nxumalo Cllr ZM Ngobese Cllr MM Dladla Cllr VW Mkhize Cllr JP Msezane Cllr SP Simelane

General Information

Cllr ZW Ntuli
Cllr AS Thela
Cllr BS Ndlazi
Cllr ONN Ndwandwe
Cllr W Mngomezulu
Cllr SF Mdaka
Cllr IS Manqele
Cllr CS Kwesaba
Cllr PS Mantengu
Cllr BS Gumbi
Cllr SI Mhlongo

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

COID	Compensation for Occupational Injuries and Diseases
SALGA	South African Local Government Association
GRAP	Generally Recognised Accounting Practice
MPAC	Municipal Public Accounts Committee
LGBC	Local Government Bargaining Council
UIF	Unemployment Insurance Fund
MPAC	Municipal Public Accounts Committee
PAYE	Pay As You Earn
VAT	Value Added Tax
SDL	Skills Development Levy
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
INEP	Integrated National Electrification Programme
EDTEA	Economic Development Tourism and Environmental Affairs
IT	Information Technology

Accounting Officer's Responsibilities and Approval

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

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

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

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

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

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

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

The Accounting Officer also certify that salaries, allowances and benefits of Councillors, loans made to Councillors, if any, and payments made to Councillors for loss of office as disclosed in the Annual Financial Statements below are within the upper limits of the framework envisaged in Section 219 of the Constitution, read in conjunction with the Public Office Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

The annual financial statements set out on page 5, which have been prepared on the going concern basis, were approved by the Accounting Officer on 31 August 2025 :

Accounting Officer
Mr LMV Cele

Statement of Financial Position as at 30 June 2025

Figures in Rand	Note(s)	2025	2024 Restated*
Assets			
Current Assets			
Inventories	3	1 580 799	1 580 799
Receivables from exchange transactions	4	6 574 792	3 907 831
Receivables from non-exchange transactions	5	14 432 732	12 376 387
Cash and cash equivalents	6	94 862 965	88 719 258
		117 451 288	**106 584 275**
Non-Current Assets			
Investment property	7	18 490 767	18 732 901
Property, plant and equipment	8	283 217 051	269 653 753
Intangible assets	9	20 912	83 645
Receivables from non-exchange transactions	5	65 546	104 324
		301 794 276	**288 574 623**
Total Assets		**419 245 564**	**395 158 898**
Liabilities			
Current Liabilities			
Payables from exchange transactions	14	31 741 639	30 528 494
Employee benefit obligation	10	461 861	333 022
Unspent conditional grants and receipts	11	100 200	100 200
Provisions	12	1 907 973	1 641 197
		34 211 673	**32 602 913**
Non-Current Liabilities			
Employee benefit obligation	10	4 621 649	4 173 258
Provisions	12	14 872 797	12 104 165
		19 494 446	**16 277 423**
Total Liabilities		**53 706 119**	**48 880 336**
Net Assets		**365 539 444**	**346 278 558**
Accumulated surplus		365 539 445	346 278 558
Total Net Assets		**365 539 445**	**346 278 558**

* See Note 46

Statement of Financial Performance

Figures in Rand	Note(s)	2025	2024 Restated*
Revenue			
Revenue from exchange transactions			
Sale of goods		278 087	128 870
Service charges	16	2 283 864	2 178 853
Rendering of services		32 905	32 906
INEP Construction contracts revenue	49	7 632 174	2 260 870
Rental of facilities and equipment	17	379 816	322 145
Agency services	13	99 797	90 643
Licences and permits	19	1 202 189	1 411 145
Other income	21	612 175	964 866
Interest received	22	9 974 060	9 646 910
Total revenue from exchange transactions		**22 495 067**	**17 037 208**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	23	29 094 262	27 400 975
Transfer revenue			
Government grants & subsidies	25	188 931 000	187 410 095
Fines, penalties and forfeits	18	864 203	407 799
Donations received	26	-	532 060
Total revenue from non-exchange transactions		**218 889 465**	**215 750 929**
Total revenue	15	**241 384 532**	**232 788 137**
Expenditure			
Employee related costs	27	(90 250 272)	(86 225 308)
Remuneration of councillors	28	(11 347 953)	(10 467 479)
Depreciation and amortisation	29	(18 137 091)	(16 879 729)
Finance costs	32	(1 641 197)	(1 476 558)
Lease rentals on operating lease	20	(657 750)	(642 963)
Accounts receivables written-off	50	(890 993)	(1 101 497)
Debt Impairment	33	(5 522 800)	(7 495 887)
INEP Construction contract expenditure	49	(7 632 174)	(2 260 870)
Contracted services	34	(44 070 712)	(38 881 476)
Transfers and subsidies	24	(4 849 942)	(3 259 158)
General expenses	35	(36 603 675)	(37 185 666)
Total expenditure		**(221 604 559)**	**(205 876 591)**
Operating surplus		**19 779 973**	**26 911 546**
Gain/(Loss) on disposal of assets		(430 218)	(12 584)
Actuarial gains/(losses)	10	(19 892)	(22 428)
Impairment loss	31	(68 981)	(379 056)
		(519 091)	**(414 068)**
Surplus for the year		**19 260 882**	**26 497 478**

* See Note 46

Big 5 Hlabisa Local Municipality

(Registration number KZ276)
Annual Financial Statements for the year ended 30 June 2025

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	320 335 138	320 335 138
Adjustments		
Prior year adjustments_refer to note 46	(554 058)	(554 058)
Balance at 01 July 2023 as restated*	**319 781 080**	**319 781 080**
Changes in net assets		
Surplus for the year	26 497 478	26 497 478
Total changes	26 497 478	26 497 478
Balance at 01 July 2024 as restated*	**346 278 563**	**346 278 563**
Changes in net assets		
Surplus for the year	19 260 882	19 260 882
Total changes	19 260 882	19 260 882
Balance at 30 June 2025	**365 539 445**	**365 539 445**
Note(s)		

* See Note 46

Cash Flow Statement

Figures in Rand	Note(s)	2025	2024 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		2 604 969	2 795 283
Receipts from customers		27 002 833	23 093 761
INEP Receipts		7 632 174	2 260 870
Grants		188 931 000	187 482 787
Interest income		9 974 060	9 647 111
		236 145 036	225 279 812
Payments			
Employee costs and Councillors		(100 708 313)	(97 666 386)
Suppliers		(93 861 974)	(85 342 925)
INEP Payments		(7 632 174)	(2 260 870)
		(202 202 461)	(185 270 181)
Net cash flows from operating activities	36	**33 942 575**	**40 009 631**
Cash flows from investing activities			
Purchase of property, plant and equipment	8	(27 798 868)	(32 259 568)
Net increase in cash and cash equivalents		**6 143 707**	**7 750 063**
Cash and cash equivalents at the beginning of the year		88 719 258	80 969 195
Cash and cash equivalents at the end of the year	6	**94 862 965**	**88 719 258**

* See Note 46

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Sale of goods	7 947 000	(97 000)	**7 850 000**	278 087	**(7 571 913)**	VE1
Service charges	1 966 000	-	**1 966 000**	2 283 864	**317 864**	VE 1.2
Rendering of services	-	-	**-**	32 905	**32 905**	VE 1.1
INEP Construction contract revenue	-	-	**-**	7 632 174	**7 632 174**	
Rental of facilities and equipment	494 000	-	**494 000**	379 816	**(114 184)**	
Agency services	-	-	**-**	99 797	**99 797**	
Licences and permits	1 560 000	-	**1 560 000**	1 202 189	**(357 811)**	VE3
Other income	-	-	**-**	612 175	**612 175**	VE4
Interest received - investment	4 500 000	5 000 000	**9 500 000**	9 974 060	**474 060**	VE6
Total revenue from exchange transactions	**16 467 000**	**4 903 000**	**21 370 000**	**22 495 067**	**1 125 067**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	30 616 000	-	**30 616 000**	29 094 262	**(1 521 738)**	
Transfer revenue						
Government grants & subsidies	164 495 000	1 964 000	**166 459 000**	188 931 000	**22 472 000**	VE8
Fines, penalties and forfeits	416 000	-	**416 000**	864 203	**448 203**	VE9
Total revenue from non-exchange transactions	**195 527 000**	**1 964 000**	**197 491 000**	**218 889 465**	**21 398 465**	
Total revenue	**211 994 000**	**6 867 000**	**218 861 000**	**241 384 532**	**22 523 532**	
Expenditure						
Employee related costs	(97 286 000)	-	**(97 286 000)**	(90 250 272)	**7 035 728**	VE11
Remuneration of councillors	(11 722 000)	-	**(11 722 000)**	(11 347 953)	**374 047**	
Depreciation and amortisation	(21 630 000)	-	**(21 630 000)**	(18 137 091)	**3 492 909**	VE12
Impairment loss	-	-	**-**	(68 981)	**(68 981)**	VE13
Finance costs	(1 217 000)	(742 000)	**(1 959 000)**	(1 641 197)	**317 803**	VE14
Lease rentals on operating lease	-	-	**-**	(657 750)	**(657 750)**	VE15
Debt Impairment	(10 786 000)	-	**(10 786 000)**	(5 522 800)	**5 263 200**	VE16
Accounts receivable written off	-	(900 000)	**(900 000)**	(890 993)	**9 007**	VE16
INEP Construction contract expenditure	-	-	**-**	(7 632 174)	**(7 632 174)**	VE21
Contracted services	(48 708 000)	(5 623 000)	**(54 331 000)**	(44 070 712)	**10 260 288**	VE17
Transfers and Subsidies	(2 631 000)	(1 239 000)	**(3 870 000)**	(4 849 942)	**(979 942)**	VE18
General expenses	(42 736 000)	1 333 000	**(41 403 000)**	(36 603 675)	**4 799 325**	VE19
Total expenditure	**(236 716 000)**	**(7 171 000)**	**(243 887 000)**	**(221 673 540)**	**22 213 460**	
Operating surplus	**(24 722 000)**	**(304 000)**	**(25 026 000)**	**19 710 992**	**44 736 992**	
Loss on disposal of assets and liabilities	-	-	**-**	(430 218)	**(430 218)**	VE20
Actuarial gains/losses	-	-	**-**	(19 892)	**(19 892)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	-	**-**	**-**	**(450 110)**	**(450 110)**	
Deficit for the year	**(24 722 000)**	**(304 000)**	**(25 026 000)**	**19 260 882**	**44 286 882**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**(24 722 000)**	**(304 000)**	**(25 026 000)**	**19 260 882**	**44 286 882**	

Reconciliation

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Inventories	-	-	**-**	1 580 799	**1 580 799**	
Receivables from exchange transactions	24 922 000	-	**24 922 000**	6 574 792	**(18 347 208)**	
Receivables from non-exchange transactions	41 951 000	(900 000)	**41 051 000**	14 432 732	**(26 618 268)**	
VAT receivable	19 547 000	852 000	**20 399 000**	-	**(20 399 000)**	
Cash and cash equivalents	45 289 000	23 804 000	**69 093 000**	94 862 965	**25 769 965**	
	131 709 000	**23 756 000**	**155 465 000**	**117 451 288**	**(38 013 712)**	
Non-Current Assets						
Investment property	18 576 000	-	**18 576 000**	18 490 767	**(85 233)**	
Property, plant and equipment	257 742 000	-	**257 742 000**	283 217 051	**25 475 051**	
Intangible assets	3 303 000	-	**3 303 000**	20 912	**(3 282 088)**	
Receivables from non-exchange transactions	-	-	**-**	65 546	**65 546**	
	279 621 000	**-**	**279 621 000**	**301 794 276**	**22 173 276**	
Total Assets	**411 330 000**	**23 756 000**	**435 086 000**	**419 245 564**	**(15 840 436)**	
Liabilities						
Current Liabilities						
Payables from exchange transactions	30 711 000	813 000	**31 524 000**	31 741 639	**217 639**	
VAT payable	1 561 000	(15 000)	**1 546 000**	-	**(1 546 000)**	
Employee benefit obligation	130 000	(130 000)	**-**	461 861	**461 861**	
Unspent conditional grants and receipts	-	-	**-**	100 200	**100 200**	
Provisions	5 701 000	-	**5 701 000**	1 907 973	**(3 793 027)**	
	38 103 000	**668 000**	**38 771 000**	**34 211 673**	**(4 559 327)**	
Non-Current Liabilities						
Employee benefit obligation	-	-	**-**	4 621 649	**4 621 649**	
Provisions	10 224 000	-	**10 224 000**	14 872 797	**4 648 797**	
	10 224 000	**-**	**10 224 000**	**19 494 446**	**9 270 446**	
Total Liabilities	**48 327 000**	**668 000**	**48 995 000**	**53 706 119**	**4 711 119**	
Net Assets	**363 003 000**	**23 088 000**	**386 091 000**	**365 539 445**	**(20 551 555)**	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	363 003 000	23 088 000	**386 091 000**	365 539 445	**(20 551 555)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Property Rates	20 607 000	-	**20 607 000**	21 435 488	**828 488**	
Service charges	1 323 000	-	**1 323 000**	-	**(1 323 000)**	
Grants received	192 118 000	(2 192 000)	**189 926 000**	175 277 000	**(14 649 000)**	
Other revenue	2 100 000	4 900 000	**7 000 000**	4 545 905	**(2 454 095)**	
	216 148 000	**2 708 000**	**218 856 000**	**201 258 393**	**(17 597 607)**	
Payments						
Employee costs & suppliers	(189 505 000)	(8 262 000)	**(197 767 000)**	(173 950 278)	**23 816 722**	
Transfers and Grants	(5 747 000)	2 584 000	**(3 163 000)**	-	**3 163 000**	
	(195 252 000)	**(5 678 000)**	**(200 930 000)**	**(173 950 278)**	**26 979 722**	
Net cash flows from operating activities	**20 896 000**	**(2 970 000)**	**17 926 000**	**27 308 115**	**9 382 115**	
Net increase/(decrease) in cash and cash equivalents	20 896 000	(2 970 000)	**17 926 000**	27 308 115	**9 382 115**	
Cash and cash equivalents at the end of the year	**20 896 000**	**(2 970 000)**	**17 926 000**	**27 308 115**	**9 382 115**	
Reconciliation						

BUDGET vs ACTUAL Explanations

VE1 - Part of the budgeted amount includes INEP Grant
VE1.1 - Budgeted for under Sale of goods.
VE 1.2 - Overstatement of Annual Budget, facilities were not utilised as initially anticipated.
VE 3 - When the budget was prepared the municipality had services that were estimated to be part of the scope, which later experienced challenges in implementation and achieving those set targets.
VE4 - Business Licences and building plans were budgeted for under sale of goods.
VE8 - The difference relates to the Municipal Infrastructure Grant (Capital)
VE9 - The basis of the budget was the prior year figures, however the municipality started to use the speed camera which contributed positively in the performance of this line item.
VE12 -Depreciation was less compared to prior year. Budget was based on prior year.
VE13 - Budgeted for under Depreciation Expense
VE 14 - Finance costs from Landfill site provision were more than budgeted for.
VE15 - This is budgeted for under general expenses .
VE16 - Budget is based on the collection rate. The collection rate is low.
VE 19 - Cost cutting measures were implemented to ensure that expenditure stays within budget.
VE 20- The assets write offs was not anticipated.
VE 21 - This is budgeted for under Contracted services

Accounting Policies

Figures in Rand	Note(s)	June 2025	June 2024

1. Basis of Preparations

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.

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

1.1 Presentation currency

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

1.2 Going concern assumption

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

1.3 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.

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 12 - Provisions.

Post-retirement benefits

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

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

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 10.

Allowance for doubtful debts

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

1.3 Significant judgements and sources of estimation uncertainty (continued)

Recognition and Derecognition of Land

In some instances the municipality is not the legal owner or the custodian of land appointed in terms of legislation, but assessed that it controls such land.

In some instances the municipality is the legal owner, or the custodian of land appointed in terms of legislation, but concludes that it does not control such land.

Offsetting

Financial assets and liabilities are offset and the net amount reported on the Statement of Financial Position when there is a legally enforceable right to set off the recognised amount, and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

1.4 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.

Cost model

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

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

Item	Useful life
Property - land	indefinite
Property - buildings	30 years

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

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

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

Accounting Policies

1.5 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.

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

Item	Depreciation method	Average useful life
Land		Indefinite
Buildings	Straight-line	30 years
Finance lease assets	Straight-line	5 years
Plant and machinery	Straight-line	10 - 15 years
Furniture and fixtures	Straight-line	7-10 years
Motor vehicles	Straight-line	5 years
Office equipment	Straight-line	5 years
IT equipment	Straight-line	3-7 years
Land fill site	Straight-line	30 years
Infrastructure		
• Roads and Paving	Straight-line	30 years
• Roads and water	Straight-line	30 years

1.5 Property, plant and equipment (continued)

Community Assets:	Straight-line	
• Recreational Facilities	Straight-line	20-30 years
• Security	Straight-line	5 years
• Community Halls	Straight-line	30 years
• Libraries	Straight-line	30 years
• Parks and Gardens	Straight-line	10 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.

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (Refer to note 8).

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

1.6 Site restoration and dismantling cost

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

1.6 Site restoration and dismantling cost (continued)

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

If the related asset is measured using the revaluation model:
- (a) changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
  - a decrease in the liability (subject to (b)) is credited to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit
  - an increase in the liability is recognised in surplus or deficit, except that it is debited to the revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.
- (b) in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit; and
- (c) a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit or net assets under (a). If a revaluation is necessary, all assets of that class are revalued.

1.7 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.

1.7 Intangible assets (continued)

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

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

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

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

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

Internally generated goodwill is not recognised as an intangible asset.

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

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

1.8 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).

1.8 Financial instruments (continued)

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

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

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

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

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

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

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.

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.

1.9 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.

Accounting Policies

1.9 Statutory receivables (continued)

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

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

Recognition

The municipality recognises statutory receivables as follows:

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

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

Subsequent measurement

The municipality measures statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:

- interest or other charges that may have accrued on the receivable (where applicable);
- impairment losses; and
- amounts derecognised.

Accrued interest

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

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

Other charges

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

Impairment losses

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

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

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

Accounting Policies

1.9 Statutory receivables (continued)

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

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

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

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

Derecognition

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

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

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

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

1. Receivables from non-exchange transactions Measured at cost
2. VAT Recivable/(Payable) Measured at cost
3. Traffic fines Measured at cost

1.10 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.

Accounting Policies

1.10 Leases (continued)

Finance leases - lessee

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

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

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

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

Operating leases - lessor

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

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

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

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

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

Operating leases - lessee

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

1.11 Inventories

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

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

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

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

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

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

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

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

Accounting Policies

1.11 Inventories (continued)

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

1.12 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.

1.13 Impairment of cash-generating assets

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

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

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

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

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

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

1.13 Impairment of cash-generating assets (continued)

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

Recoverable 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.

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.

Discount rate

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

Accounting Policies

1.13 Impairment of cash-generating assets (continued)

Cash-generating units

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

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

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

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

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

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:
- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

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

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

1.13 Impairment of cash-generating assets (continued)

Reversal of impairment loss

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

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

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

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

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

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

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:
- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

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

1.14 Cash and Cash Equivalents

Cash comprises cash on hand demand deposits.

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

Cashequivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes
.
Cash and cash equivalents comprise bank balances, cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less which are available on demand.

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

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

1.15 Employee benefits

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

Accounting Policies

1.15 Employee benefits (continued)

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:

- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Vested employee benefits are employee benefits that are not conditional on future employment.

Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

A constructive obligation is an obligation that derives from an entity's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Short-term employee benefits

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
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

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:

- 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
- as an expense, unless another Standard 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 non-accumulating 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.

Accounting Policies

1.15 Employee benefits (continued)

Post-employment benefits

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.

Post-employment benefits: Defined contribution plans

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

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:
- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an 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
- 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.

Big Five Hlabisa offers long service awards for every 5 years of completed service from 10 years to 45 years, therefore employee obligation will be made up of long service award anticipated to be paid to qualifying employees.

1.15 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

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 non-transferable 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 benefit obligation) and 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
- 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.

1.15 Employee benefits (continued)

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 pro-rated 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).

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

The 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.

1.15 Employee benefits (continued)

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.

Termination benefits

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 without 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.

1.16 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.

Accounting Policies

1.16 Provisions and contingencies (continued)

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

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

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

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

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

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

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

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

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:
- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

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

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:
- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 37.Contingent liabilities are measured based on probability and the ability to estimate the amount.

1.17 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

1.17 Commitments (continued)

- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.18 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.

Sale of goods

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

Rendering of services

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

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

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

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

Interest

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

1.19 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.

Accounting Policies

1.19 Revenue from non-exchange transactions (continued)

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

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

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

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

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

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

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

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

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

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

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

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

Recognition

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

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

Accounting Policies

1.19 Revenue from non-exchange transactions (continued)

Measurement

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

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

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

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

Rates, including collection charges and penalties interest

Revenue from rates, including collection charges and penalty interest, is recognised when.

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- The amount of the revenue can be measured reliably; and
- There has been compliance with the relevant legal requirements.

Changes to property values during a reporting period are valued by a suitably qualified valuator and adjustments are made to rates revenue, based on a time proportion basis. Adjustments to rates revenue already recognised are processed or additional rates revenue is recognised.

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.

Accounting Policies

1.19 Revenue from non-exchange transactions (continued)

Services in-kind

Except for financial guarantee contracts, the municipality recognise services in-kind that are significant to its operations and/or service delivery objectives as assets and recognise the related revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Where services in-kind are not significant to the municipality's operations and/or service delivery objectives and/or do not satisfy the criteria for recognition, the municipality disclose the nature and type of services in-kind received during the reporting period.

1.20 Investment income

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

1.21 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.

1.22 Accounting by principals and agents

Identification

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

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

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

Identifying whether an entity is a principal or an agent

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

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

Binding arrangement

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

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

1.22 Accounting by principals and agents (continued)

Assessing which entity benefits from the transactions with third parties

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

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

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

Recognition

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

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

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

1.23 Comparative figures

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

1.24 Unauthorised expenditure

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

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

1.25 Fruitless and wasteful expenditure

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

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

1.26 Irregular expenditure

Irregular expenditure as defined in section 1 of the MFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

(a) this Act and has not been condoned in terms of section 170, or
(b) expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of the Municipal Systems Act, and which has not been condoned in terms of that Act or
(c) expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of the Public Office-Bearers Act, 1998 (Act No. 20 of 1998);
(d) expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of the supply chain management policy of the municipality or any of the municipality's by-laws giving effect to such policy, and which has not been condoned in terms of such policy or by-law.

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.27 Segment information

A segment is an activity of an entity:

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

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

1.27 Segment information (continued)

Measurement

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

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

1.28 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 cash basis and presented by economic classification linked to performance outcome objectives.

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

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

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

1.29 Related parties

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

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

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

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

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

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

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

Accounting Policies

1.29 Related parties (continued)

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

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

1.30 Events after reporting date

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

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

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

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

1.31 Contracted Services

Transactions and events are classified as contracted services if and only if they are supplied by external parties not within the municipality. Contracted services can either be outsourced services, contractors or business and professional services.

Notes to the Annual Financial Statements

Figures in Rand	2025	June 2024

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

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

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• Grap 104 (as revised): Financial Instruments	01 April 2025	Unlikely there will be a material impact
• Grap 103 (Amended): Heritage Assets	01 April 2025	Unlikely there will be a material impact
• Grap 1 :Presentation of Financial Statements	To be determined	Unlikely there will be a material impact
• Improvements to Standards of GRAP (2023)	To be determined	Unlikely there will be a material impact

3. Inventories

Land held for sale	1 580 799	1 580 799

3.1 Reconciliation of land held for sale

Opening Balance	1 580 799	1 761 396
Prior period adjustment	-	179 954
Land sold during the year	-	(360 551)
	1 580 799	**1 580 799**

4. Receivables from exchange transactions

Consumer debtors - Refuse	25 683 513	24 006 927
Accrued income	208 285	176 821
Consumer debtors - Rental	118 861	58 120
Consumer debtors - Allowance for debt impairment Refuse	(21 663 659)	(20 983 427)
Consumer debtors - Allowance for debt impairment Rental	(100 259)	(50 799)
VAT Input Receivable	2 328 051	700 189
	6 574 792	**3 907 831**

Refuse		
Current (0-30 days)	652 305	218 644
31 - 60 days	179 813	192 988
61-90 days	167 073	174 770
91 -120 days	169 082	172 992
121 - 365 days	24 515 240	23 247 533
	25 683 513	**24 006 927**

Rental		
Current (0-30 days)	19 023	6 407
31 - 60 days	3 557	37
61-90 days	3 527	31 897
91 -120 days	3 512	4
121 - 365 days	89 242	19 775
	118 861	**58 120**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

4. Receivables from exchange transactions (continued)

Total bad debts provision from exchange transactions above	**(21 763 918)**	**(21 034 226)**
Total receivables from exchange transactions	6 574 792	3 907 831

Reconciliation for debt impairment allowance- Refuse and Rental

Opening balance	21 034 226	20 124 393
Provision for impairment	729 692	909 833
	21 763 918	**21 034 226**

No receivables were pledged as security for liabilities.

Trade and other receivables past due but not impaired

Trade and other receivables which are less than 3 months past due are not considered to be impaired. At 30 June 2025 R1 025 295 (2024:R624 741) were past due but not impaired.

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

1 month past due	671 323	225 050
2 months past due	183 367	193 023
3 months past due	170 599	206 668

Trade and other receivables impaired

The ageing of these receivables is as follows:

3 to 6 months	172 596	172 995
Over 6 months	24 604 485	23 267 515

During calculation of allowance for debt impairment, customers are assessed individually to determine if there is any indication for impairment.
a.Customers whose total debts are less than 90 days are exempted from provision for doubtful debts.
b.Government debtors are exempted from debt impairment as they are considered low risk.
c. All business and residential accounts with balance older than 90 days are considered for impairment at present value of future payments less carrying amount.

5. Receivables from non-exchange transactions

Statutory debtors - Property rates	51 097 692	43 526 740
Allowance for debt impairment - Property rates	(43 100 138)	(38 709 429)
Other Debtors	1 903 166	1 042 190
Statutory debtors - traffic fines	20 599 779	19 794 982
Allowance for debt impairment - traffic fines	(18 474 298)	(18 071 899)
Staff debtors	324 228	350 490
Provision for bad debts - staff debtors	(204 289)	(204 289)
Statutory debtors - VAT Control	1 875 459	4 093 788
Creditors with debit balances	476 679	658 138
	14 498 278	**12 480 711**

Non-current assets	65 546	104 324
Current assets	14 432 732	12 376 387
	14 498 278	**12 480 711**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

5. Receivables from non-exchange transactions (continued)

Rates		
Current (0-30 days)	2 070 434	1 366 598
31 - 60 days	704 836	758 344
61 - 90 days	699 608	657 935
91 - 120 days	685 588	632 535
121 - 365 days	46 937 226	40 111 328
	51 097 692	**43 526 740**
Traffic Fines		
Current (0- 30 days)	116 050	-
31 - 60 days	77 650	-
61 - 90 days	77 050	3 900
91 - 120 days	77 950	1 250
121 - 365 days	20 251 079	19 789 832
	20 599 779	**19 794 982**
Total bad debts provision included in receivables from non-exchange transactions above	**(61 574 586)**	**(56 781 328)**
Total receivables from non-exchange transactions	14 498 278	9 147 761

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

5. Receivables from non-exchange transactions (continued)

	-	-

Reconciliation for bad debts - statutory debtors: (Property rates)

Opening Balance	38 709 429	32 310 975
Provision for bad debts expenses-property rates	4 390 709	6 398 454
	-	-
	43 100 138	**38 709 429**
	-	-

Reconciliation for bad debts - statutory debtors: (Traffic fines)

Opening Balance	18 071 899	17 884 299
Provision for bad debts expenses-traffic fines	402 548	187 600
	-	-
	18 474 447	**18 071 899**

Included in receivables from non-exchange transaction is an amount of R 324 228 owed by employees.The municipality has made agreements with the employees for the periods of settlement hence part of the balance was presented as non-current asset i.e R65 546 . The municipality does not charge interest on outstanding debtors (both exchange and non-exchange transactions).Included in the amount owed by employees, there is a total of R 204 289 owed by an ex-employee. The amount has been outstanding for a number of years and the amount has been fully provided for impairment.

Property rates are governed by The Local Government: Municipal Property Rates Act 6 of 2004. Property rates values are calculated based on market value of properties as per applicable valuation roll. Provision for bad debts on statutory debtors is determined risk profile of each customer and default rate per risk profile as determined by the municipality. The main trigger for impairment loss on statutory debtors is late payment or non-payment of accounts by customers.

Traffic fines are governed by Administrative Adjudication of Road Traffic Offences Act, No. 46 of 1998 (AARTO) and National Road Traffic Act, No. 93 of 1996 of South Africa. Traffic fines charged are determined by The National Road Traffic Offence Charge Book. Due to high rate of default payments of traffic fines, the municipality has implemented a policy to provide for bad debts at rate of 50% of the issued fines issued and not collected.

Summary of receivables from exchange and non- exchange transactions (excluding Traffic fines debtors)

Business and Commercial		
Current (0 -30 days)	852 531	613 002
31 - 60 days	253 470	199 900
61 - 90 days	253 328	166 609
91 - 120 days	249 310	153 817
121 - 365 days	13 420 717	14 292 061
	15 029 356	**15 425 389**

Residential		
Current (0 -30 days)	635 354	619 443
31 - 60 days	297 816	268 976
61 - 90 days	292 623	313 672
91 - 120 days	290 670	279 345
121 - 365 days	29 926 049	26 836 797
	31 442 512	**28 318 233**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

5. Receivables from non-exchange transactions (continued)

Agriculture

Current (0 -30 days)	933 444	1 033 725
31 - 60 days	312 992	359 574
61 - 90 days	300 678	328 815
91 - 120 days	295 218	295 218
121 - 365 days	18 568 409	18 568 410
	20 410 741	**20 585 742**

Government

Current (0 -30 days)	320 437	233 327
31 - 60 days	23 927	48 609
61 - 90 days	23 577	23 758
91 - 120 days	22 984	17 164
121 - 365 days	9 626 534	2 748 269
	10 017 459	**3 071 127**

No statutory debtors were pledged as security for liabilities.

Statutory debtors past due but not impaired

Receivables from non-exchange transactions which are less than 3 months past due are not considered to be impaired. At 30 June 2025, R 3 745 631 (2024: R 2 782 877) were past due but not impaired.

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

1 month past due	2 186 489	1 366 598
2 months past due	782 486	758 344
3 months past due	776 658	657 935

Statutory debtors impaired

The ageing of these receivables is as follows:

3 to 6 months	763 538	1 892 344
Over 6 months	67 195 003	60 092 451

6. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	21 192	16 950
Bank balances	9 341 492	3 101 492
Short-term deposits	85 500 281	85 600 816
	94 862 965	**88 719 258**

Restricted Cash balances - Conditional Grants	100 200	100 200

The amount of R 94 862 965 includes R100 200 relating to Schemes Program conditional grant that is subject to conditions as set out in the grant agreement and may only be utilsed for the purposes stipulated therein. Unspent amount must be returned to the funder unless approval for retention.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

6. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2025	30 June 2024	30 June 2023	30 June 2025	30 June 2024	30 June 2023
ABSA BANK - 4053709558	469 476	5 014 703	19 712 833	469 476	5 014 703	19 712 833
FNB BANK - 62641677466	11 368 237	10 572 500	9 784 452	11 368 237	10 572 500	9 784 452
FNB BANK - 62641681251	15 631 659	14 537 496	13 453 907	15 631 659	14 537 496	13 453 907
Nedbank - 03/7165016708/000001	130 866	122 312	113 761	130 866	122 312	113 761
Mercantile - 4100167725	24 306	24 306	23 013	24 306	24 306	23 013
FNB MAIN BANK - 62632389450	3 999 313	1 537 898	500 510	3 999 313	1 537 898	500 510
FNB MAIN BANK - 62022340385	905 772	1 563 593	444 470	905 772	1 563 593	444 470
FNB BANK - 62641679123	2 179 990	2 009 504	1 853 834	2 179 990	2 009 504	1 853 834
FNB CALL ACC -62641675890	31 802 501	32 928 162	35 077 415	31 802 501	32 928 162	35 077 415
ABSA SAVINGS - 938132447	28 329 653	20 391 834	-	28 329 653	20 391 834	-
Petty Cash	-	-	-	5 025	220	5 000
Deposits received	-	-	-	16 167	16 730	-
Total	**94 841 773**	**88 702 308**	**80 964 195**	**94 862 965**	**88 719 258**	**80 969 195**

Notes to the Annual Financial Statements

Figures in Rand

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	19 964 049	(1 473 282)	18 490 767	19 964 049	(1 231 148)	18 732 901

Reconciliation of investment property - 2025

	Opening balance	**Depreciation**	**Total**
Investment property	18 732 901	(242 134)	18 490 767

Reconciliation of investment property - 2024

	Opening balance	**Depreciation**	**Total**
Investment property	18 975 034	(242 133)	18 732 901

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

7. Investment property (continued)

Pledged as security

None of the investment property has been pledged as security for liabilities.

No investment property is carrying existing restrictions.

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.

Amounts recognised in surplus or deficit

Rental revenue from Investment property	366 381	314 742

There was no expenditure incurred in relation to Investment property.

Notes to the Annual Financial Statements

Figures in Rand

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	4 255 629	-	4 255 629	4 255 629	-	4 255 629
Buildings	58 961 165	(21 758 572)	37 202 593	52 217 618	(19 993 884)	32 223 734
Plant and machinery	6 681 278	(3 163 131)	3 518 147	6 650 506	(2 933 378)	3 717 128
Furniture and fixtures	3 651 589	(2 626 552)	1 025 037	3 436 850	(2 426 243)	1 010 607
Motor vehicles	16 161 792	(6 787 701)	9 374 091	16 749 894	(5 368 066)	11 381 828
Office equipment	2 564 546	(1 556 091)	1 008 455	2 565 948	(1 337 224)	1 228 724
IT equipment	3 831 082	(1 763 276)	2 067 806	3 338 051	(1 580 636)	1 757 415
Leased Assets	146 036	(140 082)	5 954	146 036	(137 106)	8 930
Infrastructure	152 235 777	(74 432 733)	77 803 044	140 259 036	(69 758 891)	70 500 145
Community	231 543 685	(86 162 148)	145 381 537	224 079 420	(82 265 112)	141 814 308
Landfill site asset	15 365 019	(13 790 261)	1 574 758	13 970 808	(12 215 503)	1 755 305
Total	**495 397 598**	**(212 180 547)**	**283 217 051**	**467 669 796**	**(198 016 043)**	**269 653 753**

Notes to the Annual Financial Statements

Figures in Rand

8. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2025

	Opening balance	Additions	Additions through Work in Progress	Disposals (Write-Offs)	Other changes, movements	Depreciation	Impairment loss	Total
Land	4 255 629	-	-	-	-	-	-	4 255 629
Buildings	32 223 734	620 519	6 123 028	-	-	(1 764 688)	-	37 202 593
Plant and machinery	3 717 128	299 806	-	(30 693)	-	(468 094)	-	3 518 147
Furniture and fixtures	1 010 607	252 496	-	(1 696)	-	(236 370)	-	1 025 037
Motor vehicles	11 381 828	120 000	-	(573 082)	-	(1 554 655)	-	9 374 091
Office equipment	1 228 724	-	-	-	-	(220 269)	-	1 008 455
IT equipment	1 757 415	748 299	-	(38 424)	-	(399 484)	-	2 067 806
Leased assets	8 930	-	-	-	-	(2 976)	-	5 954
Infrastructure	70 500 145	-	12 190 417	(82 479)	-	(4 781 459)	(23 580)	77 803 044
Community	141 814 308	-	10 721 651	(279 551)	-	(6 829 472)	(45 399)	145 381 537
Landfill site asset	1 755 305	-	-	-	1 394 211	(1 574 758)	-	1 574 758
	269 653 753	**2 041 120**	**29 035 096**	**(1 005 925)**	**1 394 211**	**(17 832 225)**	**(68 979)**	**283 217 051**

Notes to the Annual Financial Statements

Figures in Rand

8. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2024

	Opening balance	Additions	Additions through Work in Progress	Transfers received	Other changes, movements	Depreciation	Impairment loss	Total
Land	4 255 629	-	-	-	-	-	-	4 255 629
Buildings	30 392 146	-	3 254 778	-	-	(1 423 190)	-	32 223 734
Plant and machinery	1 643 055	2 460 402	-	-	-	(386 047)	(282)	3 717 128
Furniture and fixtures	419 885	523 588	-	283 286	-	(213 551)	(2 601)	1 010 607
Motor vehicles	7 666 075	5 002 173	-	-	-	(1 274 480)	(11 940)	11 381 828
Office equipment	542 891	811 164	-	54 164	-	(178 851)	(644)	1 228 724
IT equipment	1 516 845	434 688	-	138 363	-	(318 809)	(13 672)	1 757 415
Leased assets	11 906	-	-	-	-	(2 976)	-	8 930
Infrastructure	73 062 038	-	3 011 700	-	-	(5 312 640)	(260 953)	70 500 145
Community	127 723 387	27 102	20 547 101	-	-	(6 381 735)	(101 547)	141 814 308
Landfill site asset	2 064 290	-	-	-	568 667	(877 652)	-	1 755 305
	249 298 147	**9 259 117**	**26 813 579**	**475 813**	**568 667**	**(16 369 931)**	**(391 639)**	**269 653 753**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

8. Property, plant and equipment (continued)

Pledged as security

No assets have been pledged as security for liabilities.

Assets subject to finance lease (Net carrying amount)

	2025	2024
Leased Assets - IT Equipment	5 954	8 930

Reconciliation of Work-in-Progress 2025

	Included within Infrastructure	Included within Community	Included within Buildings	Total
Opening balance	3 375 092	33 464 929	7 075 447	43 915 468
Additions/capital expenditure	12 190 417	10 721 654	6 123 028	29 035 099
Transferred to completed items	(15 565 509)	(10 981 178)	(8 653 575)	(35 200 262)
	-	**33 205 405**	**4 544 900**	**37 750 305**

Reconciliation of Work-in-Progress 2024

	Included within Infrastructure	Included within Community	Included within Buildings	Total
Opening balance	1 886 416	32 057 823	18 898 673	52 842 912
Prior Period Adjustment	(1 523 024)	(713 695)	-	(2 236 719)
Additions	3 011 700	20 547 101	3 254 777	26 813 578
Transferred to completed items	-	(18 426 300)	(15 078 004)	(33 504 304)
	3 375 092	**33 464 929**	**7 075 446**	**43 915 467**

Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance

	2025	2024
Employee related costs	2 723 843	2 115 949
Maintenance of Vehicles	3 899 852	2 566 032
Land and Buildings	13 771 284	13 131 018
	20 394 979	**17 812 999**

Projects taking significantly longer than expected.
Inkanyiso Sportfield - The project has delayed due extension of scope by Department of Sport.The funding was only received in Feb 2025 and the project will only be completed in early 2025/26 Financial year. Expenditure to date,30 June 2025 (R11 265 312) and 30 June 2024 (R6 887 935).
Hlabisa Sport Complex Phase 2 - Hlabisa Sport Complex Phase 2 – The completion of this project has been delayed due to the underperformance of the initial contractor, who failed to meet the agreed contractual obligations. Consequently, the contract was terminated, and a new service provider has since been appointed to continue with the works. The carrying amount of the project as at 30 June 2025 is R4 905 438 (2024: R4 033 074).
The project remains recognized as Work in Progress under **GRAP 17**, as it is expected to provide service potential upon completion. Management assessed for impairment under **GRAP 21 and GRAP 26**, and no impairment was required as the projects remain viable.

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	3 654 109	(3 633 197)	20 912	3 654 109	(3 570 464)	83 645

Reconciliation of intangible assets - 2025

	Opening balance	**Amortisation**	**Total**
Computer software, other	83 645	(62 733)	20 912

Reconciliation of intangible assets - 2024

	Opening balance	**Amortisation**	**Total**
Computer software, other	351 310	(267 665)	83 645

Pledged as security

No intangible assets have been pledged as security for liabilities.

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

10. Employee benefit obligations

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

Carrying value		
Present value of the defined benefit obligation-wholly unfunded	(4 506 280)	(4 124 258)
Contribution by Plan participants	(458 386)	(429 235)
Interest Costs	(476 814)	(439 606)
Benefits Paid	377 862	509 247
Net expense recognised in the Statement of financial performance	(19 892)	(22 428)
	(5 083 510)	**(4 506 280)**

Non-current liabilities	(4 621 649)	(4 173 258)
Current liabilities	(461 861)	(333 022)
	(5 083 510)	**(4 506 280)**

Employee benefit obligation relates to long service award extended to municipal staff who served on the payroll of the municipality for each five year interval completed as an employee.

The most recent actuarial valuations of present value of the defined benefit obligation were carried out as at 30 June 2024 by an expert who is a member of the Actuarial society of South Africa. The present value of the defined benefit obligation and the related current cost and past service costs, were measured using the projected Unit Credit Method.

The approach taken in this valuation has been made with reference to the guidelines issued by the Actuarial Society of South Africa (ASSA), in particular, the Advisory Practice Note 207 as issued by ASSA, and is consistent with the requirements of GRAP 25.

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

Opening balance	4 506 280	4 124 258
Contributions by plan participants	458 386	429 235
Exchange differences	476 814	439 606
Benefits paid	(377 862)	(509 247)
Net expense recognised in the statement of financial performance	19 892	22 428
	5 083 510	**4 506 280**

Net expense recognised in the statement of financial performance

Current service cost	458 386	429 235
Interest cost	476 814	439 606
Actuarial (gains) losses	19 892	22 428
Assets not recognised	(377 862)	(509 247)
	577 230	**382 022**

Figures in Rand	2025	2024

10. Employee benefit obligations (continued)

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	9.39 %	10.99 %
Expected pension increases	3.71 %	5.53 %
Expected increase in salaries	4.71 %	6.53 %
Proportion of employees opting for early retirement	4.47 %	4.18 %

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

The methodology for 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 6.55 years. The duration is based on the weighted averages of the obligations of Big 5 Hlabisa municipality as at 30 June 2024. At this duration the discount rate determined by using the Bond Exchange Zero Coupon Yield Curve as at 30 June 2025 is 10.99% per annum, and the yield on inflation-linked bonds of a similar term was about 4.69% per annum. This implies an underlying expectation of inflation of 5.53% per annum ([1 + 10.99% - 0.5%] / [1 + 4.69%] - 1).

The experts have assumed that salary inflation would exceed general inflation by 1.00% per annum, i.e. 6.53% per annum.

However, it is the relative levels of the discount rate and salary inflation to one another that is important, rather than the nominal values. We have thus assumed a net discount factor of 4.18% per annum ([1 + 10.99%] / [1 + 6.53%] - 1).

Salaries - Changes in an index or other variable specified in the formal or constructive terms of a plan as the basis for future benefit increases.

11. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Schemes Program Grant	100 200	100 200

The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the municipality has directly benefited; and Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

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

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

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

12. Provisions

Reconciliation of provisions - 2025

	Opening Balance	Additions	Change in discount factor	Total
Environmental rehabilitation	13 745 362	1 394 211	1 641 197	16 780 770

Reconciliation of provisions - 2024

	Opening Balance	Additions	Change in discount factor	Total
Environmental rehabilitation	11 700 137	568 667	1 476 558	13 745 362

	2025	2024
Non-current liabilities	14 872 797	12 104 165
Current liabilities	1 907 973	1 641 197
	16 780 770	**13 745 362**

Environmental rehabilitation provision

The Provision for rehabilitation of land fill site relates to the legal obligation to rehabilitate the land used for waste disposal in accordance with the National Environment Management Act No 107 of 1998 and Environmental Conversation Act No 73 of 1989. It is calculated as a present value of the expenditure expected to be incurred to settle the future obligations during rehabilitation of the land.

The provision for rehabilitation for landfill site represents management's best estimate of the municipality's liability relating to closure and rehabilitation of the landfill sites. Decommissioning costs includes costs associated with decommissioning end-use infrastructure, compacting works, capping, top-up soling and vegetation as well as construction of stormwater control systems. The discount rate used for the present value calculation was based on GOVI long bond and amounts to 9.35%.

Hlabisa landfill site is located approximately 1km west of Hlabisa Central Business District, on Portion 812 of the Farm Hlabisa, and takes access off an unnamed gravel road that branches off the D1907 road. It is located on top of a hill where a cutting was made to create a level area. The site coordinates are 28°08'37.51" S 31°51'49.87" E. Figure 2 shows the location of Hlabisa Landfill sitet.

Hlabisa Landfill Site had Waste Management Licence, Permit Number DC 27/WML/0002/2015 was issued in August 2016 and was valid for 5 years. The municipality has been issued with the Variation for the next 5 years.

The Hluhluwe landfill site is located approximately 1.6km southwest of the Hluhluwe town. The site coordinates are 28°01'39.65" S and 32°15'80.96" E The Hluhluwe landfill site received a closure licence valid for 10 years from February 2015 in terms of the National Environmental Management: Waste Act, 2008 (Act 59 of 2008). During its operation, most of the waste was burnt and the site was cleared to accommodate the growing demand for residential spaces in the FY 2020/21 and all the waste transferred to an old quarry extraction site within the same ERF number 15944.
The landfill site was moved approximately 700m from the previous area, but within the same ERF number. The new dumpsite is situated aabout 1.3 km in the southwest direction from the Big 5 Hlabisa offices in Hluhluwe town. The coordinates are 28°1'18.42" S and 32°15'49.02" E . The estimated remaining site life of Hluhluwe landfill site is then 21 years.

Assumptions

Discount Rate	11.37%
Consumer price inflation	5.94%
Estimated remaining useful life - Hlabisa	2 years
Estimated remaining useful life - Hluhluwe	20 years
Net discount rate ((1+D)/(1+H)-1)	5.13%
Cover to waste ratio	1 to 4

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13. Accounting by principals and agents

Entity as agent

Details of the arrangement are as follows:

Principal-agent arrangements relate to binding arrangements in which one entity (an agent), undertakes transactions with third parties on behalf, and for the benefit of, another entity (the principal). The following arrangement meets the criterion for such arrangements
:Application of Grap 109
Big 5 Hlabisa Local Municipality entered into an agreement with department of Transport to renew and issue licences on their behalf. The municipality collects monies for licence discs renewals on behalf of Department of Transport and receives 7% commission. Thus a principal agent arrangement exist in terms of GRAP 109.
Total commission of R 99 797 (2025) and R 90 643 (2024) was received from the Department of Transport as a result of Principal vs Agent relationship
Based on this assessment, it has been concluded that Big 5 Hlabisa Local Municipality is acting as an agent to the agreement.
Terms and conditions of the arrangement have not changed in current year and no significant risk identified.

Additional information

Revenue and expenses that relate to transactions with third parties undertaken in terms of the principal-agent arrangement

Total Commission received

	2025	2024
Agency services - Commission	99 797	90 643

14. Payables from exchange transactions

	2025	2024
Trade payables	2 085 748	2 678 073
Retention liability	4 929 122	5 910 571
Bonus accruals	2 511 803	2 261 360
Payroll Accruals	207 779	243 918
Unallocated Deposits	237 087	165 992
Payables - medical aid	-	1 174
Deposit on sale of land	3 300 940	3 047 940
Leave pay provision	8 326 934	7 895 244
Consumer Deposits - Hall Hire	1 000	-
Debtors with credit balances	6 564 748	6 149 577
VAT Payable	3 576 478	2 174 645
	31 741 639	**30 528 494**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

15. Revenue

Sale of goods	278 087	128 870
Rendering of services	32 905	32 906
Service charges	2 283 864	2 178 853
Construction contracts	7 632 174	2 260 870
Rental of facilities and equipment	379 816	322 145
Agency Services	99 797	90 643
Licences and permits	1 202 189	1 411 145
Other income	612 175	964 866
Interest received - investment	9 974 060	9 646 910
Property rates	29 094 262	27 400 975
Government grants & subsidies	188 931 000	187 410 095
Fines, penalties and forfeits	864 203	407 799
Donations Received	-	532 060
	241 384 532	**232 788 137**

The amount included in revenue arising from exchanges of goods or services are as follows:		
Sale of goods (Tender documments)	278 087	128 870
Service charges	2 283 864	2 178 853
Rendering of services	32 905	32 906
Construction contracts	7 632 174	2 260 870
Rental of facilities and equipment	379 816	322 145
Agency Services	99 797	90 643
Licences and permits	1 202 189	1 411 145
Other income	612 175	964 866
Interest received - investment	9 974 060	9 646 910
	22 495 067	**17 037 208**

The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	29 094 262	27 400 975
Transfer revenue		
Government grants & subsidies	188 931 000	187 410 095
Fines, penalties and forfeits	864 203	407 799
Donation Received	-	532 060
	218 889 465	**215 750 929**

16. Service charges

Refuse removal	2 283 864	2 178 853

17. Rental of facilities and equipment

Premises		
Premises	-	2 000
Hall hire	13 435	5 520
	13 435	**7 520**

Facilities and equipment		
Rental of facilities	366 381	312 742
Rental of equipment	-	1 883
	366 381	**314 625**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

17. Rental of facilities and equipment (continued)

	379 816	**322 145**

18. Fines, Penalties and Forfeits

Library Fines	103	299
Traffic fines	867 500	522 350
Business License Fines	3 000	-
Traffic fines forgone	(6 400)	(114 850)
	864 203	**407 799**

19. Licences and permits (exchange)

Road and Transport	1 202 189	1 411 145

20. Lease rentals on operating lease

Equipment		
Contractual amounts	657 750	642 963

21. Other income

Insurance Refund	289 465	506 587
Gain from sale of inventory	-	99 449
Business licences	50 435	26 418
Commission received	80 218	72 695
Building Plans	28 877	102 930
LGSETA Refund	163 180	156 787
	612 175	**964 866**

22. Investment revenue

Interest revenue		
Interest received from investments	9 959 394	9 636 539
Interest received - other	14 666	10 371
	9 974 060	**9 646 910**

Interest from investments arises from favourable bank balance and short term investments.
Interest received - other arose from Eskom deposits. The municipality pays deposits for any new account opened which will be refundable when the account is closed.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

23. Property rates

Rates

Residential	4 958 289	4 606 323
Business and commercial properties	7 723 834	6 843 493
Agriculture properties	6 304 802	5 945 621
Small holdings and farms	90 083	-
State Owned Properties	11 945 388	11 569 842
Less: Income forgone	(1 928 134)	(1 564 304)
	29 094 262	**27 400 975**

Valuations

Residential	277 152 003	277 152 003
Commercial	436 456 016	436 456 016
State	168 397 006	168 397 006
Municipal	67 523 001	67 523 001
Agriculture	1 083 099 000	1 083 099 000
Public Service Infrastructure	22 851 012	22 851 012
Special Properties	571 429 520	571 429 520
Place of worship	11 312 000	11 312 000
Rural Communal Land	108 906 000	108 906 000
Public Benefit Organisation	5 776 001	5 776 001
Hospitality Industry	54 702 003	54 702 003
Mining & Quaries	4 418 000	4 418 000
Protected Areas	257 521 000	257 521 000
	3 069 542 562	**3 069 542 562**

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

24. Transfers and subsidies

Other subsidies

Social relief	4 849 942	3 259 158

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

25. Government grants and subsidies

Operating grants		
Equitable share	155 064 000	147 469 000
Extended Public Works Programme Intergrated Grant	1 909 000	1 906 000
Financial Management Grant	2 700 000	2 750 000
Community Library Service Grant	4 822 000	4 617 000
	164 495 000	**156 742 000**
Capital grants		
EDTEA Grant	-	84 094
Municipal Infrastructure Grant	24 436 000	30 584 001
	24 436 000	**30 668 095**
	188 931 000	**187 410 095**

Conditional and Unconditional

Conditional grants were utilised in accordance with the conditions of the grant. No funds were delayed or withheld .Included in above are the following grants and subsidies received:

Conditional grants received	33 867 000	39 857 000
Unconditional grants received	155 064 000	147 469 000
	188 931 000	**187 326 000**

Municipal Infrastructure Grant

Current-year receipts	24 436 000	30 584 000
Conditions met - transferred to revenue	(24 436 000)	(30 584 000)
	-	-

MIG was spent on the construction of roads, halls, taxi rank, creches and installation of high masts amongst other things.

Financial Management Grant

Current-year receipts	2 700 000	2 750 000
Conditions met - transferred to revenue	(2 700 000)	(2 750 000)
	-	-

FMG was spent on payment of salaries for interns, acquisition of laptops for interns and paying the consultants that were contracted to finance assist the municipality with the implementation of financial management systems.

Expanded Public Works Programme

Current-year receipts	1 909 000	1 906 000
Conditions met - transferred to revenue	(1 909 000)	(1 906 000)
	-	-

EPWP Grant was spent on salaries for employees under the Expanded Public works Programme.

Community Library Service Grant

Current-year receipts	4 822 000	4 617 000
Conditions met - transferred to revenue	(4 822 000)	(4 617 000)

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

25. Government grants and subsidies (continued)

	-	-

Library grant was used for operational costs for managing the libraries under Big 5 Hlabisa municipality

EDTEA Grant

Balance unspent at beginning of year	-	84 094
Conditions met - transferred to revenue	-	(84 094)
	-	-

Schemes program Grant

Balance unspent at beginning of year	100 200	100 200

Schemes program grant is used for land use management scheme for the municipality.

26. Donations received

Furniture	-	283 286
IT Equipment	-	138 363
Office Equipment	-	54 164
Small Tools	-	56 247
	-	**532 060**

The assets donated include furniture, IT and office eqipment donated by Department of Arts and Culture to be used at Makhasa Library.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

27. Employee related costs

Basic	59 771 437	57 544 329
Bonus	4 837 529	4 574 858
Medical aid - company contributions	5 192 987	4 888 414
UIF	445 033	440 245
Bargain Council	30 875	29 224
Leave pay provision charge	703 249	447 303
Defined contribution plans	9 755 656	9 072 834
Overtime payments	450 573	366 741
Long-service awards	987 976	868 842
Car allowance	6 445 696	6 525 775
Housing benefits and allowances	703 313	793 927
Cell phones allowances	169 845	171 846
Other allowances	756 103	500 970
	90 250 272	**86 225 308**

Remuneration of municipal manager

Annual Remuneration	528 271	880 655
Skills and LGBC	9 927	13 642
Contributions to UIF, Medical and Pension Funds	1 771	2 125
Cellphone Allowance	25 552	28 659
Housing Allowance	95 262	164 122
Travel Allowance	212 931	344 252
	873 714	**1 433 455**

The new municipal manager started in November 2024. The CFO was acting in this position for 3 months and the acting allowance has been included above.

Remuneration of chief finance officer

Annual Remuneration	682 508	742 432
Acting Allowance	39 808	21 383
Car Allowance	279 717	287 603
Skills and LGBC	10 965	11 429
Contributions to UIF, Medical and Pension Funds	1 948	2 125
Housing Allowance	123 075	126 545
Cellphone Allowance	33 566	34 512
	1 171 587	**1 226 029**

Remuneration of Director Corporate Service

Annual Remuneration	682 508	694 727
Car Allowance	279 717	283 481
Skills and LGBC	10 438	11 754
Contributions to UIF, Medical and Pension Funds	2 125	2 303
Housing Allowance	123 075	124 731
Cellphone Allowance	33 566	34 018
Backpay and other allowances	-	51 814
	1 131 429	**1 202 828**

Remuneration of Director Community Services

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

27. Employee related costs (continued)

Annual Remuneration	682 508	703 202
Skills and LGBC	11 137	11 904
Backpay and other allowances	-	39 230
Contributions to UIF, Medical and Pension Funds	2 125	2 125
Travel Allowances	279 717	287 603
Housing Allowances	123 075	126 545
Cellphone Allowance	33 566	34 512
	1 132 128	**1 205 121**

Remuneration of Director Technical Services

Annual Remuneration	682 508	695 381
Backpay	-	29 677
Skills and LGBC	10 366	10 825
Contributions to UIF, Medical and Pension Funds	2 125	2 125
Housing Allowance	123 075	124 823
Cellphone Allowance	33 566	34 043
Travel Allowance	279 717	283 688
	1 131 357	**1 180 562**

28. Remuneration of councillors

Mayor	1 025 333	961 616
Deputy Mayor	830 429	777 840
Exco Members	1 375 681	1 282 341
Speaker	485 734	453 294
Councillors	7 184 187	6 576 296
MPAC	446 589	416 092
	11 347 953	**10 467 479**

In-kind benefits

The Mayor and Deputy Mayor are full -time employees. The Speaker and Exco Members are part-time employees.The Mayor, Deputy Mayor and Speaker have offices and secretarial support (with exception to Deputy Mayor) at the cost of the council. The Mayor, Deputy Mayor and Speaker has use of a Council owned vehicles for official duties. The Mayor, Deputy Mayor and Speaker have full-time bodyguards. The gazette No.49142 of 18 August 2023 relating to upper limits of salaries, allowances and benefits of the municipal council was used to pay the salaries and allowance for councillors in 2023/2024 financial years. The new gazette was issued (No. 51407) dated 17 October 2024 and effective from 01 July 2023.
Councillors are paid standard amounts as per the upper limits of the framework envisaged in Section 219 of the Constitution, read in conjunction with the Public Office Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act. As a result, the disclosure of councillors remuneration per person was not considered material.

29. Depreciation and amortisation

Property, plant and equipment	17 832 225	16 369 931
Investment property	242 133	242 133
Intangible assets	62 733	267 665
	18 137 091	**16 879 729**

Notes to the Annual Financial Statements

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30. Change in Accounting Estimate

The municipality performed conditional assessment of municipal assets during the financial year under review. Estimated useful life of property plant and equipment items has been revised to match with the expected future economic benefits as per conditional assessment results. The effect of this revision has increased the depreciation charges for the current financial year by R6 988 468 . The change in estimate has been applied prospectively. Amount of the effect in future periods is not disclosed because estimating it is impracticable. Below is the detailed breakdown of the change in estimatet

Property Plant and Equipment

Furniture and Fittings	(435 846)	(370 032)
Motor Vehicles	(217 546)	(590 879)
Office Equipment	(166 691)	(153 058)
Plant and Machinery	(144 575)	(362 592)
IT Equipment	(213 973)	(168 598)
Community	(2 663 569)	(3 236 696)
Offices	(727 875)	(382 346)
Infrastructure	(2 418 393)	(1 362 789)
	(6 988 468)	**(6 626 990)**

31. Impairment of assets

Impairments

Property, plant and equipment	68 981	379 056

A conditional assessment was performed for all property plant and equipment items. Based on the assessment results, assets assessed to have a very poor conditions and not in use were impaired to nil value. Conditions considered during this assessment includes amongst others, the functionality of the assets as well as its physical status. Some infrastructure and community assets as well as office buildings have been impaired during the year.

32. Finance costs

Interest expenses -provision for landfill Site	1 641 197	1 476 558

33. Debt Impairment

Traffic fines	402 399	187 600
Property rates	4 390 710	6 398 454
Refuse removal and rental	729 691	909 833
	5 522 800	**7 495 887**

34. Contracted services

Outsourced Services		
Cleaning Services	89 663	59 953
Hygiene Services	437 981	340 264
Internal Auditors	3 826 604	4 441 059
Consultants and Professional Services		
Professional fees	6 163 855	4 620 261
Legal Cost	209 026	110 277

Notes to the Annual Financial Statements

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34. Contracted services (continued)

Contractors		
Artists and Performers	187 159	442 681
Catering Services	886 558	858 316
Employee Wellness	118 432	48 082
Event Promoters	3 020 566	4 359 212
Interior Decorator	-	47 800
Maintenance of Land and Buildings	13 771 284	13 131 018
Maintenance of Motor Vehicles	3 831 073	2 560 344
Safeguard and Security	11 452 024	7 803 443
Stage and Sound Crew	76 487	58 766
	44 070 712	**38 881 476**

35. General expenses

Advertising	2 369 613	3 808 369
Auditors remuneration	2 112 837	3 095 251
Bank charges	349 330	314 389
Hire	150 000	495 198
Insurance	1 435 207	86 243
Software and Licences	4 640 491	3 248 706
Municipal Events	5 597 056	5 660 393
Fuel and oil	2 734 223	2 898 402
Printing and stationery	798 722	737 235
Protective clothing	187 292	319 963
Subscriptions and membership fees	1 217 778	1 399 026
Telephone and cellphone costs	2 415 531	2 731 231
Training	45 465	6 522
Travel - local	2 788 613	3 506 269
Skills Development Levies	831 657	805 280
Electricity	1 723 638	1 481 411
Uniforms	469 575	24 670
Bursary non-employees	757 459	142 009
Consumables and Other	222 353	406 275
Learnership and Internship	3 212 291	3 070 394
Remuneration of ward committees	2 365 566	2 708 935
Audit Committee Fees	178 978	239 495
	36 603 675	**37 185 666**

Notes to the Annual Financial Statements

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36. Cash generated from operations

Surplus	19 260 882	26 497 478
Adjustments for:		
Depreciation and amortisation	18 137 091	16 879 729
Gain on sale of assets and liabilities	430 218	12 584
Impairment loss	68 981	379 056
Bad debts	5 522 949	7 495 887
Movement in long service award obligation	577 230	156 790
Movements in provisions	3 035 408	(1 767 903)
Leave Accrual	431 690	-
Bonus accrual	250 443	-
Payroll accrual	207 779	-
Donations received	-	(532 060)
Changes in working capital:		
Inventories	-	360 551
Receivables from exchange transactions	(2 666 961)	(1 083 760)
Provision for bad debts and write-off	(5 522 800)	(7 495 887)
Receivables from non-exchange transactions	(2 017 567)	591 682
Payables from exchange transactions	(3 772 768)	(732 637)
Unspent conditional grants and receipts	-	(751 879)
	33 942 575	**40 009 631**

Notes to the Annual Financial Statements

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37. Contingencies

The municipality has the following litigation cases:

BIG2/0001- Republic Watch (Pty) Ltd:
When two municipality merged, The Republic Watch Pity Ltd was appointed by BIG 5 before merger using section 36 of MFMA but the appointment process was not properly followed. The municipality contested this since there was no valid contract or any supporting documentation. Municipality stopped paying the supplier therefore they took the matter to court. The matter will be set down for argument in the High Court Pietermaritzburg and we estimate the exposure to be in the region of R1.8 million.
The case have not been progressing since 2020 and attorneys have logged an application to overturn the judgement granted against the municipality. Big5 Hlabisa was ordered to pay R 1,056,220.83 together with interest as from 10th day of January 2017and further to comply with service level agreement. The Municipality was also requested to allow the applicant to render services as per signed service level agreement and pay for the services up to 31st of October 2019.
Legal costs already paid amount to R114,000 and additional R120 000 is anticipated by the attorneys depending on the progress of the matter. It is not clear whether the Plaintiff still wants to persue the matter or not.

BIG2/0002 - Vezwe Investment CC:
The municipality was sued for payments made on work performed by Bonakude Consulting (Pty) Ltd which claim was ceded to Vezwe Investment CC. Application for summary judgement was made and opposed, plaintiff attorneys suggested payment of 50% of the claimed amount which the municipality rejected.
Should the matter proceed to trial, anticipated costs are close to R20 000.

WAMKELWA TRADING ENTERPRISE CC(HLA44/003)
This supplier was appointed to do the back up system and maintenance of preconditions. The documentation was not signed by the supplier within stipulated time. Hence the supplier claimed that the municipality owes them. This have been taken to court. It is estimated that the contingent liability to be in the region of R600 000.00 and the matter has yet to be set down for hearing in the High Court, Pietermaritzburg.

XOLANI ERIC BUKHOSINI
The case relates to allegations for stealing diesel on the 24th of January 2019 of which Xolani is defending the case. The matter is at regional court and expected financial exposure is R200 000 if the matter succeed.

MFUYI INVESTMENT HOLDINGS
The plaintiff alleged that it rendered debt collection services on behalf of the Municipality in September and October 2017. However, only issued summons over three years later. In this regard, the Municipality's attorneys raised a defence on behalf of the municipality in that the plaintiff's claim is.A case against the municipality and expected financial exposure is R238,000 if the matter succeeds.

Municipal Vs COGTA
The matter relates to a dispute between COGTA and BIG 5 Hlabisa Local Municipality regarding properties. The expected legal cost amounts to R 23,000.

EFF PR Councillors
The matter relates to EFF councillors who did not organise the buses for their constituency for the EFF 10th anniversary. The matter has been filed to the High Court. Estimated costs of R175 000.

ALBANY KHAYELIHLE vs BIG 5 HLABISA
This matter relates to the complainant who lost 15 cows and believes that this was due to the municipal dumping site where he claims that the cows comsumed plastics and died. The expected costs of R313 500.

Notes to the Annual Financial Statements

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37. Contingencies (continued)

SPAR RENTAL CLAIM
The matter has been stagnant. No further action of legal proceeding has been filed on this matter. Additional information is required for the attorneys to continue with the legal proceedings. Financial loss expected to be R65 000 if the matter to proceed to judgement
Mlungisi Khumalo vs BIG 5 HLABISA
The complainant was charged by the municipality for acting against the interest of the municipality and was dismissed. He appealed to SGBLC and the estimated cost is R200 000.
Contravention - Law of Property
Leon Geldenhuys sued his neighbour for being troublesome, that was encroachment of one’s right to ownership. Expected legal costs is R 46 000.Estimated costs is R200 000.
INFINITY ALLIANCE/SHANTI'S ELECTRICAL - Demands were received from Infinity Alliance claiming payments in respect of outstanding electrical work, which is in terms of the tender awarded to them. The estimated costs is R 115 000
INKONKA CIVILS vs BIG 5 HLABISA
The matter relates to the municipality being sued by Inkonka for the work claimed to be performed by the service provider in the past and no payment was made for the services rendered. The estimated cost is R120 000

38. Related parties

Relationships

Senior Management	Refer to accounting officer's report note 27
Councillors	Refer to note 28

Related party balances

Loan accounts - Owing (to) by related parties		
FZ Nkwanyana (Cllr)	31 441	29 752

The amount owed by Cllr Nkwanyana relates to rates and refuse owing to the municipality.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

39. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Property, plant and equipment	7 451 135	7 851 005

Total capital commitments		
Already contracted for but not provided for	7 451 135	6 824 135

Authorised operational expenditure

Total commitments

Total commitments		
Authorised capital expenditure	7 451 135	6 824 135

1. Commitment are calculated using approved value-(including VAT) of the project which includes costs for consultants, and contracted supplier/construction company/vendor.
2. Commitments for capital projects/MIG are removed from the commitment schedule when the completion certificate is prepared and the municipality is satisfied with the work done.
3. Commitments balance at the end of the financial period excludes retention payments/value, as retention is a creditor and forms part of the accounting records already.

Operating leases - as lessee (expense)

The municipality's operating lease commitments consist of the following:
The municipality entered into a three year lease agreement for machine rental (01 March 2023 to 01 March 2026). Operating lease payments represent rentals payable by the municipality for the leased machines. The municipality has leased eight (8) machines at a fixed rate for three years (i.e no escalation rate). No contingent rent is payable

Rental expenses relating to operating leases		
Within one year	305 295	457 943
in second to fifth year	-	305 295
	305 295	**763 238**

40. Risk management

Financial risk management

Liquidity risk

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

Financial instrument	June 2025	June 2024
Payables from Exchange Transactions	31 741 639	30 528 494
Employee Obligation	5 083 510	4 506 280
Unspent Conditional Grant	100 200	100 200

40. Risk management (continued)

Credit risk

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

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

Financial instrument	June 2025	June 2024
Cash and Cash Equivalents	94 862 965	88 719 258
Receivable from Exchange Transactions	6 574 792	3 907 831
Receivable from Non-Exchange Transactions	14 432 732	12 376 387

Market risk

Interest rate risk

The municipality’s interest rate risk arises from long service award obligation and provision for landfill site.

41. Going concern

We draw attention to the fact that at 30 June 2025, the municipality had an accumulated surplus (deficit) of 365 539 445 and that the municipality's total liabilities exceed its assets by 365 539 445.

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

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the municipality will continue to get support through government grants as well as funds received from services rendered to the community. The municipality has implemented policies to increase their cashflows through collections from debtor and to reduce bad debts.

Revenue fines, penalties,service charges, licenses and permits are some of the income streams which were hit hardly by the effects of this pandemic and the municipality figures were below anticipated amounts for the past two years. However, the municipality is slowly recovering and has implemented the cost cutting measures to ensure that the municipality retains a favourable balance.

The pandemic did affect the collection rate in relation to debtors, however the municipality has implemented strategies to encourage debtors to pay and that has increased the collection rate in relation to the past three years

Based on the above discussion, the financial statements have been prepared on a going concern as the effect of the pandemic is going down and the municipality will continue receive funding support from the government.

42. Events after the reporting date

Approval of Unauthorised and Irregular Expenditure write offs by municipal council. Refer to Note 43 and 45

43. Unauthorised expenditure

	2025	2024
Opening balance as restated	-	-
Add: Expenditure identified - current	-	2 648 829
Less: Approved/condoned/authorised by council	-	(2 648 829)
Closing balance	-	-

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

43. Unauthorised expenditure (continued)

Analysed as follows: non-cash

Employee related cost	-	476 558
Depreciation and amortisation	-	559 759
	-	**1 036 317**

Analysed as follows: cash

Contracted services	-	1 516 354
General expenditure	-	96 158
	-	**1 612 512**

Unauthorised expenditure under investigation

Electricity	-	1 516 354
Water	-	96 158
Environment and agriculture Management	-	476 558
Community and social development	-	559 759
	-	(2 648 829)
Closing Balance	**-**	**-**

44. Fruitless and wasteful expenditure

Opening balance as previously reported	3 717 675	3 717 675

Fruitless and wasteful expenses arises from late payment of supplier accounts

Total of R 3,717,675 is for the prior years and is still uder investigation.

45. Irregular expenditure

Opening balance as previously reported	27 486 797	172 972 433
Opening balance as restated	**27 486 797**	**172 972 433**
Add: Irregular Expenditure - Interest not declared	-	69 321
Add: Irregular Expenditure -Evaluated on BBBEEE and not specific goals	-	931 990
Less: Amount written off - Prior period	(931 990)	(1 024 730)
Less: Amount written off - Prior Period (Big 5 Hlabisa Municipality)	(26 554 807)	-
Less: Amount written off - current year	-	(69 321)
Less: Amount written off - Prior Period (Big 5 False Bay)	-	(29 658 765)
Less: Amount written off - Prior Period (Hlabisa Local Municipality)	-	(115 734 131)
Closing balance	**-**	**27 486 797**

Cases under investigation

Irregular expenditure arises mainly from non-compliance with supply chain regulations as well as incomplete supporting documentation submitted by the appointed supplier. The investigation of irregular expenditure is still underway and part of the irregular expenditure have been finalised. A recommendation was made and approved by council to write-off the finalised items as presented above.
Prior year irregular expenditure was erroneously overstated by R15000 on BBBEE evaluation and the amount has been corrected

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

46. Prior-year adjustments

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

Statement of financial position

2024

	Note	As previously reported	Correction of error	Re-classification	Restated
Receivables from Exchange Transactions	4	3 173 618	34 024	700 189	3 907 831
Receivables from Non exchange Transactions		9 043 437	(760 838)	4 093 788	12 376 387
Cash and cash equivalents		88 702 528	-	16 730	88 719 258
Inventories		1 400 845	179 954	-	1 580 799
Investment Property		19 019 823	(286 922)	-	18 732 901
Property Plant and Equipment		269 690 617	(36 864)	-	269 653 753
Payable from Exchange Transactions		(28 414 928)	77 809	(2 191 376)	(30 528 495)
Accumulated Surplus		(320 335 138)	554 057	-	(319 781 081)
VAT Receivable		2 619 331	-	(2 619 331)	-
		44 900 133	**(238 780)**	**-**	**44 661 353**

Statement of financial performance

2024

	Note	As previously reported	Correction of error	Re-classification	Restated
Rendering of services		(33 205)	-	299	(32 906)
Other Income		(808 079)	-	(156 787)	(964 866)
Property Rates		(27 566 875)	165 900	-	(27 400 975)
Grant and Subsidies		(187 566 882)	-	156 787	(187 410 095)
Fines and Penalties		(407 500)	-	(299)	(407 799)
Interest received		(9 647 111)	201	-	(9 646 910)
Employee related costs		86 930 529	-	(705 221)	86 225 308
General Expenses		32 262 458	(23 129)	4 946 337	37 185 666
Contracted services		43 019 354	-	(4 137 878)	38 881 476
Remuneration of Councillors		10 567 538	3 179	(103 238)	10 467 479
Depreciation		16 795 657	84 072	-	16 879 729
Acc receivable written off		1 059 759	41 738	-	1 101 497
Impairment loss		412 237	(33 181)	-	379 056
Surplus for the year		**(34 982 120)**	**238 780**	**-**	**(34 743 340)**

Errors

The following prior period errors adjustments occurred.

Error 1

Receivables from Exchange and Non-Exchange Transactions - The adjustment is due to reversal of rates billing relating to properties billed that should not have been billed. Revenue is debited and Receivables are credited

Revenue from Exchange Transactions- The reclassification relates to LGSETA refunds that were classified as Grants and now reclassified to other income.
There is a VAT recievable reclassification to both non-exchange and exchange transactions.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

46. Prior-year adjustments (continued)

Error 2

Payables fom Exchange Transactions - The adjustement relates to correction of land deposits that were previously recognised as revenue. The correction will increase Payables and decrease Accumulated Surplus. There is also a correction of invoices previously not recognised. This will increase the Payable and decrease accumulated surplus. There is a VAT reclasiification from VAT receivable to Payebles from exchange transaction for the VAT Payable amount.

Error 3

I**nvestment Property and Land held for sale** - The correction relates to Land that is in the process of being sold but was still included in the Investment property register. The correction recognises Land held for sale and derecognises Investment Property.

Error 4

Property Plant and Equipment - The adjustment relates to reversal of impairment incorrectly recognised in the prior year and recognition of depreciation of office equipment erroneously ommited in the prior year.

47. Additional disclosure in terms of Municipal Finance Management Act

SALGA fees

	2025	2024
Opening balance	43 250	-
Current year subscription / fee	1 100 460	943 307
Amount paid - current year	(1 100 460)	(943 307)
Amount paid - previous years	(43 250)	43 250
	-	**43 250**

Skills Development Levy

	2025	2024
Current year subscription / fee	832 423	805 281
Less: Amounts recovered - current	(832 423)	(805 281)
	-	-

Audit fees

	2025	2024
Current year subscription / fee	2 429 763	4 965 493
Amount paid - current year	(2 429 763)	(4 965 493)
	-	-

PAYE and UIF

	2025	2024
Current year subscription / fee	13 828 299	12 889 123
Amount paid - current year	(13 828 299)	(12 889 123)
	-	-

Pension, Unions and Medical Aid Deductions

	2025	2024
Opening balance	1 174	-
Current year subscription / fee	24 371 544	22 878 353
Amount paid - current year	(24 372 718)	(22 877 179)
	-	**1 174**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

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

VAT

VAT receivable	1 875 459	4 093 788

VAT output payables and VAT input receivables are shown in note 5.

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

48. Deviation from supply chain management regulations

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

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the Council and includes a note to the annual financial statements
Additional costs were incurred during the financial year under review and process followed in incurring those costs deviated from the precision of paragraph 12(1) (d)(i) as stated above. The reason for these deviations were documented.

Deviations are disclosed as follows:	June 2025	June 2024
Current Year Deviation	227 353	233 107
Condoned by council	(227 353)	(233 107)
	-	-

49. Construction contracts and receivables

Big 5 Hlabisa Local Municipality entered into an agreement with department of energy to undertake rural electrification projects on behalf of the department. The municipality's responsibilities include appointment of the service provider, management of the project from the start to the end and paying amounts owed to the service providers. The municipality is required to submit monthly progress reports to the department of energy reflecting stage of completion.
The municipality is allocated the grant under Schedule 5B and does not have the licence to provide electricity. It is constructing the asset on behalf of Eskom. The INEP Construction Contract Expenses consists mainly of costs incurred to obtain goods and services from suppliers or subcontractors for the construction of Eletrification Infrastructure.
The INEP Construction Contract Revenue is recognised on a stage of completion based on the costs incurred. There are no contracts accounted for as work in progress given that costs are expensed when incurred.
The amount due for contract work done is recognised as a debtor and disclosed on the note for Receivables from exchange transactions.

At 30 June 2025, there were no amounts withheld as retentions for INEP construction contract.

At 30 June 2025, Total expenditure and revenue excluding VAT equals R 7 632 174 - (2024: R2 260 870).

50. Accounts Receivable written off

Consumer Debtors	890 993	1 101 497

In an effort to deal with the ever-growing debtor's book of the municipal, management and council has embarked on process of conducting awareness to the rates payers which amongst other involved meeting with rates payer's association where a number of solutions were discussed. On a council seating of the 7^{th} of December 2023, that council resolved to offer an amnesty of 40% on long outstanding debt due to the municipality to all its customers provided they meet the terms of the amnesty. The write-offs above are due to this amnesty.

51. Segment information

Notes to the Annual Financial Statements

Figures in Rand

51. Segment information (continued)

Segment surplus or deficit, assets and liabilities

June 2025

	Community and public safety	Economic planning and development	Municipal Governance	Trading Services	Total
Revenue					
Revenue from non-exchange transactions	4 822 103	24 436 000	187 722 362	1 909 000	218 889 465
Revenue from exchange transactions	1 014 254	8 042 784	1 209 719	2 254 249	12 521 006
Interest Received	-	-	9 974 060	-	9 974 060
Total segment revenue	**5 836 357**	**32 478 784**	**198 906 141**	**4 163 249**	**241 384 531**
Entity's revenue					**241 384 531**
Expenditure					
Employee related costs	32 775 628	9 743 685	40 563 064	7 167 895	90 250 272
Remuneration for councillors	-	-	11 347 954	-	11 347 954
Debt Impairment	-	-	5 522 799	-	5 522 799
Accounts receivable written off	-	-	890 993	-	890 993
Depreciation and amortisation	-	-	18 137 091	-	18 137 091
Interest,dividends and Rent on Land	1 641 197	-	-	-	1 641 197
Contracted services	2 887 051	14 768 106	24 347 879	2 067 676	44 070 712
Operating leases	-	-	657 750	-	657 750
General expenses	2 751 581	5 390 990	29 361 960	239 144	37 743 675
Transfers and Subsidies	1 015 206	-	2 694 736	-	3 709 942
INEP Construction contract	-	7 632 174	-	-	7 632 174
Acturial gains/losses	-	-	-	19 892	19 892
Loss on sale of assets	-	-	-	430 218	430 218
Impairment loss	-	-	-	68 981	68 981
Total segment expenditure	**41 070 663**	**37 534 955**	**133 524 226**	**9 993 806**	**222 123 650**
Total segmental surplus/(deficit)					**19 260 881**

Notes to the Annual Financial Statements

Figures in Rand

51. Segment information (continued)

	Community and public safety	Economic planning and development	Municipal Governance	Trading Services	Total
Assets					
Current Assets	1 697 937	(2 506 322)	118 259 674	-	117 451 289
Non-Current Assets	141 210 729	103 438 346	57 145 201	-	301 794 276
Total segment assets	**142 908 666**	**100 932 024**	**175 404 875**	**-**	**419 245 565**
Total assets as per Statement of financial Position					**419 245 565**
Liabilities					
Current Liabilities	(9 270 635)	23 322 125	(48 263 164)	-	(34 211 674)
Non-Current Liabilities	-	-	(19 494 446)	-	(19 494 446)
Total segment liabilities	**(9 270 635)**	**23 322 125**	**(67 757 610)**	**-**	**(53 706 120)**
Total liabilities as per Statement of financial Position					**(53 706 120)**

2024

	Community and public safety	Economic planning and development	Trading services	Municipal Governance	Total
Revenue					
Revenue from non-exchange transactions	-	30 584 001	1 906 000	183 260 928	215 750 929
Revenue from exchange transactions	3 497	1 628 222	2 178 853	3 579 525	7 390 097
Interest received	-	-	-	9 647 110	9 647 110
Total segment revenue	**3 497**	**32 212 223**	**4 084 853**	**196 487 563**	**232 788 136**
Entity's revenue					**232 788 136**

Notes to the Annual Financial Statements

Figures in Rand

51. Segment information (continued)

Expenditure					
Contracted Services	8 905 245	3 965 824	1 249 270	24 761 137	38 881 476
Employee related costs	31 800 854	9 295 380	6 207 607	38 921 467	86 225 308
Remuneration for councillors	-	-	-	10 467 479	10 467 479
Transfers and Susbsidies	3 257 354	-	-	1 804	3 259 158
Interest,dividends and rent	1 476 558	-	-	-	1 476 558
Operating leases	642 963	-	-	-	642 963
General expenses	676 777	696 516	2 805 458	33 006 914	37 185 665
Debt impairment	-	-	-	7 495 887	7 495 887
Accounts Receivable written off	-	-	-	1 101 497	1 101 497
Depreciation and amortisation	6 382 100	-	-	10 497 630	16 879 730
Loss from disposal	-	-	12 584	-	12 584
INEP Construction expenditure	-	-	-	2 260 870	2 260 870
Acturial losses	-	-	22 428	-	22 428
Impairment losses	-	-	379 056	-	379 056
Total segment expenditure	**53 141 851**	**13 957 720**	**10 676 403**	**128 514 685**	**206 290 659**
Total segmental surplus/(deficit)					**26 497 477**
Assets					
Current Assets	2 026 398	1 042 786	-	101 115 428	104 184 612
Non-current Assets	131 258 481	61 450 508	-	96 189 419	288 898 408
Total segment assets	**133 284 879**	**62 493 294**	**-**	**197 304 847**	**393 083 020**
Total assets as per Statement of financial Position					**393 083 020**
Liabilities					
Current Liabilities	(2 148 227)	18 511 407	-	(46 852 527)	(30 489 347)
Non-current Liabilities	-	-	-	(16 277 423)	(16 277 423)
Total segment liabilities	**(2 148 227)**	**18 511 407**	**-**	**(63 129 950)**	**(46 766 770)**
Total liabilities as per Statement of financial Position					**(46 766 770)**

Notes to the Annual Financial Statements

51. Segment information (continued)

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