uMlalazi Local Municipality
(Registration number KZN 284)
Annual Financial Statements
for the year ended 30 June 2025

General Information

Legal form of entity	Local Municipality
Nature of business and principal activities	The primary function of uMlalazi Local Municipality is to provide basic services i.e.electricity, refuse, roads and stormwater facilities within the Municipality's jurisdiction. The mandate of the Municipality is in terms of section 152 of the Constitution of South Africa.
Mayoral committee	Mayor - Cllr. QT Xulu
	Deputy Mayor - Cllr. MM Ngema
	Speaker - Cllr. JK Powell
	Chief Whip - Cllr. M Dludla
	Member of Executive Committee - Cllr. MM Cebekhulu
	Member of Executive Committee - Cllr. KS Mthabela
	Member of Executive Committee - Cllr. WL Ngema
	Member of Executive Committee - Cllr. K Ntanzi
	Member of Executive Committee - Cllr. SA Makhathini
	Member of Executive Committee - Cllr. K Khumalo
	Member of Executive Committee - Cllr. MMM Ntuli
	Member of Executive Committee - Cllr. SD Khubisa
	Chairperson of the Municipal Public Account Committee - Cllr. SB Larkan
	Cllr. AN Sibiya
	Cllr. TN Shozi
	Cllr. SA Khuzwayo
	Cllr. BC Makhathini
	Cllr. Z Biyela
	Cllr. ZM Mhlongo
	Cllr. BXS Ntombela
	Cllr. MD Dladla
	Cllr. SB Dlamini
	Cllr. SW Yimba
	Cllr. BP Hlabisa
	Cllr. K Mthembu
	Cllr. SI Zibani
	Cllr. JM Ngema
	Cllr. MB Biyela
	Cllr. M Ndlovu
	Cllr. T Mdlalose
	Cllr. SM Gasa
	Cllr. VM Xulu
	Cllr. MG Mzimela
	Cllr. BC Magwaza
	Cllr. B Nombekela
	Cllr. TH Biyela
	Cllr. NM Vilakazi
	Cllr. IQ Ngema
	Cllr. MS Xulu
	Cllr. Z Mpungose
	Cllr. EF Shange
	Cllr. NG Qwabe
	Cllr. BL Zungu

General Information

	Cllr. MM Khanyile Cllr. ME Dlamini Cllr. GZ Ncanana Cllr. PTO Shange Cllr. TP Khoza Cllr. TL Ntanzi Cllr. B Khanyile Cllr. MF Mdluli Cllr. XB Mpungose Cllr. NN Cele Cllr. AA Khanyile Cllr. KR Khumalo
Grading of local authority	Grade 3
Chief Finance Officer (CFO)	NP Mgobhozi
Accounting Officer	NN Shandu
Registered office	Hutchinson Street Eshowe 3815
Business address	Hutchinson Street Eshowe 3815
Postal address	P O Box 37 Eshowe 3815
Bankers	First National Bank, Nedbank, Standard Bank, Investec Bank and ABSA Bank.
Auditors	Auditor-General South Africa
Attorneys	Shepstone & Wylie Attorneys, Wynne & Wynne Attorneys and S Pearl Ndaba Attorneys
Preparer	The annual financial statements were internally compiled by: Divisional Manager: Budget and Financial Reporting and reviewed by Chief Financial Officer and Internal Audit Unit.

Index

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

Abbreviations used:

COID	Compensation for Occupational Injuries and Diseases
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IPSAS	International Public Sector Accounting Standards
MFMA	Municipal Finance Management Act
mSCOA	Municipal Standard Chart of Accounts
MFMG	Municipal Finance Management Grant
INEP	Integrated National Electrification Programme
MIG	Municipal Infrastructure Grant
MDRG	Municipal Disaster Response Grant
SARS	South African Revenue Services

Report of the Accounting Officer

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

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

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

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

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

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

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

The Accounting Officer also certifies 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 Officer Bearers Act and the Minister of Provincial 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 and were signed on its behalf by:

Accounting Officer
NN Shandu

Sunday, 31 August 2025

Statement of Financial Position as at 30 June 2025

Figures in Rand	Note(s)	2025	2024 Restated*
Assets			
Current Assets			
Cash and cash equivalents	3	86,376,633	73,834,303
Inventories	4	3,293,912	3,315,423
Receivables from exchange transactions	5	54,002,262	47,740,841
Receivables from non-exchange transactions	6	29,841,604	30,550,618
		173,514,411	**155,441,185**
Non-Current Assets			
Property, plant and equipment	7	850,941,351	835,599,567
Investment property	8	34,798,000	32,478,000
Intangible assets	9	51,673	73,250
Heritage assets	10	10,311,344	10,311,344
Receivables from exchange transactions	5	806,098	1,640,005
		896,908,466	**880,102,166**
Total Assets		**1,070,422,877**	**1,035,543,351**
Liabilities			
Current Liabilities			
Payables from exchange transactions	11	78,683,635	68,269,605
Consumer deposits	12	4,022,588	3,811,255
Unspent conditional grants and receipts	13	9,184,053	8,443,896
Employee benefit obligation	14	2,093,000	2,429,938
Provisions	15	2,654,855	2,621,320
Long term loans	16	2,131,303	2,305,137
		98,769,434	**87,881,151**
Non-Current Liabilities			
Employee benefit obligation	14	31,724,000	27,076,649
Long term loans	16	23,833,659	27,335,407
		55,557,659	**54,412,056**
Total Liabilities		**154,327,093**	**142,293,207**
Net Assets		**916,095,784**	**893,250,144**
Reserves			
Housing operating account	17	1,688,518	4,323,868
Accumulated surplus	18	914,407,246	888,926,272
Total Net Assets		**916,095,764**	**893,250,140**

* See Note 53

Statement of Financial Performance

Figures in Rand	Note(s)	2025	2024 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	19	119,724,003	107,065,935
Rental of facilities and equipment	20	2,106,655	1,424,831
Interest received - receivable from exchange transactions	27	3,715,672	2,933,963
Agency services	22	2,802,079	2,601,720
Licences and permits	23	2,654,604	2,283,512
Operational revenue	29	1,756,337	3,425,991
Interest earned - external investments	30	10,631,776	10,429,281
Gain on disposal of assets	31	676,122	103,689
Gain on remeasurement of employee benefits	28	-	2,103,674
Fair value adjustments	47	2,320,000	1,145,000
Total revenue from exchange transactions		**146,387,248**	**133,517,596**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	32	74,573,923	71,880,509
Property rates - penalties imposed	32	4,965,149	5,113,910
Licences and permits	24	35,557	18,016
Availability charge - electricity	25	1,570,891	1,470,528
Availability charge - interest on electricity		216,847	241,241
Transfer revenue			
Government grants & subsidies	34	347,258,841	316,969,011
Public contributions and donations	7	439,809	-
Fines, penalties and forfeits	21	1,616,318	3,155,299
Total revenue from non-exchange transactions		**430,677,335**	**398,848,514**
Construction contract revenue: INEP			
Construction contract revenue	46	3,496,522	-
Total revenue		**580,561,105**	**532,366,110**
Expenditure			
Employee related costs	35	197,375,671	186,745,738
Remuneration of councillors	36	25,188,861	24,964,008
Depreciation and amortisation	37	50,707,959	48,546,640
Impairment of cash and non-cash generating assets	38	633,292	5,728,289
Finance costs	39	3,363,587	3,146,984
Lease rentals on operating lease	26	1,703,613	1,966,989
Debt Impairment	40	7,574,605	7,575,266
Bad debts written off	5&6	3,694,777	-
Construction contract expenditure	46	3,496,521	-
Bulk purchases	42	101,585,858	89,665,933
Contracted services	43	86,894,860	81,201,396
Transfers and Subsidies	33	5,549,313	8,160,333
Loss on remeasurement of employee benefits	28	1,203,846	-
Inventory written off	4	352,647	-
Inventory Consumed	44	18,003,005	16,928,172
Operational costs	41	50,387,065	45,110,224
Total expenditure		**557,715,480**	**519,739,972**
Surplus for the year		**22,845,625**	**12,626,138**

* See Note 53

Statement of Financial Performance

Figures in Rand	Note(s)	2025	2024 Restated*

* See Note 53

Statement of Changes in Net Assets

Figures in Rand	Housing Operating Fund	Accumulated surplus / deficit	Total net assets
Opening balance as previously reported	4,007,822	882,334,123	886,341,945
Adjustments			
Correction of errors 53	-	(5,719,045)	(5,719,045)
Balance at 01 July 2023 as restated*	**4,007,822**	**876,615,078**	**880,622,900**
Changes in net assets			
Interest earned	314,944	(314,944)	-
Impairment reversal	1,102	-	1,102
Net income (losses) recognised directly in net assets	316,046	(314,944)	1,102
Surplus for the year	-	12,626,138	12,626,138
Total recognised income and expenses for the year	316,046	12,311,194	12,627,240
Total changes	316,046	12,311,194	12,627,240
Restated* Balance at 01 July 2024	**4,323,868**	**888,926,272**	**893,250,140**
Changes in net assets			
Interest earned	307,133	(307,133)	-
Utilised	(2,942,482)	2,942,482	-
Net income (losses) recognised directly in net assets	(2,635,349)	2,635,349	-
Surplus for the year	-	22,845,625	22,845,625
Total recognised income and expenses for the year	(2,635,349)	25,480,974	22,845,625
Total changes	(2,635,349)	25,480,974	22,845,625
Balance at 30 June 2025	**1,688,518**	**914,407,246**	**916,095,764**
Note(s)	17		

* See Note 53

Cash Flow Statement

Figures in Rand	Note(s)	2025	2024 Restated*
Cash flows from operating activities			
Receipts			
Taxation		80,581,792	71,927,678
Sale of goods and services		137,162,115	120,332,502
Grants		352,019,999	324,215,000
Interest income		10,631,776	9,988,295
		580,395,682	526,463,475
Payments			
Employee costs		(213,904,373)	(206,752,441)
Suppliers		(274,501,665)	(245,237,498)
Finance costs		(3,363,587)	(3,146,984)
Other payments		(5,549,313)	(8,160,333)
		(497,318,938)	(463,297,256)
Net cash flows from operating activities	45	**83,076,744**	**63,166,219**
Cash flows from investing activities			
Purchase of property, plant and equipment	7	(67,605,664)	(84,288,565)
Proceeds from sale of property, plant and equipment	7	676,122	103,689
Net cash flows from investing activities		**(66,929,542)**	**(84,184,876)**
Cash flows from financing activities			
Repayment of long term loans		(3,604,870)	25,232,242
Net cash flows from financing activities		**(3,604,870)**	**25,232,242**
Net increase/(decrease) in cash and cash equivalents		**12,542,332**	**4,213,585**
Cash and cash equivalents at the beginning of the year		73,834,303	69,620,718
Cash and cash equivalents at the end of the year	3	**86,376,635**	**73,834,303**

* See Note 53

Statement of budget and actuals

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
2025											
Financial Performance											
Property rates	77,802,420	(1,574,080)	76,228,340	-		76,228,340	74,573,923		(1,654,417)	98 %	96 %
Service charges	116,516,920	3,059,380	119,576,300	-		119,576,300	119,724,003		147,703	100 %	103 %
Investment revenue	8,441,500	1,200,000	9,641,500	-		9,641,500	10,631,776		990,276	110 %	126 %
Transfers recognised - operational	268,231,000	29,410,110	297,641,110	-		297,641,110	285,721,280		(11,919,830)	96 %	107 %
Operating revenue	32,701,910	2,844,745	35,546,655	-		35,546,655	28,372,562		(7,174,093)	80 %	87 %
Total revenue (excluding capital transfers and contributions)	**503,693,750**	**34,940,155**	**538,633,905**	**-**		**538,633,905**	**519,023,544**		**(19,610,361)**	**96 %**	**103 %**
Employee costs	(196,947,230)	(635,985)	(197,583,215)	-	-	(197,583,215)	(197,375,671)	-	207,544	100 %	100 %
Remuneration of councillors	(25,956,510)	327,300	(25,629,210)	-	-	(25,629,210)	(25,188,861)	-	440,349	98 %	97 %
Depreciation and asset impairment	(58,149,710)	(4,200,000)	(62,349,710)			(62,349,710)	(50,707,959)	-	11,641,751	81 %	87 %
Finance charges	(3,268,700)	(112,320)	(3,381,020)	-	-	(3,381,020)	(3,363,587)	-	17,433	99 %	103 %
Bulk purchases	(96,921,880)	(4,850,000)	(101,771,880)	-	-	(101,771,880)	(101,585,858)	-	186,022	100 %	105 %
Transfers and grants	(6,195,000)	354,010	(5,840,990)	-	-	(5,840,990)	(5,549,313)	-	291,677	95 %	90 %
Operating expenditure	(153,456,090)	(37,388,280)	(190,844,370)	-	-	(190,844,370)	(173,944,231)	-	16,900,139	91 %	113 %
Total expenditure	**(540,895,120)**	**(46,505,275)**	**(587,400,395)**	**-**	**-**	**(587,400,395)**	**(557,715,480)**	**-**	**29,684,915**	**95 %**	**103 %**
Surplus/(Deficit)	**(37,201,370)**	**(11,565,120)**	**(48,766,490)**	**-**		**(48,766,490)**	**(38,691,936)**		**10,074,554**	**79 %**	**104 %**

Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)	55,189,900	2,695,560	57,885,460	-		57,885,460	61,537,561		3,652,101	106 %	112 %
Surplus (Deficit) after capital transfers and contributions	**17,988,530**	**(8,869,560)**	**9,118,970**	**-**		**9,118,970**	**22,845,625**		**13,726,655**	**251 %**	**127 %**
Surplus/(Deficit) for the year	**17,988,530**	**(8,869,560)**	**9,118,970**	**-**		**9,118,970**	**22,845,625**		**13,726,655**	**251 %**	**127 %**

Capital expenditure and funds sources

Total capital expenditure	66,089,900	10,668,560	76,758,460	-		76,758,460	68,202,254		(8,556,206)	89 %	103 %
Sources of capital funds											
Transfers recognised - capital	55,189,900	3,495,560	58,685,460	-		58,685,460	51,608,682		(7,076,778)	88 %	94 %
Housing Operating account	-	2,950,000	2,950,000	-		2,950,000	2,758,495		(191,505)	94 %	DIV/0 %
Internally generated funds	10,900,000	4,223,000	15,123,000	-		15,123,000	13,835,077		(1,287,923)	91 %	127 %
Total sources of capital funds	**66,089,900**	**10,668,560**	**76,758,460**	**-**		**76,758,460**	**68,202,254**		**(8,556,206)**	**89 %**	**103 %**

Financial position

Total current assets	138,016,527	34,936,473	172,953,000	-		172,953,000	173,514,411		561,411	100 %	126 %
Total non current assets	910,296,147	555,853	910,852,000	-		910,852,000	896,908,466		(13,943,534)	98 %	99 %
Total current liabilities	(65,291,679)	(38,304,321)	(103,596,000)	-		(103,596,000)	(98,769,434)		4,826,566	95 %	151 %
Total non current liabilities	(60,729,128)	7,241,128	(53,488,000)	-		(53,488,000)	(55,557,659)		(2,069,659)	104 %	91 %
Community wealth/Equity	922,291,867	4,429,133	926,721,000	-		926,721,000	916,095,784		(10,625,216)	99 %	99 %

Cash flows

Net cash from (used) operating	67,565,860	660,140	68,226,000	-		68,226,000	83,076,744		14,850,744	122 %	123 %
Net cash from (used) investing	(66,089,900)	(9,868,100)	(75,958,000)	-		(75,958,000)	(66,929,542)		9,028,458	88 %	101 %
Net cash from (used) financing	(2,233,608)	(392)	(2,234,000)	-		(2,234,000)	(3,604,870)		(1,370,870)	161 %	161 %
Net increase/(decrease) in cash and cash equivalents	**(757,648)**	**(9,208,352)**	**(9,966,000)**	**-**		**(9,966,000)**	**12,542,332**		**22,508,332**	**(126)%**	**(1,655)%**
Cash and cash equivalents at the beginning of the year	54,145,000	19,813,000	73,958,000	-		73,958,000	73,834,303		(123,697)	100 %	136 %
Cash and cash equivalents at year end	**53,387,352**	**10,604,648**	**63,992,000**	**-**		**63,992,000**	**86,376,635**		**(22,384,635)**	**135 %**	**162 %**

Significant decrease/increase is explained below:

Investment revenue - the variance is due to higher than anticipated investment balances during the year, combined with favourable interest rate movements and improved cash management.

Operational revenue - the variance is attributed to actuarial gain not being realised as anticipated and gain on disposal being less than anticipated.

Depreciation and asset impairment - the variance arose because the budget was prepared using conservative estimates, anticipating possible impairments on certain assets during the financial year. However, after year-end assessments the actual impairment recognised was lower than anticipated.

Total capital expenditure - the variance is due to MIG budget allocation including vat and the actual expenditure excluding vat.

Significant Accounting Policies

Figures in Rand	Note(s)	2025	2024

1. Significant accounting policies

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

1.1 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.

In the absence of an issued and effective Standard of GRAP, accounting policies for material transactions, events or conditions were developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 as read with Directive 5.

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

These accounting policies are consistent with the previous period.

1.2 Presentation currency

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

1.3 Going concern assumption

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

1.4 Materiality

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

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

1.5 Significant judgments 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 judgment 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 judgments include:

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

Significant Accounting Policies

1.5 Significant judgments and sources of estimation uncertainty (continued)

Trade receivables from exchange and non-exchange transactions

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

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

Impairment testing

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

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable.

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 15 - Provisions.

Useful lives infrastructure and other assets

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

Post-retirement benefits

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

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

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 14.

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.

Recognition and Derecognition of Land

Significant Accounting Policies

1.5 Significant judgments and sources of estimation uncertainty (continued)

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. Key judgments made and assumptions applied to conclude that it controls such land, are as follow:

Whether the municipality can direct the use of the land's future economic benefits or service potential to provide services of beneficiaries.

Whether the municipality can exchange, dispose of, or transfer the land; and/or

Whether the municipality can use the land in any other way to generate future economic benefits or service potential.

Where the municipality uses the land to provide future economic benefits or service potential while another entity has the right to exchange, dispose of, or transfer the land, the municipality shall assess its ability to exercise the right to exchange, dispose of, or transfer the land to determine if it is able to direct or restrict or deny to the land.

When a municipality directs the use of the land to provide services to beneficiaries, either itself or through directing another entity to provide specific services, the municipality will conclude that it has the right to direct access to land to restrict or deny access of others to 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. Key judgments made and assumptions applied to conclude that it does not control such land, are as follow;

Whether another entity can direct the use of the land's future economic benefits or service potential to provide services to beneficiaries

Whether another entity can direct the use of the land's future economic benefits or service potential to provide services to beneficiaries.

Whether the municipality can exchange, dispose of, or transfer the land; and/or

Whether the municipality can use the land in any other way to generate future economic benefits or service potential.

An entity maybe granted a right to use the land for a period of time. Control of the land will be demonstrated if the entity has substantive rights to the land that enable it to direct access to the land, or to restrict or deny the access of other to land. For the entity to demonstrate control, the right of use needs to be for an unlimited period of time and the entity should have other substantive rights that enable it to direct access to the land, or to restrict or deny the access of others to the land. In the absence of the municipality demonstrating that it has granted the right to direct access to and restrict or deny access of others to the land to another entity, the legal owner controls the land as it retains the right to direct access to land, and to restrict or deny the access of others to land.

Accounting by principals and agent

The municipality makes assessments on whether it is the principal or agent in principal-agent relationships. Significant judgments applied in determining whether the municipality is an agent are as follows;

a) It does not have the power to determine the significant terms and conditions of the transaction.

For a municipality to be an agent, it must not have the power to determine the significant terms and conditions of the transactions with third parties. This means that it should not have the power to affect the results of the transaction. The result of a transaction is the economic benefits or service potential (or both) that arise from that transaction. The economic benefits or service potential can therefore be quantitative or qualitative.

The quantitative result of a transaction represents the monetary amount of a transaction and could include:

The amount paid by the third party for a good or service received, or the amount of any tax, levy, or other charge paid.
The amount paid to the third party for goods and services procured, or benefits paid of a non-exchange transaction, e.g. a social benefit.

The qualitative result of a transaction could include;

Significant Accounting Policies

1.5 Significant judgments and sources of estimation uncertainty (continued)

The quality of a particular goods or services received by the third party.

The administrative efficiency with which a specific transaction or activity should be performed.

The volume of a good or service provided to the third party.

The municipality does not have the power to determine the significant terms and conditions of transactions with third parties if it is not able to decide, for example, the following aspects, but not limited to:

What goods and services should be provided to, or procured from, third parties;or what taxes, levies or other charges should be levied on, or payments made to third parties.

To whom goods and services should be provided, or from whom goods and services should be procured; or whom taxes, levies or other charges should be levied, or to whom payments should be made. This does not require the identification of specific individual third parties, and could be groups of affected third parties.

The price to be paid by third parties, or agree on the price to be paid to third parties; or the amount of tax, levies or other charges to be paid by, or the amount of payments to be made to third parties.

The quality of the goods and services provided to, or received from third parties. This may be less relevant to transactions that relate to taxes, levies,charges received by, or payment by or to third parties.

b) It does not have the ability to use all, or substantially all of the resources that result from the transaction for its benefit;

The types of resources that result from transactions with third parties could vary depending on the activities that are to be undertaken in terms of the binding agreement. The resources that could result from transactions with third parties include:

Receipts related to the specific goods and services provided, or taxes, levies and other charges.

Disbursements for specific goods and services procured to enable the execution of the transactions with third parties. The goods and services procured could also result in inventory.

The municipality must not have the ability to use all, or substantially all, of resources that result from transactions with third parties. Where the municipality retains a portion of the revenue collected as a fee, e.g. a commission, or administration or transaction fee, for the service provided, this fee is usually nominal in relation to the total revenue collected, and as a result, the municipality would not have the ability to use all or substantially all of the resources that result from the transaction.

c) It is not exposed to variability in the results of the transaction;

A municipality is exposed to variability in the results of the transaction when it has exposed to both the positive and negative results's associated with that transaction, and these exposures are not limited or fixed. There may be a number of factors that the municipality considers in determining whether it is exposed to the variability in the results of transactions. The municipality's exposures the variability in the results of a transaction are usually limited if:

Another party is responsible for fulfilling the rights and obligations established in the binding arrangement. For example, if the provision of a certain good or service is the responsibility of a specific type of entity in legislation, then it is likely that recipients of that good or service will look to that entity for delivery of those goods or services.

The municipality has limited inventory risk, i.e. the risk of theft, obsolescence or other losses, as well as changes in value. The municipality receives a fixed fee or fixed margin, e.g. commission or administration or transaction fee, for carrying out the transactions.

The Municipality is not exposed to significant default risk, i.e. the risk of fees, taxes, levies or other charges not being paid by third parties.

Significant Accounting Policies

1.5 Significant judgments and sources of estimation uncertainty (continued)

Impairment of statutory receivables

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

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

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

Accounting for adjustments to revenue

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

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

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

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

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

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

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

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

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

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

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

1.6 Investment property

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

- use in the production or supply of goods or services or for
- administrative purposes, or

Significant Accounting Policies

1.6 Investment property (continued)

- sale in the ordinary course of operations.

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

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

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

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

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

Fair value

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

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

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

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

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

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.

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

The municipality discloses relevant information relating to assets under construction or development, in the notes to the annual financial statements (see note 7).

1.7 Property, plant and equipment

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

Significant Accounting Policies

1.7 Property, plant and equipment (continued)

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

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

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

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

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

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

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

Item	Depreciation method	Average useful life
Furniture and fixtures	Straight-line	05 - 15
Motor vehicles	Straight-line	07 - 15
Electricity	Straight-line	05 - 45
Community and recreational facilities	Straight-line	05 - 30
Storm water	Straight-line	10 - 50
Roads	Straight-line	03 - 50
Other assets	Straight-line	04 - 10

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

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

Significant Accounting Policies

1.7 Property, plant and equipment (continued)

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

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

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

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

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

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

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 7).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 7).

1.8 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.

Significant Accounting Policies

1.8 Intangible assets (continued)

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

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

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Intangible assets are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight-line basis over their useful life.

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

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

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

Item	Depreciation method	Average useful life
Computer software, other	Straight-line	2-10 years

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

1.9 Heritage assets

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

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

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

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

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

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

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

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

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

Significant Accounting Policies

1.9 Heritage assets (continued)

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

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

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

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

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

The municipality separately discloses expenditure to repair and maintain heritage assets in the notes to the financial statements (see note 10).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 10).

Recognition

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

Initial measurement

Heritage assets are measured at cost.

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

Subsequent measurement

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

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

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

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

Impairment

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

Transfers

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

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

Significant Accounting Policies

1.9 Heritage assets (continued)

Derecognition

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

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

1.10 Financial instruments

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

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

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

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

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

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

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

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

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

A financial asset is:
- cash;
- a residual interest of another entity; or
- 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.

Significant Accounting Policies

1.10 Financial instruments (continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Significant Accounting Policies

1.10 Financial instruments (continued)

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

Classification

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

Class	Category
Cash and cash equivalent	Financial asset measured at amortised cost
Receivables from exchange transactions	Financial asset measured at amortised cost

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

Class	Category
Borrowings	Financial liability measured at amortised cost
Payable from exchange transactions	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at amortised cost

1.11 Statutory receivables

Identification

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

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

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

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

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

Recognition

The municipality recognises statutory receivables as follows:

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

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

Significant Accounting Policies

1.11 Statutory receivables (continued)

Subsequent measurement

The municipality measures statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:
- interest or other charges that may have accrued on the receivable (where applicable);
- impairment losses; and
- amounts derecognised.

Accrued interest

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

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

Other charges

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

Impairment losses

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

In assessing whether there is any indication that a statutory receivable, or group of statutory receivables, may be impaired, the municipality considers, as a minimum, the following indicators:
- Significant financial difficulty of the debtor, which may be evidenced by an application for debt counselling, business rescue or an equivalent.
- It is probable that the debtor will enter sequestration, liquidation or other financial re-organisation.
- A breach of the terms of the transaction, such as default or delinquency in principal or interest payments (where levied).
- Adverse changes in international, national or local economic conditions, such as a decline in growth, an increase in debt levels and unemployment, or changes in migration rates and patterns.

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

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

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

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

Derecognition

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

Significant Accounting Policies

1.11 Statutory receivables (continued)

- 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:
  - derecognises the receivable; and
  - recognise separately any rights and obligations created or retained in the transfer.

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

1.12 Tax

Current tax assets and liabilities

The Value Added Tax is accounted on payments basis. This means that VAT is declared to the South African Revenue Service as input VAT or output VAT only when payments are made to suppliers or payments are received for goods or services.

1.13 Leases

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

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

Operating leases - lessor

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

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

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

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

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

Operating leases - lessee

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

1.14 Inventories

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

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

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

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

Significant Accounting Policies

1.14 Inventories (continued)

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.

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

1.15 Construction contract

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

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

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

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

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

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

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

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

1.16 Impairment of cash-generating assets

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

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

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

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

Significant Accounting Policies

1.16 Impairment of cash-generating assets (continued)

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

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

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

Recoverable 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 the period of time over which an asset is expected to be used by the municipality.

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.

Significant Accounting Policies

1.16 Impairment of cash-generating assets (continued)

Basis for estimates of future cash flows

In measuring value in use the municipality:

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

Composition of estimates of future cash flows

Estimates of future cash flows include:

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

Estimates of future cash flows exclude:

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

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

Discount rate

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

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

Significant Accounting Policies

1.16 Impairment of cash-generating assets (continued)

Reversal of impairment loss

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

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

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

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

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

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

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

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

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

1.17 Impairment of non-cash-generating assets

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

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

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

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

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

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

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

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

Significant Accounting Policies

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

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

Useful life is the period of time over which an asset is expected to be used by the municipality.

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.

The municipality designates an asset as non-cash-generating when its objective is not to use the asset to generate a commercial return but to deliver services.

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 a commercial return, the municipality designates the asset as a non-cash-generating asset and applies this accounting policy, rather than the accounting policy on Impairment of Non-cash-generating assets.

Identification

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

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

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

Value in use

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

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

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset’s gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the current reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an “optimised” basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

Reversal of an impairment loss

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

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

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

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

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

Redesignation

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

1.18 Employee benefits

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

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.

Significant Accounting Policies

1.18 Employee benefits (continued)

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.

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 programs) 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.

Significant Accounting Policies

1.18 Employee benefits (continued)

Multi-employer plans and/or State plans and/or Composite social security programmes

The entity classifies a multi-employer plan and/or state plans and/or composite social security programmes as a defined contribution plan or a defined benefit plan under the terms of the plan (including any constructive obligation that goes beyond the formal terms).

Where a plan is a defined contribution plan, the entity accounts for in the same way as for any other defined contribution plan.

Where a plan is a defined benefit plan, the entity account for its proportionate share of the defined benefit obligation, plan assets and cost associated with the plan in the same way as for any other defined benefit plan.

When sufficient information is not available to use defined benefit accounting for a plan, that is a defined benefit plan, the entity account for the plan as if it was a defined contribution plan.

Insured benefits

Where the entity pays insurance premiums to fund a post-employment benefit plan, the entity treats such a plan as a defined contribution plan unless the entity will have (either directly or indirectly through the plan) a legal or constructive obligation to either:

- pay the employee benefits directly when they fall due; or
- pay further amounts if the insurer does not pay all future employee benefits relating to employee service in the current and prior reporting periods.

If the entity retains such a legal or constructive obligation, the entity treats the plan as a defined benefit plan.

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.

Significant Accounting Policies

1.18 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.

Significant Accounting Policies

1.18 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.

Significant Accounting Policies

1.18 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.

Other post retirement obligations

The municipality provides post-retirement health care benefits upon retirement to all contributing retirees.

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

The amount recognised as a liability for other long-term employee benefits is the net total of the following amounts:
- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

The entity shall recognise the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:
- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement right recognised as an asset;
- actuarial gains and losses, which shall all be recognised immediately;
- past service cost, which shall all be recognised immediately; and
- the effect of any curtailments or settlements.

Significant Accounting Policies

1.18 Employee benefits (continued)

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.

1.19 Provisions and contingencies

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

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

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

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

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

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

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

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

Provisions are not recognised for future operating surplus.

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

Significant Accounting Policies

1.19 Provisions and contingencies (continued)

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 49.

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.

Levies

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

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

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

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

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

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

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

1.20 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

Significant Accounting Policies

1.20 Commitments (continued)

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

Significant Accounting Policies

1.21 Revenue from exchange transactions

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

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

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

Measurement

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

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

Sale of goods

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

Rendering of services

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

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

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

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Significant Accounting Policies

1.21 Revenue from exchange transactions (continued)

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

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

Significant Accounting Policies

1.22 Revenue from non-exchange transactions

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

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

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

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

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

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

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

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

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

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

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

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

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

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.

Gifts and donations, including goods in-kind

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

1.23 Investment income

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

1.24 Borrowing costs

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

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

1.25 Accounting by principals and agents

Identification

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

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

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

Identifying whether an entity is a principal or an agent

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

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

Binding arrangement

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

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

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 judgment 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.

Significant Accounting Policies

1.25 Accounting by principals and agents (continued)

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

1.26 Comparative figures

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

1.27 Unauthorised expenditure

Section 1 of the Municipal Finance Management Act (Act 56 of 2003) (MFMA), defines Unauthorised expenditure as follows:

Overspending of the total amount appropriated in the municipality’s approved budget;

Overspending of the total amount appropriated for a vote in the approved budget;

Expenditure from a vote unrelated to the department or functional area covered by the vote;

Expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose;

Spending of an allocation referred to in the above paragraphs of the definition of "allocation" otherwise than in accordance with any conditions of the allocation; or

A grant by the municipality otherwise than in accordance with this Act.

Section 1 of the Municipal Finance Management Act (Act 56 of 2003) (MFMA) also defines a Vote as:

One of the main segments into which a budget of a municipality is divided for the appropriation of money for the different departments or functional areas of the municipality; and

Which specifies the total amount that is appropriated for the purposes of the department or functional area concerned.

1.28 Fruitless and wasteful expenditure

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

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

1.29 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity’s supply chain management policy.

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

1.30 Housing development fund

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

Significant Accounting Policies

1.31 Internal reserves

Capital replacement reserve (CRR)

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus/(deficit) to the CRR in terms of a Council funding and reserve policy. A corresponding amount is transferred to a designated CRR bank or investment account. The cash in the designated CRR bank account can only be utilised to finance items of property, plant and equipment. The CRR is reduced and the accumulated surplus/(deficit) is credited by a corresponding amount when the amounts in the CRR are utilised

1.32 Segment information

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

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

Measurement

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

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

1.33 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 in terms of MBRR and is on an accrual basis of accounting. However, the budget is presented on a different basis, being MBRR, whilst the financial statements are presented in terms of GRAP. Taking into account that the presentation basis is different, the municipality presents the budget and accruals information in a Statement of Budget and Actuals, in accordance with the MBRR.

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

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

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

Significant Accounting Policies

1.34 Related parties

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

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

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

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

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

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

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

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

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

1.35 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.

1.36 Material expenditure line items

Transfers and Subsidies

Transfers and subsidies refer to donations from the municipality in the provision of municipal services such as museum, tourism, households, bursaries in a form of grants in and support in cases of disaster events. Transfers and subsidies are recognised in the period in which the services are rendered.

Contracted Services

Contracted services refer to services provided by external entities or individuals that are engaged to perform specific tasks or functions on behalf of a municipality.

Significant Accounting Policies

1.36 Material expenditure line items (continued)

Contracted services are measured at the actual cost incurred. This includes direct payments to contractors and any directly attributable costs associated with the provision of contracted services.

Contracted services are recognised as expenses in the period in which the services are rendered.

Operational expenditure

Operational costs refer to the ongoing expenses incurred by a municipality in the daily functioning of its services and programs. This relates to the provision of goods and services to the municipality, rather than performing specific tasks or functions on behalf of the municipality.

Bulk purchases

Bulk purchases refer to electricity purchased from Eskom as well as alternative service providers. It is measured at the actual cost incurred and are recognised as expenses in the period in which the services are rendered.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

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

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

3. Cash and cash equivalents

Cash and cash equivalents consist of:

	2025	2024
Cash on hand	15,640	15,940
Bank balances	5,783,598	8,607,729
Short-term deposits	80,577,395	65,210,634
	86,376,633	**73,834,303**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

3. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances		Cash book balances	
	30 June 2025	30 June 2024	30 June 2025	30 June 2024
Standard Bank - Call Account - 068872208 - 001	-	879,414	-	879,414
Standard Bank - Call Account - 068872208 - 002	-	2,096,017	-	2,096,017
Standard Bank - Call Account - 068872208 - 004	-	24,578,493	-	24,578,493
Standard Bank - Call Account - 068872208 - 005	-	5,720,314	-	5,720,314
Standard Bank - Call Account - 068872208 - 008	-	1,700,487	-	1,700,487
Standard Bank - Call Account - 068872208 - 010	913,585	-	913,585	-
Standard Bank - Call Account - 068872208 - 012	10,641,464	-	10,641,464	-
First National Bank - Cheque Account - 52191090523	5,637,250	8,356,855	5,747,231	8,594,924
First National Bank - Cheque Account - 62094589036	30,695	10,718	30,695	10,718
First National Bank - Cheque Account - 62071691309	-	2,087	-	2,086
First National Bank - Fixed Deposit - 74238125451	-	311,995	-	311,995
First National Bank - Call Account - 62120320081	-	4,808,771	-	4,808,771
First National Bank - Call Account - 62151319186	70,101	939,342	70,101	939,342
First National Bank - Call Account - 62124937246	-	217,032	-	217,032
First National Bank - Call Account - 62378736593	2,801,501	4,388,427	2,801,501	4,388,427
First National Bank - Call Account - 62024283038	-	338,715	-	338,715
First National Bank - Call Account - 62239675260	1,129,896	245,071	1,129,896	245,071
First National Bank - Call Account - 63112319355	23,706,769	-	23,706,769	-
Investec Bank - Call Account - 1100511779500	-	52,182	-	52,182
Investec Bank - Call Account - 1100511779504	1,329,245	1,333,151	1,329,245	1,333,151
Nedbank - Call Account - 037165024212	-	1,702	-	1,702
Nedbank - Call Account - 037165024182	-	4,476,320	-	4,476,320
Nedbank - Call Account - 378811877093	381,561	-	381,561	-
Nedbank - Call Account - 037165024204	-	2,767,810	-	2,767,810
ABSA - Call Account - 9386989371	342,144	10,355,390	342,144	10,355,390
ABSA - Call Account - 9394947470	39,261,129	-	39,261,129	-
Total	**86,245,340**	**73,580,293**	**86,355,321**	**73,818,361**

Short Term Investments

The municipality invests in short term investment accounts, a summary of cash book balances have been indicated below:

Summary of cash book balances on investments accounts:

	2025	2024
Standard Bank	11,555,048	34,974,723
First National Bank	27,708,268	11,249,355
Investec Bank	1,329,245	1,385,333
Nedbank	381,561	7,245,833
ABSA Bank	39,603,273	10,355,390
	80,577,395	**65,210,634**

A difference of R15 640 between total cash and cash equivalent note and cash book accounts balances is as a result of petty cash and float which are cash on hand kept within the municipality.

A difference of R109 981 is attributable to reconciling difference mainly cashier receipts that were captured in June 2025 on cashbook but only reflected on bank in July 2025.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

4. Inventories

Maintenance materials	2,289,946	1,881,671
Consumables stores	1,003,966	1,433,752
	3,293,912	**3,315,423**

Included in inventories is inventory written off as a result of obsolete stock amounting to R 352 647.

5. Receivables from exchange transactions

Gross balances		
Electricity	34,537,206	28,428,374
Refuse	21,515,728	18,424,806
Accrued Interest	309,349	440,986
Vat control receivable	4,497,100	4,240,136
Input Vat accrual	2,803,875	1,756,330
Sundry debtors	20,818,214	16,119,248
	84,481,472	**69,409,880**
Less: Allowance for impairment		
Electricity	(6,902,191)	(2,617,350)
Refuse	(13,776,896)	(12,741,792)
Sundry debtors	(9,800,123)	(6,309,897)
	(30,479,210)	**(21,669,039)**
Net balance		
Electricity	27,635,015	25,811,024
Refuse	7,738,832	5,683,014
Accrued Interest	309,349	440,986
VAT control receivable	4,497,100	4,240,136
Input Vat accrual	2,803,875	1,756,330
Sundry debtors	11,018,091	9,809,351
	54,002,262	**47,740,841**
Electricity		
Current (0 -30 days)	8,622,759	7,754,339
31 - 60 days	1,896,040	1,353,085
61 - 90 days	3,764,478	1,276,657
91 - 120 days	1,094,809	1,241,000
121 - 365 days	4,781,029	5,901,183
> 365 days	14,378,091	10,902,110
	34,537,206	**28,428,374**
Refuse		
Current (0 -30 days)	2,746,095	1,853,130
31 - 60 days	608,155	540,950
61 - 90 days	1,375,243	470,628
91 - 120 days	428,607	410,615
121 - 365 days	2,456,514	2,515,919
> 365 days	13,901,114	12,633,564
	21,515,728	**18,424,806**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

5. Receivables from exchange transactions (continued)

VAT control receivable		
Current (0 -30 days)	2,106,273	1,625,444
31 - 60 days	1,780,768	1,880,291
> 365 days	734,402	734,402
	4,621,443	**4,240,137**

Sundry Debtors		
Current (0 -30 days)	2,319,119	552,011
31 - 60 days	30,537	176,125
61 - 90 days	1,335,517	215,793
91 - 120 days	70,880	8,877
121 - 365 days	1,793,202	365,757
> 365 days	15,268,959	14,800,684
	20,818,214	**16,119,247**

Summary of debtors by customer classification

Residential	32,352,805	24,716,619
Commercial and Industrial	27,263,444	20,759,900
Public Service Purpose	8,433,246	12,029,624
Accrued interest	309,349	440,986
VAT control receivable	4,497,100	4,240,136
Input VAT accrual	2,790,992	1,756,330
Other debtors	8,834,536	5,466,285
	84,481,472	**69,409,880**

Reconciliation of allowance for impairment		
Balance at beginning of the year	(21,669,039)	(15,572,144)
Contributions to allowance	(8,810,171)	(6,096,895)
	(30,479,210)	**(21,669,039)**

The difference from age analysis for VAT of R124 419.56 is Output VAT not declared on vat 201 and to be declared in July 2025.

Included in other debtors are employee bursaries and prepayment on maintenance plan.

Statutory receivable is accountable for as follows;

Transaction(S) arising from statute

2024/2025 VAT 201's were submitted to SARS up until 30 June 2025. VAT is claimed on payment basis.

The amount disclosed is the net VAT on payables and receivables.

VAT is levied in terms of Value Added Tax Act 89 of 1991.

Determination of transaction amount

15% of the Vatable/Taxable supply.

Statutory receivables impaired

Carrying amount of the receivable amount disclosed is not impaired.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

5. Receivables from exchange transactions (continued)

Non-Current Assets

Prepayments - Maintenance Plan	806,098	1,640,005

6. Receivables from non-exchange transactions

Gross balances		
Consumer debtors - Rates	66,681,683	69,578,173
Consumer debtors - Availability charge - electricity	6,082,427	4,956,940
Consumer debtors - Fines	183,352,839	182,188,304
	256,116,949	**256,723,417**
Less: Allowance for impairment		
Consumer debtors - Rates	(37,205,821)	(39,719,427)
Consumer debtors - Availability charge - electricity	(5,732,503)	(4,283,825)
Consumer debtors - Fines	(183,337,021)	(182,169,547)
	(226,275,345)	**(226,172,799)**
Net balance		
Consumer debtors - Rates	29,475,862	29,858,746
Consumer debtors - Availability charge - electricity	349,924	673,115
Consumer debtors - Fines	15,818	18,757
	29,841,604	**30,550,618**
Rates		
Current (0 -30 days)	5,897,363	4,473,250
31 - 60 days	2,267,417	1,255,080
61 - 90 days	1,004,108	1,110,647
91 - 120 days	757,616	1,039,855
121 - 365 days	18,379,259	21,595,510
> 365 days	38,375,920	40,103,831
	66,681,683	**69,578,173**
Summary of property rates consumer classification		
Residential	26,904,681	28,068,601
Commercial	6,675,222	3,473,590
Public Service Purpose	33,101,780	38,035,982
	66,681,683	**69,578,173**
Summary of ageing of debtors (Availability charge - electricity)		
Current (0 -30 days)	459,637	237,968
31 - 60 days	101,149	98,419
61 - 90 days	97,911	92,051
91 - 120 days	96,530	93,014
121 - 365 days	711,936	610,943
> 365 days	4,615,264	3,824,545
	6,082,427	**4,956,940**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

6. Receivables from non-exchange transactions (continued)

Reconciliation of allowance for impairment		
Balance at beginning of the year	(226,172,799)	(223,720,907)
Contributions to allowance	(102,546)	(2,451,892)
	(226,275,345)	**(226,172,799)**

6. Receivables from non-exchange transactions (continued)

Statutory receivables are accountable for as follows;

Transaction(s) arising from statute

Traffic fines are issued to offenders in terms of the Administrative of Road Traffic Offences (AARTO Act) and Criminal Procedures Act, by the way of notices to offenders which specify the value of the fine that must be paid.

Property rate is charged in terms of the Municipal Property Rates Act and Approved Council Property Rates policy.

Determination of transaction amount

Schedule 3 of the AARTO Regulations 2008 for charge codes and descriptions, penalties and their discounts, and demerit points.

Interest or other charges levied/charged

No interest is charged on outstanding fines, and any additions are further applied by the court is paid by the offender to the court directly, and therefore not considered to be revenue for the municipality.

Property rates: Interest is raised on overdue accounts at prime plus 1% per annum as determined by Credit Control and Debt Collection policy of the municipality on the 1 July of each year.

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

Traffic fines

The Municipality account for the traffic fines impairment in accordance with IGRAP 1.

The Municipality assessed the average collection rate of the traffic fines over 8 years.

Property rates

The estimate were determined in accordance with the debt impairment policy of the municipality, supplemented by experience of past practices and statistics in relation to uncollected debt.

Management considered both individually receivables that may be impaired as well as groups of similar receivables that may be impaired.

The total debts were further separated into groups of similar receivables and collection rate with similar risk profiles and assessed for impairment.

Statutory receivables past due but not impaired

As 30 June 2025, the following statutory receivables were considered to be past due and not impaired. At 30 June 2025, R38 643 318 (2024: R45 737 780) were past due but not impaired.

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

1 month past due	116,398	197,083
2 months past due	103,493	84,862
3 months past due	38,423,427	45,455,835

Statutory receivables impaired

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

6. Receivables from non-exchange transactions (continued)

Traffic fines

As of 30 June 2025, Traffic fines of R183,352,839 (2024: R182,188,304) were assessed for impairment.

The amount of the provision was R183,337,021 as of 30 June 2025 (2024:R182,169,547).

The net balance is R15,817 (2024: R18,756).

Property rates

As of 30 June 2025 , Property rates of R66,681,683 (2024: R69,578,173) were impaired and provided for.

The amount of the provision was R37,205,821 (2024: R39,719,427).

The net balance is R29,475,862 (2024: R29,858,746).

Notes to the Annual Financial Statements

Figures in Rand

7. 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	150,270,351	-	150,270,351	150,270,351	-	150,270,351
Buildings	20,827,165	(14,649,007)	6,178,158	20,827,165	(14,048,300)	6,778,865
Plant and machinery	13,854,856	(9,237,058)	4,617,798	14,821,426	(8,910,768)	5,910,658
Furniture and fixtures	8,159,533	(6,356,980)	1,802,553	8,224,193	(6,317,539)	1,906,654
Motor vehicles	65,456,711	(33,581,124)	31,875,587	65,603,582	(33,242,137)	32,361,445
IT equipment	17,574,200	(13,469,457)	4,104,743	18,000,622	(13,428,652)	4,571,970
Community	446,628,430	(204,267,588)	242,360,842	417,389,503	(193,925,368)	223,464,135
Infrastructure: Storm water	131,140,898	(77,090,611)	54,050,287	121,498,907	(74,934,537)	46,564,370
Infrastructure: Roads	643,323,270	(322,232,178)	321,091,092	624,594,330	(296,930,484)	327,663,846
Infrastructure: Electricity	82,629,908	(48,039,968)	34,589,940	80,875,302	(44,768,029)	36,107,273
Total	**1,579,865,322**	**(728,923,971)**	**850,941,351**	**1,522,105,381**	**(686,505,814)**	**835,599,567**

Notes to the Annual Financial Statements

Figures in Rand

7. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2025

	Opening balance	Additions	Donations	Disposals	Transfers from WIP to expense	Depreciation	Impairment loss	Impairment reversal	Total
Land	150,270,351	-	-	-	-	-	-	-	150,270,351
Buildings	6,778,865	-	-	-	-	(600,707)	-	-	6,178,158
Plant and machinery	5,910,658	354,908	-	(67,161)	-	(1,487,450)	(93,157)	-	4,617,798
Furniture and fixtures	1,906,654	308,557	24,325	(19,366)	-	(380,891)	(36,726)	-	1,802,553
Motor vehicles	32,361,445	6,264,723	-	(557,283)	-	(6,159,077)	(34,221)	-	31,875,587
IT equipment	4,571,970	523,677	415,484	(75,634)	-	(1,300,531)	(30,223)	-	4,104,743
Community	223,464,135	30,436,286	-	(118)	(1,077,001)	(10,353,060)	(109,400)	-	242,360,842
Infrastructure: Stormwater	46,564,370	9,641,993	-	(2)	-	(3,079,585)	(4,715)	928,226	54,050,287
Infrastructure: Roads	327,663,846	18,917,504	-	(19,377)	(164,663)	(24,385,884)	(920,334)	-	321,091,092
Infrastructure: Electricity	36,107,273	1,754,606	-	-	-	(2,939,197)	(332,742)	-	34,589,940
	835,599,567	**68,202,254**	**439,809**	**(738,941)**	**(1,241,664)**	**(50,686,382)**	**(1,561,518)**	**928,226**	**850,941,351**

Notes to the Annual Financial Statements

Figures in Rand

7. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2024

	Opening balance	Additions	Disposals	Depreciation	Impairment loss	Impairment reversal	Total
Land	150,270,351	-	-	-	-	-	150,270,351
Buildings	7,379,572	-	-	(600,707)	-	-	6,778,865
Plant and machinery	7,019,410	440,766	(8,905)	(1,570,514)	(102,842)	132,743	5,910,658
Furniture and fixtures	1,806,216	482,171	(4,742)	(364,239)	(17,924)	5,172	1,906,654
Motor vehicles	15,436,987	23,490,093	(546,705)	(5,966,893)	(52,037)	-	32,361,445
IT equipment	5,982,066	424,511	(52,898)	(1,660,693)	(172,581)	51,565	4,571,970
Community	217,545,722	23,768,157	(104,914)	(10,486,267)	(7,618,560)	359,997	223,464,135
Infrastructure: Storm water	34,140,252	13,194,248	-	(2,594,786)	(434,843)	2,259,499	46,564,370
Infrastructure: Roads	322,313,516	28,074,734	(30,888)	(22,333,030)	(414,834)	54,348	327,663,846
Infrastructure: Electricity	38,993,714	194,499	(354,976)	(2,947,934)	(310,894)	532,864	36,107,273
	800,887,806	**90,069,179**	**(1,104,028)**	**(48,525,063)**	**(9,124,515)**	**3,396,188**	**835,599,567**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

7. Property, plant and equipment (continued)

Leased Assets

The municipality has no leased assets included in the Property, plant and equipment in the 2024/2025 financial year.

Donations

	2025	2024
Property Plant and Equipment		
Computer Equipment	415,484	-
Machinery and equipment	24,326	-
	439,810	**-**

The municipality received donations in a form of computers and machinery and equipment amount to R439 810 from the Department of Sport Art and Culture as at 30 June 2025.

Reconciliation of Work-in-Progress 2025

	Included within Infrastructure	Included within Community	Total
Opening balance	34,186,885	54,644,557	88,831,442
Additions/capital expenditure	30,314,101	30,436,386	60,750,487
Transferred to completed items	(40,124,907)	(19,596,374)	(59,721,281)
Transferred from WIP (Expensed)	(164,663)	(1,077,002)	(1,241,665)
	24,211,416	**64,407,567**	**88,618,983**

Reconciliation of Work-in-Progress 2024

	Included within Infrastructure	Included within Community	Total
Opening balance	33,776,015	39,963,759	73,739,774
Additions/capital expenditure	41,268,980	23,768,158	65,037,138
Transferred to completed items	(40,858,110)	(9,087,360)	(49,945,470)
	34,186,885	**54,644,557**	**88,831,442**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

7. Property, plant and equipment (continued)

Expenditure incurred to repair and maintain property, plant and equipment

Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance		
Labour costs (amount paid to employees)	27,394,918	25,971,868
Contracted services (amount paid to suppliers)	10,576,869	8,127,872
Materials	6,482,763	5,779,296
Fuel and Oil	2,589,181	1,964,719
	47,043,731	**41,843,755**

Amount paid to employees R27,394,918(2024: R25,971,868), is included in the Employee related cost (Note 35) in the Statement of Financial Performance.

Amount paid to suppliers R10,576,869 (2024: R8,127,872), is included in the contracted services (Note 43) in the Statement of Financial Performance.

Materials amounting to R6,482,763 (2024: R5,779,296), is included in the inventory consumed (note 44) in the Statement of Financial Performance.

Fuel and Oil amounting to R2,589,181 (2024: R1,964,719), is included in the inventory consumed (Note 44) in the Statement of Financial Performance.

Capital projects that have been significantly delayed		
Slambo Community Hall	5,127,965	-
King Dinuzulu Sport complex	37,318,122	32,769,290
Eyetheni phase one and two	-	9,813,247
Urban roads	-	8,506,301
Construction of Eshowe Testing Station	-	1,003,402
Upgrade of Sunnydale Intersection	-	164,663
Construction of Eshowe waste station shelter	-	73,600
	42,446,087	**52,330,503**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

7. Property, plant and equipment (continued)

2025 financial year

Slambo Community Hall - The delay is attributable to a weather conditions and unreasonable demands from local business forums. This project is anticipated to be completed in 2025/2026 financial year.

King Dinuzulu Sport Complex - The contractor was terminated due to slow performance. The new contractor has been appointed and continued with the work. The project is current in progress and it is anticipated to be completed during the 2025/2026 financial year.

Urban Roads - The delay was attributable to poor performance from the appointed contractor and the municipality has implemented contract management. The contractor was terminated. A new contractor was appointed and the project has been completed.

Construction of Eshowe Testing Station - The delay was attributable to insufficient funding. This project has been expensed as approved by council. See note 58

Upgrade of Sunnydale Intersection - The delays were attributable due to project depended on Provincial Department of Transport approval and they were challenges in the implementation of this project as there were challenges hindering the implementation. This project has been expensed as approved by Council. See note 58

Construction of Eshowe Waste Station Shelter - The delay is attributable to budget allocation. The municipality has expensed this project as approved by Council. See note 58

The Municipality have tested for possible impairment for all the above projects .

2024 financial year

King Dinuzulu sport complex - The contractor was terminated due to slow performance of appointed contractor. The new contractor has been appointed and has commenced with the work.

Eyetheni phase one and two - The delay was attributable to unfavourable weather conditions. The contractor was granted an extension of contract. This project has been completed during 2023/2024 financial year.

Urban roads - The delay was attributable to poor performance from the appointed contractor. The municipality has implemented contract management. The contractor was terminated. The new contractor was appointed and the project is in progress.

Construction of Eshowe Testing Station - The delay is attributable to insufficient funding, the municipality is currently engaging with Provincial Departments to source funding.

Upgrade of Sunnydale intersection - The delay is attributable to this project being shared with the Provincial Department of Transport. The municipality is currently engaging with the Department to unlock challenges between the Municipality and the Department.

Construction of Eshowe waste station shelter - The delay is attributable to budget allocation. The budget allocation is anticipated to be done through the adjustments budget 2024/2025.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

7. Property, plant and equipment (continued)

Contractual commitments for the acquisition of property plant and equipment

As at the reporting date, the municipality has contractual commitments in relation to acquisition to the acquisition of property plant and equipment that are recognised in the annual financial statement. Commitments are as follows:

Contractual commitments		
Infrastructure assets	28,972,821	15,389,779
Community assets	24,651,784	7,510,602
	53,624,605	**22,900,381**
Approved and contracted		
Property plant and equipment	53,642,605	22,900,381
This expenditure will be financed from		
Government grants	53,065,965	20,854,068
Internal funded	558,640	2,046,313
	53,624,605	**22,900,381**

8. Investment property

	2025			2024		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	34,798,000	-	34,798,000	32,478,000	-	32,478,000

Reconciliation of investment property - 2025

	Opening balance	Fair value adjustments	Total
Investment property	32,478,000	2,320,000	34,798,000

Reconciliation of investment property - 2024

	Opening balance	Fair value adjustments	Total
Investment property	31,333,000	1,145,000	32,478,000

8. Investment property (continued)

Investment property in the process of being constructed or developed

There is no investment property in the process of being constructed or developed.

The Investment property have been valued in accordance with the municipal valuation roll and have been adjusted to take into account current markets conditions, and other special assumptions depending on the categories of property.

The last effective date of the fair value adjustment was June 2025. The valuations were performed by a Professional Valuer. The valuation was based on the estimated amount for which an asset should exchange on the date of evaluation between a willing buyer and willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The municipal Valuer has extensively experience in the location and category of investment property valued with the necessary qualifications.

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	336,250	(284,577)	51,673	336,250	(263,000)	73,250

Reconciliation of intangible assets - 2025

	Opening balance	Amortisation	Total
Computer software, other	73,250	(21,577)	51,673

Reconciliation of intangible assets - 2024

	Opening balance	Amortisation	Total
Computer software, other	94,827	(21,577)	73,250

10. Heritage assets

	2025			2024		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Historical monuments	9,232,212	-	9,232,212	9,232,212	-	9,232,212
Ceremonial chains	1,079,132	-	1,079,132	1,079,132	-	1,079,132
Total	**10,311,344**	**-**	**10,311,344**	**10,311,344**	**-**	**10,311,344**

Reconciliation of heritage assets 2025

	Opening balance	Total
Historical monuments	9,232,212	9,232,212
Ceremonial chains	1,079,132	1,079,132
	10,311,344	**10,311,344**

Reconciliation of heritage assets 2024

	Opening balance	Total
Historical monuments	9,232,212	9,232,212
Ceremonial chains	1,079,132	1,079,132
	10,311,344	**10,311,344**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

11. Payables from exchange transactions

Trade payables	36,938,949	31,114,783
Payments received in advance	7,547,013	6,413,092
Retention	7,736,369	7,803,555
Bonus payables	5,204,617	4,710,690
Unallocated deposits	274,793	314,078
Vat output accrual	3,711,798	4,516,441
Sundry payables	70,259	86,482
Accrued leave pay	15,844,657	12,277,319
Salary Control	1,355,180	1,033,165
	78,683,635	**68,269,605**

12. Consumer deposits

Electricity	4,022,588	3,811,255

Interest is not paid on Consumer deposits.

13. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Department of Human Settlement Grant	116,208	116,208
Integrated National Electrification Grant (INEP)	-	1,695,561
Title Deeds Registration Grant	978,067	1,081,699
Municipal Disaster Response Grant (MDRG)	8,089,778	5,550,428
	9,184,053	**8,443,896**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

14. Employee benefit obligations

Defined benefit plan

Post retirement medical aid plan

The Municipality offers employees and continuation members the opportunity to belong to one several accredited medical schemes. Upon retirement, an employee may continue membership of a accredited medical scheme. Upon a member's death in service, or death in retirement, the surviving dependents may continue membership of the medical scheme.

Eligible employees will receive a post employment subsidy additional of 60% of the contribution payable should they be a member of a medical scheme, subject to the following conditions;

- Membership of a municipality accredited medical aid scheme for the majority of their total services (i.e more than half of their services by retirement.

Continuation members and their eligible dependents receive 60% subsidy.

The most recent actuarial valuations of plan asset and the present value of the unfunded defined benefit obligation were carried out as at 30 June 2025 by an independent valuers.

The present value of the defined benefits obligation and the related current cost and past cost, were measured using the Projected Unit Credit Method.

The principal assumptions used were as follows		
Discount rate used	12.41 %	14.23 %
CPI (Inflation rate)	6.38 %	6.82 %
Medical Aid contribution inflation	7.38 %	7.82 %
Net Effective discount rate	4.68 %	4.42 %

Inservice members	305	296
Continuation members	17	17
	322	**313**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

14. Employee benefit obligations (continued)

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

Carrying value		
Opening balance	20,390,002	19,320,000
Interest cost	2,901,497	2,500,000
Current service cost	1,050,944	915,000
Actuarial (gain)losses	560,848	(1,588,118)
Less: municipal paid benefits	(820,291)	(756,880)
	24,083,000	**20,390,002**

Mortality rate

Deviations from the assumed level of mortality experience of the current employees and the continuation members (pensioners) will have a large impact on the actual cost to the Municipality. If the actual rate of mortality turns out higher than the rates assumed in the valuation basis, the cost to the Municipality in the form of subsidies will reduce and vice versa.
Below is an illustration the effect of higher and lower mortality rates by increasing and decreasing the mortality rates by 20%.

Sensitivity Testing - Mortality rate	**-20% Mortality rate (R'000)**	**Base result (R'000)**	**+20% Mortality rate (R'000)**
Accrued liability	25,797	24,083	22,598

Medical aid inflation

The cost of the subsidy after retirement is dependent on the increase in the contributions to the medical aid scheme before and after retirement. The rate at which these contributions increase will thus have a direct effect on the liability of future retirees.

The test shows the effect of a 1% p.a. change in the medical aid inflation assumption. The effect is as follows;

Sensitivity Testing - Medical aid inflation	**-1% Medical aid inflation (R'000)**	**Base result (R'000)**	**-1% Medical aid inflation (R'000)**
Accrued liability	22,780	24,083	25,133

-

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

14. Employee benefit obligations (continued)

Net expense recognised in the statement of financial performance

Expected employee payment/current service cost	1,050,944	915,000
Interest cost	2,901,497	2,500,000
Actuarial (gains) losses	560,848	(1,588,118)
	4,513,289	**1,826,882**

Liability classification

Current liabilities	1,065,000	1,345,241
Non current liabilities	23,018,000	19,044,761
	24,083,000	**20,390,002**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

14. Employee benefit obligations (continued)

Superannuation funds

The latest statutory valuation of the Superannuation Fund (defined benefit) as at 31 March 2024 concluded that:

The fund's liabilities for service to the valuation date was 108.9% (2024:108.9%) funded on the discounted cash flow method at the valuation date.

The fund is 108.9% funded on the "best estimate"funding basis as at the valuation date, and is also fully funded on the financial soundness basis incorporating the full solvency reserve. At the valuation report, the fund was in a sound financial position.

There was no deficit in respect of active members, A surcharge of 6.4% pensionable salaries is payable.

Retirement funds

The latest statutory valuation of the Retirement Fund (defined benefits) as at 31 March 2024 reflect;

The funding level of the Pensions Memorandum Account for an increase over the valuation period from 122.8% to 124.7%. This was mainly due to the lower-than-expected investment returns over the valuation period.

Based on the valuation assumption applied in 2024, the fund was fully funded.

The actuarial valuation carried out on the retirement fund as at 31 March 2024 reflected;

The fund is 106.4% (2024:106.4%) funded as at valuation date at the overall level. A recommendation was that, the current surcharge of 35% of pensionable salaries continue to be paid to assure the affordability of the full improvement in benefits as well as to build up a Solvency Reserve to afford the Fund a measure of protection.

At the valuation report, the Fund was in a sound financial position.

Provident funds

An interim valuation of the Provident Fund was performed as at 31 March 2024.

Assets exceeded the liabilities and reserves at the valuation date. Unallocated assets amounted to 1.7% of the assets after the release from the Risk and Expense Reserve and the Investment Reserve was 7.0% of Member Shares at the valuation date.

Members can elect a rate of contribution of 5%, 7.5% or 9.25% of pensionable salaries.

The default rate of continuation is set at 9.25% (the highest rate). This rate apply to each new employee unless he/she actively chooses to contribute as at a lower rate.

The fund is 100.7% (2024:100.7%) funded as at the valuation date.

At the valuation date, the fund was in a sound financial position.

Long Service Award

The independent valuers carried out a statutory valuation on the Long Service Awards benefits as at 30 June 2025.

Figures in Rand	2025	2024

14. Employee benefit obligations (continued)

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	9.65 %	12.59 %
CPI (Consumer Price Inflation)	3.90 %	6.82 %
Normal Salary Increase Rate	4.90 %	7.82 %
Net Effective Discount Rate	4.53 %	4.42 %

Active members	438	474

The amount recognised in the statement of financial position are as follows;		
Opening balance	9,116,584	9,115,000
Interest cost	482,637	1,023,000
Current service cost	923,490	975,000
Actuarial (gian)loss	642,998	(515,556)
Less: municipal paid benefits	(1,431,709)	(1,480,860)
	9,734,000	**9,116,584**

Net expense recognised in the statement of financial performance		
Expected employee payment/current service cost	923,490	975,000
Interest cost	482,637	1,023,000
Actuarial (gain)loss	642,998	(515,556)
	2,049,125	**1,482,444**

Liability classification		
Current liabilities	1,028,000	1,084,697
Non current liabilities	8,706,000	8,031,888
	9,734,000	**9,116,585**

Withdrawal rate

Deviations from the assumed level of withdrawal experience of the eligible employees will have a large impact on the actual cost to the Municipality. If the actual rate of withdrawal turns out to be higher than the rates assumed in the valuation basis, then the cost to the Municipality in the form of benefits will reduce and vice versa.

We have illustrated the effect of higher and lower withdrawal rates by increasing and decreasing the withdrawal rates by 20%. The effect is as follows:

Sensitivity Testing - withdrawal rate	**-20% Withdrawal rate (R'000)**	**Base result (R'000)**	**+20% Withdrawal rate (R'000)**
Accrued liability	10,246	9,734	9,267

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

14. Employee benefit obligations (continued)

Normal salary inflation

The cost of the long service awards is dependent on the increase in the annual salaries paid to employees. The rate at which salaries increase will thus have a direct effect on the liability of future employees.

The tested the effect of a 1% p.a. change in the Normal Salary inflation assumption. The effect is as follows:

Sensitivity Testing - normal salary inflation	-1% Normal salary inflation (R'000)	Base result (R'000)	+1% Normal salary inflation (R'000)
Accrued liability	9,136	9,734	10,391

15. Provisions

Reconciliation of provisions - 2025

	Opening Balance	Additions	Utilised during the year	Total
Legal proceedings	887,023	-	-	887,023
Performance Bonus	1,066,508	952,703	(990,329)	1,028,882
Determination of Upper Limits of Salaries, Allowances and Benefits	667,789	738,950	(667,789)	738,950
	2,621,320	**1,691,653**	**(1,658,118)**	**2,654,855**

Reconciliation of provisions - 2024

	Opening Balance	Additions	Utilised during the year	Total
Legal proceedings	887,023	-	-	887,023
Performance Bonus	866,541	657,062	(457,095)	1,066,508
Determination of Upper Limits of Salaries, Allowances and Benefits	-	667,789	-	667,789
	1,753,564	**1,324,851**	**(457,095)**	**2,621,320**

The provision relates to the following:

Performance bonuses relates to the constructive obligation on payment of performance bonus for section 57 employees in previous years. Performance bonuses are paid to the Section 57 employees after performance evaluation by the Council.

The municipality received a draft government gazette during the financial year on upper limits of total remuneration packages of municipal managers and managers directly reporting to municipal managers.

The municipality is defending a case against an employee previously dismissed and an award was granted on the since then the money granted to be paid to an employee has not been paid due to the municipality further submitted an application to review an award. The matter is still in progress.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

16. Long term loans

At amortised cost		
DBSA Bank loan - Current portion	-	396,914
NEDBank loan - Current portion	2,131,303	1,908,223
DBSA Bank loan - Long term loan	-	1,370,446
NEDBank loan - Long term loan	23,833,659	25,964,961
	25,964,962	**29,640,544**
Total other financial liabilities	**25,964,962**	**29,640,544**

The municipality made an early settlement of the Development Bank of South Africa loan and realised saving as a result of the early settlement. NEDBANK loan bears an interest of 11.42% and redeemed bi-annually with interest ending 2033.

Non-current liabilities		
At amortised cost	23,833,659	27,335,407
Current liabilities		
At amortised cost	2,131,303	2,305,137

17. Housing development fund

Loans extinguished by Government on 1 April 1998	828,828	828,828
Installments received from borrowers	4,762,381	4,762,381
Accumulated deficit	(3,902,691)	(1,267,341)
	1,688,518	**4,323,868**

Reconciliation of the Housing Development Fund		
Opening balance	4,323,868	4,007,822
Utilised	(2,942,482)	-
Transfer from accumulated surplus (Interest)	307,133	314,944
Impairment reversal	-	1,102
	1,688,519	**4,323,868**

Notes to the Annual Financial Statements

Figures in Rand

18. Accumulated surplus

Ring-fenced internal funds and reserves within accumulated surplus - 2025

	Capital replacement reserve	Electrical upgrade	SMME Establishment	Electricity	Indigent Support	Accumulated Surplus	Total
Opening balance	24,578,493	4,808,772	2,975,430	34,399,130	338,716	821,825,732	888,926,273
Net Surplus or (deficit) for the year	-	-	-	-	-	22,845,625	22,845,625
Transfers	25,577,751	(4,808,772)	(2,975,430)	-	(338,716)	(17,454,833)	-
Interest transferred to Housing Operating Account	-	-	-	-	-	(307,133)	(307,133)
Transfers - Housing Operating Account (Utilised)	-	-	-	-	-	2,942,482	2,942,482
	50,156,244	**-**	**-**	**34,399,130**	**-**	**829,851,873**	**914,407,247**

Ring-fenced internal funds and reserves within accumulated surplus - 2024

	Capital replacement reserve	Electrical upgrade	SMME Establishment	Electricity	Indigent Support	Accumulated Surplus	Total
Opening balance	31,225,847	396,621	2,743,113	34,399,130	314,407	807,535,960	876,615,078
Net Surplus or (deficit) for the year	-	-	-	-	-	12,626,138	12,626,138
Transfers	(6,647,354)	4,412,151	232,317	-	24,309	1,978,577	-
Interest transferred to Housing Operating Account	-	-	-	-	-	(314,943)	(314,943)
	24,578,493	**4,808,772**	**2,975,430**	**34,399,130**	**338,716**	**821,825,732**	**888,926,273**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

19. Service charges

Sale of Electricity	102,911,910	91,317,911
Solid Waste	16,812,093	15,748,024
	119,724,003	**107,065,935**

20. Rental of facilities and equipment

Facilities and equipment		
Rental of Facilities	2,106,655	1,424,831

21. Fines, Penalties and Forfeits

Law Enforcement Fines	18,349	147,103
Overdue Books Fines	34,218	16,802
Municipal Traffic Fines	1,303,050	780,600
Disconnection Fees Penalties	260,701	253,854
Retention Forfeits	-	1,956,940
	1,616,318	**3,155,299**

22. Agency services

Vehicle Registration	2,802,079	2,601,720

The municipality entered into an agreement with the KwaZulu-Natal Department of Transport, to collect process and collect driver licenses on behalf of the Department. The municipality act as an agent to this transaction in accordance with GRAP 109, Principal agent arrangements.

A fee of 10% of the revenue collected is payable to the Municipality by deducting the fee amount from the funds collected on a daily basis.

23. Licences and permits

Business licences	165,174	49,767
Road and Transport licences	2,489,430	2,233,745
	2,654,604	**2,283,512**

24. Licences and permits (non-exchange)

Road and Transport	35,557	18,016

25. Availability charge - electricity

Availability Charges	1,570,891	1,470,528

26. Lease rentals on operating lease

Plant and equipment		
Contractual amounts	1,011,697	1,097,631
Lease rentals on operating lease - Weigh bridge		
Contractual amounts	687,000	600,000
Lease rentals on operating lease - Property rental		
Contractual amounts	4,916	269,358
	1,703,613	**1,966,989**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

26. Lease rentals on operating lease (continued)

The municipality entered into a lease agreement with Track Scale to lease the weigh bridge for the disposal of waste. The commencement of the lease was 01 October 2024 and expires on 30 September 2027. No escalation is applicable for the duration of the contract.

The municipality entered into a lease agreement with Konika Minolta to lease photocopying machines. The commencement of the lease was on the 04 July 2024 and expires on 15 June 2027. No escalation is applicable for the duration of the contract.

The municipality entered into a lease agreement with Messrs Kwikspace Modular Buildings (PTY) Ltd to lease mobile ablution facility which expired in August 2024.

Minimum lease due		
Within one year	1,420,982	62,911
In second to fifth- year	1,593,482	-
	3,014,464	**62,911**

27. Interest received - receivables from exchange transactions

Interest - Waste Management Receivables	1,217,969	1,240,539
Interest - Electricity Receivables	1,983,202	1,524,933
Interest - Sundry Debtors	514,501	168,491
	3,715,672	**2,933,963**

28. Remeasurement of employee benefits

Gain on Remeasurement on Long Service Awards	-	515,556
Gain on Remeasurement on Post Retirement Medical Aid	-	1,588,118
Loss on Remeasurement on long Service Awards	(560,848)	-
Loss on Remeasurement on Post Retirement Medical Aid	(642,998)	-
	(1,203,846)	**2,103,674**

29. Operational Revenue

Admin handling fees	28,642	45,068
Breakages and losses recovered	4,856	1,585
Advertisement fees	-	848
Building plans	419,846	451,820
Burial fees	205,227	224,228
Cleaning and removal	26,103	34,512
Rates clearance certificate	55,068	69,293
Skills development refunds	490,066	166,322
Photocopies, faxes and telephone charges	74,513	205,798
Town planning and servitudes	122,841	234,076
Incidental cash surpluses	221,305	1,964,593
Entrance Fees	24,588	27,848
Insurance refund	30,000	-
Discount on early settlement	53,282	-
	1,756,337	**3,425,991**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

30. Interest earned - external investments

Interest received - Primary and Call accounts	558,352	815,201
Interest received - Short-term Investments	10,073,424	9,614,080
	10,631,776	**10,429,281**

-.

31. Gain on disposal of assets

Gain/(Loss) on disposal of PPE	676,122	103,689

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

32. Property rates

Rates received

Residential	27,995,104	28,578,734
Commercial	16,353,342	13,481,468
Public Service Purpose	17,657,289	16,832,518
Agriculture	6,087,988	5,656,114
Vacant land	4,911,781	4,869,069
Mining	1,345,686	1,282,860
Public service infrastructure	222,733	1,179,746
	74,573,923	71,880,509
Property rates - penalties imposed	4,965,149	5,113,910
	79,539,072	**76,994,419**

Valuation Roll Market Values

Residential	3,390,483	3,318,930
Commercial	934,093	933,744
Public Service Purpose	1,181,210	1,181,210
Agricultural	3,413,156	3,413,156
Municipal	188,492	188,943
Public Benefits	107,112	109,912
Vacant Land	288,080	297,311
Mining	75,985	75,985
Public Service Infrastructure	3,751,042	3,751,242
	13,329,653	**13,270,433**

Valuation Roll Randages

Residential	1.2948	1.2343
Commercial	1.6185	1.5429
Agricultural	0.3237	0.3085
Public Service Infrastructure	0.3237	0.3085
Vacant Land	2.5896	2.4687
Public Benefit Organisation	0.3237	0.3085
Mining	2.5896	2.4687
Public Service Purpose	1.6185	1.5429

Valuations on land and buildings are performed every five 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.

Supplementary Valuation rolls have been received for 2024/2025 financial year.

Impermissible rebates are applied to residential properties valued less than or equal to R150 000 on market values.

Rates are levied on an annual basis with the final date for payment being 30 November 2024, Interest is raised on overdue accounts at 12.75%.

The new general valuation will be implemented on 01 July 2025.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

33. Transfer and subsidies

SPCA Grant- In-Aid	170,000	165,000
Tourism Grant-In-Aid	245,000	240,000
Households (Groceries,temporal shelters and food parcels)	4,714,313	7,248,573
Bursaries - non employees	-	131,760
Social welfare Grant-In-Aid	170,000	170,000
Museum Grant-In-Aid	250,000	205,000
	5,549,313	**8,160,333**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

34. Government grants & subsidies

Operating grants		
Equitable share	253,981,000	241,259,000
Finance Management Grant (FMG)	1,800,000	1,720,000
Community Library Grant	5,722,000	5,471,000
Expanded Public Works Programme Grant (EPWP)	2,787,000	3,146,000
Museum Grant	1,089,000	1,043,000
Development Bank of South Africa Grant (DBSA)	8,499,999	-
Municipal Disaster Response Grant (MDRG)	11,738,649	2,949,572
Title Deeds Registration Grant	103,632	-
	285,721,280	**255,588,572**
Capital grants		
Integrated National Electrification Programme Grant (INEP)	1,695,561	1,804,439
Greenest Municipality Competition Grant	800,000	-
Informal Economy Infrastructure Grant	2,000,000	1,000,000
Municipal Infrastructure Grant (MIG)	57,042,000	58,576,000
	61,537,561	**61,380,439**
	347,258,841	**316,969,011**

Equitable Share

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

All registered indigents receive a monthly subsidy in accordance with the municipality's approved Indigent Policy.

Finance Management Grant (FMG)

Current-year receipts	1,800,000	1,720,000
Conditions met - transferred to recognise revenue	(1,800,000)	(1,720,000)
	-	-

Conditions met - transferred to revenue (see note 13).

This grant is utilised for Intern's salaries to advance the implementation of the MFMA, training of officials to meet the minimum competency requirements, and for Asset Management and Financial system enhancements and training. No funds have been withheld.

Municipal Infrastructure Grant (MIG)

Current-year receipts	57,042,000	58,576,000
Conditions met - transferred to recognise revenue	(57,042,000)	(58,576,000)
	-	-

Conditions met - transferred to revenue (see note 13).

The grant is utilised to construct roads, bridges, sportfields, community halls and streetlights as part of the upgrading of informal settlement areas. No funds were withheld.

Integrated National Electrification Programme Grant (INEP)

Balance unspent at beginning of year	1,695,561	-
Current-year receipts	-	3,500,000
Conditions met - transferred to recognise revenue	(1,695,561)	(1,804,439)

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

34. Government grants & subsidies (continued)

	-	**1,695,561**

Conditions met - transferred to revenue (see note 13).

The municipality received a schedule 5B in a licensed area at King Dinuzulu Township. The purpose of this grant is to provide capital subsidies to the municipality to address the electrification backlog. No funds have been withheld.

Community Library Grant

Current-year receipts	5,722,000	5,471,000
Conditions met - transferred to recognise revenue	(5,722,000)	(5,471,000)
	-	-

Conditions met - Transferred (see note 13).

The grant is utilised to subsidise expenditure and upgrading of libraries. No funds have been withheld.

Museum Grant

Current-year receipts	1,089,000	1,043,000
Conditions met - transferred to recognise revenue	(1,089,000)	(1,043,000)
	-	-

Conditions met - Transferred to revenue (see note 13).

The grant is utilised to subsidise expenditure incurred solely for the Museums. No funds have been withheld.

Title Deeds Registration Grant

Balance unspent at beginning of year	1,081,699	1,081,699
Conditions met - transferred to recognise revenue	(103,632)	-
	978,067	**1,081,699**

Conditions still to be met - remain liabilities (see note 13).

The grant is utilised to register title deeds for houses beneficiaries.No funds have been withheld.

Department of Human Settlement Grant

Balance unspent at beginning of year	116,208	116,208

Conditions still to be met - remain liabilities (see note 13).

The grant is for construction of rural housing scheme. No funds have been withheld.

Expanded Public Works Programme Grant (EPWP)

Current-year receipts	2,787,000	3,146,000
Conditions met - transferred to recognise revenue	(2,787,000)	(3,146,000)
	-	-

Conditions met - Transferred to revenue (see note 13).

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

34. Government grants & subsidies (continued)

The Expanded Public Works Programme is a government programme aimed at the alleviation of poverty and unemployment. This programme ensures the full engagement on Labour Intensive Methods of Construction to workers for skills development. No funds have been withheld.

Informal Traders Infrastructure Grant

	2025	2024
Current-year receipts	2,000,000	1,000,000
Conditions met - transferred to recognise revenue	(2,000,000)	(1,000,000)
	-	-

Conditions met - Transferred to revenue (see note 13).

The grant is utilised to construct informal traders infrastructure as part of promoting Local Economic Development. No funds have been withheld.

Development Bank of South Africa Grant

	2025	2024
Current-year receipts	8,499,999	-
Conditions met - transferred to revenue	(8,499,999)	-
	-	-

Conditions met - Transferred to revenue (see note 13).

The grant is utilised to to develop/ update various infrastructure master plans including electricity master plan (EMP), a management plan to reduce electricity non-revenue, development of a roads and Stormwater master plan (RSWMP) and upgrading of the GIS capability and development of an integrated waste management plan (IWMP).

Municipal Disaster Response Grant (MDRG)

	2025	2024
Balance unspent at beginning of year	5,550,428	-
Current-year receipts	14,278,000	8,500,000
Conditions met - transferred to recognise revenue	(11,738,650)	(2,949,572)
	8,089,778	**5,550,428**

Conditions still to be met - remain liabilities (see note 13).

The grant is utilised to restore municipal infrastructures damaged during bad weather conditions experienced the municipality. No funds have been withheld.

Greenest Municipality Competition Grant

	2025	2024
Current-year receipts	800,000	-
Conditions met - transferred to revenue	(800,000)	-
	-	-

Conditions met - Transferred to revenue (see note 13).

The municipality received a grant a form of a reward for been the greenest town in Kwa Zulu Natal province.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

35. Employee related costs

Basic	122,366,602	116,308,570
Bonus	9,604,678	8,714,858
Medical aid - company contributions	10,030,222	9,186,487
Leave pay provision charge	4,514,000	5,999,404
Post-retirement medical aid	3,952,441	3,415,000
Overtime payments	11,495,567	8,498,272
Long-service awards	1,406,127	1,998,000
Car allowance	5,564,351	5,466,559
Housing benefits and allowances	1,379,392	1,378,904
Rental allowance	61,246	73,192
Group life insurance	2,056,240	1,957,507
Performance bonuses	952,704	657,063
Cellphone allowance	1,761,604	1,823,467
Pension and UIF Contributions	22,230,497	21,268,455
	197,375,671	**186,745,738**

Remuneration of Municipal Manager - NN Shandu

Annual Remuneration	1,279,374	1,299,714
Car Allowance	216,000	216,000
Performance Bonuses	203,639	118,389
Contributions to UIF, Medical and Pension Funds	2,125	2,125
	1,701,138	**1,636,228**

Remuneration of Chief Finance Officer - NP Mgobhozi

Annual Remuneration	805,146	830,963
Car Allowance	300,000	300,000
Performance Bonuses	166,459	-
Contributions to UIF, Medical and Pension Funds	122,522	108,948
	1,394,127	**1,239,911**

Remuneration of Senior Manager: Corporate Services - KC Zulu and TE Mthethwa

Annual Remuneration	642,809	1,122,298
Car Allowance	70,000	120,000
Performance Bonuses	-	165,897
Contributions to UIF, Medical and Pension Funds	1,240	2,125
Acting Allowance	160,993	-
	875,042	**1,410,320**

The position for Senior Manager: Corporate Services was vacant as from 01 February 2025 to 24 June 2025. The vacancy has been filled.

Remuneration of Senior Manager: Engeneering Services - XI Buthelezi

Annual Remuneration	923,193	944,831
Car Allowance	144,000	144,000
Performance Bonuses	166,459	-
Contributions to UIF, Medical and Pension Funds	161,789	153,009
	1,395,441	**1,241,840**

Remuneration of Senior Manager: Community Services - SC Mkhwanazi

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

35. Employee related costs (continued)

Annual Remuneration	1,101,958	1,167,835
Car Allowance	120,000	120,000
Performance Bonuses	166,459	89,861
Contributions to UIF, Medical and Pension Funds	2,125	2,125
	1,390,542	**1,379,821**

Remuneration of Senior Manager: Planning and Development Services - S Mngoma

Mid-year Remuneration	1,004,062	1,024,401
Car Allowance	120,000	120,000
Performance Bonuses	166,459	82,948
Contributions to UIF, Medical and Pension Funds	103,495	101,573
	1,394,016	**1,328,922**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

36. Remuneration of councillors

Basic allowance	20,762,570	20,245,991
Travelling allowance	1,463,552	1,422,436
Cellphone allowance	2,585,208	2,924,610
Pension fund contribution	377,530	370,972
	25,188,860	**24,964,009**

Mayor	1,008,917	1,005,265
Deputy Mayor	816,545	813,201
Executive Committee Members	6,147,597	6,110,699
Speaker	847,881	813,201
Ordinary Councillors	15,599,471	15,453,003
Chief Whip	768,450	768,639
	25,188,861	**24,964,008**

Remuneration of the Mayor

Basic allowance	669,419	664,662
Travelling allowance	241,880	237,676
Cellphone allowance	46,992	53,181
Pension fund contribution	50,626	49,746
	1,008,917	**1,005,265**

Remuneration of the Deputy Mayor

Basic allowance	576,036	569,853
Travelling allowance	193,504	190,141
Cellphone allowance	47,004	53,208
	816,544	**813,202**

Remuneration of the Speaker

Basic allowance	800,877	707,656
Travelling allowance	-	52,337
Cellphone allowance	47,004	53,208
	847,881	**813,201**

Remuneration of the Whip of Council

Basic allowance	469,048	467,421
Travelling allowance	181,411	178,257
Cellphone allowance	47,004	53,208
Pension fund contribution	70,987	69,753
Subsistence and travel reimbursements	4,947	9,930
	773,397	**778,569**

Remuneration of the Executive Committee

Basic allowance	5,225,498	5,183,672
Travelling allowance	362,821	321,303
Cellphone allowance	376,032	425,664
Pension fund contribution	183,245	180,060
Subsistence and travel reimbursements	46,317	53,977
	6,193,913	**6,164,676**

Remuneration of Ordinary Councillors

Basic allowance	13,021,692	12,652,728

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

36. Remuneration of councillors (continued)

Travelling allowance	483,934	442,721
Cellphone allowance	2,021,172	2,286,141
Pension fund contribution	72,672	71,413
Subsistence and travel reimbursements	120,836	136,236
	15,720,306	**15,589,239**

In-kind benefits

The Mayor, Deputy Mayor, Speaker, Chief Whip and MPAC Chairperson are full time councillors. Each is provided with an office and secretarial support at the cost of the Council.

The Mayor has two full time bodyguards and use of a Council owned vehicle.

The Deputy Mayor has two full time bodyguards and a use of Council owned vehicle.

The Speaker has two full time bodyguards and use of a Council owned vehicle.

The Chief Whip has two full time bodyguards.

Subsistence and travelling reimbursement

The councillors' subsistence and travelling reimbursement R172 102 (2024: R200 143) is included under operational cost in the Statement of Financial Performance.

37. Depreciation and amortisation

Property, plant and equipment	50,686,382	48,525,063
Intangible assets	21,577	21,577
	50,707,959	**48,546,640**

38. Impairment of cash and non-cash generating assets

Impairments		
Property, plant and equipment	1,561,518	9,124,515
Reversal of impairments		
Property, plant and equipment	(928,226)	(3,396,226)
Total impairment losses recognised (reversed)	**633,292**	**5,728,289**

The municipality recognised R1 561 513 as impairment loss for 2024/2025 financial year as part of the annual asset condition assessment

The municipality also recognised an impairment reversal as a result of assets that were not verified in 2023/2024 financial year and were impaired. During the 2024/2025 financial year the municipality conducted a special investigation and some of these assets were found.

39. Finance costs

Borrowings	3,363,587	3,146,984

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

40. Debt impairment

Debt impairment	7,574,605	7,575,266

Debt impairment for consumer debtors is R6 407 131 (2024:R7 035 023)

Increase in provision from (2024: R247 841 838) to (2025:R256 754 555). The Municipality has bad debt written off amounting to R3 694 777 as at 30 June 2025 (2024:R 0).

Debt impairment increase for Traffic fines is R1 167 474 (2024:R540 243), the provision increased from 30 June 2024: R182 169 547 to 30 June 2025:R183 337 021.

41. Operational costs

Advertising	2,489,638	2,800,304
Auditors remuneration	2,875,874	2,356,117
Bank charges	187,920	303,294
Cleaning	9,095	16,026
Commission paid	47,191	64,920
Communications	1,542,388	1,494,786
Entertainment	130,938	148,396
Hire charges	965,255	757,370
Insurance	3,846,466	2,982,649
IT expenses	10,839,294	10,216,186
Levies	1,687,460	1,682,651
Motor vehicle licence and registrations	801,205	547,670
Protective clothing	2,040,983	1,269,275
Performing Arts	2,041	1,613
Subscriptions and membership fees	139,237	33,206
Vehicle tracking	257,547	193,943
Transport	643,218	569,500
Training	1,399,139	1,170,846
Subsistence and Travel allowance	3,043,316	2,827,821
Loose Tools	126,508	131,103
Utilities	3,099,593	3,091,057
Archiving	209,642	259,229
Bargaining Council	2,053,522	2,182,202
Honoraria (voluntary workers)	120,262	6,000
Indigent relief	6,566,198	5,029,607
Ward committees	3,949,200	3,915,000
Road worthy tests	-	12,522
Sitting allowance for traditional leaders	7,000	-
Signage	79,734	155,017
Workman's Compensation Fund	1,227,201	891,914
	50,387,065	**45,110,224**

42. Bulk purchases

Electricity - Eskom	101,585,858	89,665,933

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

42. Bulk purchases (continued)

Electricity losses

	Units 2025	Units 2024		
Purchases	49,201,738	46,506,142	101,585,858	89,665,933
Sales	38,193,834	(38,092,866)	(78,858,058)	(73,444,759)
Total loss	**87,395,572**	**8,413,276**	**22,727,800**	**16,221,174**
Comprising of:				
Technical losses	2,706,096	2,557,838	5,587,222	4,931,626
Non-technical losses	8,301,808	5,855,438	17,140,578	11,289,546
Total	**11,007,904**	**8,413,276**	**22,727,800**	**16,221,172**
Percentage Loss:				
Technical losses	6 %	6 %	6 %	6 %
Non-technical losses	16 %	12 %	17 %	12 %
Total	**22 %**	**18 %**	**23 %**	**18 %**

43. Contracted services

	2025	2024
Outsourced Services		
Alien Vegetation Control	204,928	102,464
Animal Care	555,716	601,239
Burial Services	2,204,689	1,571,011
Business and Advisory	3,124,402	4,490,994
Clearing and Grass Cutting Services	3,302,990	4,111,356
Medical Services	67,750	20,370
Personnel and Labour	10,065,908	8,874,980
Connection/Dis-connection	-	7,504
Refuse Removal	7,981,514	7,412,977
Security Services	17,665,917	19,647,724
Traffic Fines Management	85,888	20,752
Electrical	1,036,191	1,486,270
Consultants and Professional Services		
Business and Advisory	11,135,930	1,628,271
Infrastructure and Planning	234,587	640,086
Legal Cost	2,031,620	1,435,924
Contractors		
Artists and Performers	-	60,400
Catering Services	1,811,115	1,830,752
Graphic Designers	50,622	3,200
Maintenance of Buildings and Facilities	6,726,100	4,617,819
Maintenance of Equipment	1,736,218	1,087,703
Maintenance of Unspecified Assets	15,682,817	20,444,087
Pest Control and Fumigation	40,350	8,950
Prepaid Electricity Vendors	628,676	826,563
Sewerage Services	103,692	-
Stage and Sound Crew	417,240	270,000
	86,894,860	**81,201,396**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

44. Inventory consumed

Stationery, cleaning materials , fuel, oil and other materials	11,466,547	11,331,153
Materials and supplies	6,536,458	5,597,019
	18,003,005	**16,928,172**

45. Cash generated from operations

Surplus	22,845,625	12,626,138
Adjustments for:		
Depreciation and amortisation	50,707,959	48,546,640
Loss on sale of assets and liabilities	(676,122)	(103,689)
Fair value adjustments	(2,320,000)	(1,145,000)
Asset impairment loss	633,292	5,728,289
Debt impairment	7,574,605	7,575,266
Bad debts written off	3,694,777	-
Movements in provisions	33,535	199,966
Inventory losses or write-downs	352,648	-
Non-cash donations and other in-kind benefits	(439,809)	-
Loss on remeasurement of employee benefits	1,203,846	-
Changes in working capital:		
Inventories	21,511	(500,154)
Receivables from exchange transactions	(9,956,198)	(4,681,123)
Receivables from non-exchange transactions	709,014	4,901,340
Payables from exchange transactions	6,295,375	(18,193,208)
VAT	1,445,196	798,627
Unspent conditional grants and receipts	740,157	7,245,989
Consumer deposits	211,333	167,138
	83,076,744	**63,166,219**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

46. Construction contract

Advances received		
Integrated National Electrification Programme	4,021,000	-
Construction contract		
Construction revenue	3,496,522	-
Construction costs	(3,496,522)	-
	-	-

2024/2025 Financial Year

The municipality received a schedule 5B grant to an un-licenced area such as (Ohabeni electrification project). The municipality is undertaking construction activities as a primary contractor on behalf of Department of Mineral Resources and Energy and ESKOM in areas where it does not have an approved license for the supply of electricity. The municipality has accounted for this transaction according to GRAP 11, Construction contract.

To measure reliably the work performed, the completion of a contract is determined by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs and the completion of a physical proportion of the contract work.

As at 30 June 2025, there was no retention due for electrification projects.

At at 30 June 2025, there were no gross amount due from customers for work as an asset and the gross amount due to customers for work as a liability.

The municipality will transfer these projects to Eskom after completion as per the Memorandum of understanding.

2023/2024 Financial Year

The municipality did not receive any schedule 5B grant in respect of un-licenced areas, the total schedule 5B grant received by the the municipality in 2023/2024 financial year is utilised on licenced areas only.

47. Fair value adjustments

Investment property (Fair value model)	2,320,000	1,145,000

48. Operating lease as a lessor (Income)

Minimum lease payments due		
Within one year	-	821,772

Certain of the municipal's properties are held to generate rental income and provide services to the community to assist with local economic and social development. Lease agreements are cancelable by both parties. In 2024025 financial year all these leases expired in 31 March 2025 and currently on month to month basis.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

49. Contingencies

Contingent liabilities

The municipality is defending a case arising from the termination of road construction contract at the King Dinuzulu Suburb. The municipal attorney has advised that it is unlikely that the plaintiff will pursue the matter further, and therefore the possibility of an outflow of resources is considered remote.	-	10,754,222
The municipality is defending a case arising from the termination of Project Management Unit Service contract. The municipal attorney has advised that it is unlikely that the plaintiff will pursue the matter further, and therefore the possibility of an outflow of resources is considered remote.	-	702,240
The municipality is defending a case arising from damages caused to the plaintiff's vehicles when it drove into a drain hole allegedly left open by The municipality. the matter is dominis litis and the success of the matter is 50% in favour of the Council, in all reasonable probabilities. Notice of intention to defend and pleadings are not yet closed.has been filed Case number 590/2019	38,000	38,000
	38,000	**11,494,462**

Contingent assets

No contingent assets exist for the period ended 30 June 2025 (2024:R0).

50. Section 45 of Supply Chain Managements Regulations - Awards made to close family members of persons in

The municipality conducted business with services providers of which the directors are closely related to a person employed in the service of the state as at the end 30 June 2025 (2024: R0).

Masandisiwe (PTY) LTD - an employee of the state	28,500	-

51. Related parties

Related party balances

Related party transactions

Key Management Personal and Councillors Remuneration.

Remuneration of Key Management Personal and Councillors is set out in Note 35 & 36 to the annual financial statements.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

52. Change in estimate

Property, plant and equipment

The municipality has revised the remaining useful lives of assets which had reached the end of their useful lives based on the asset conditions in terms of GRAP 17 paragraph 56.

The effect of the revision has decreased a depreciation by R1 918 800.

Depreciation	Depreciation per annum before	Depreciation per annum after	Change in depreciation per annum
Community assets	(164,915)	94,084	(70,831)
Computer equipment	(1,185,318)	790,421	(394,897)
Furniture and equipment	(59,829)	32,172	(27,657)
Machinery and equipment	(304,392)	186,204	(118,188)
Roads infrastructure	(812,127)	409,608	(402,519)
Storm water infrastructure	(256)	(85)	(341)
Vehicles	(1,902,302)	997,935	(904,367)
	(4,429,139)	**2,510,339**	**(1,918,800)**

53. Prior Period Adjustments

Statement of Financial Position

	Audited	Prior year adjustments	Reclassifying adjustments	Restated
Assets				
Current Assets				
Cash and cash equivalents	73,957,994	-	(123,691)	73,834,303
Receivables from exchange transactions	43,059,718	317,296	4,363,827	47,740,841
Receivables from non-exchange transactions	35,451,958	(4,901,340)	-	30,550,618
VAT receivable	4,240,136	-	(4,240,136)	-
	156,709,806	**(4,584,044)**	**-**	**152,125,762**
Non-Current Assets				
Property, plant and equipment	831,234,082	4,365,485	-	835,599,567
Investments	500	(500)	-	-
	831,234,582	**4,364,985**	**-**	**835,599,567**
Total Assets	**987,944,388**	**(219,059)**	**-**	**987,725,329**
Liabilities				
Current Liabilities				
Provisions	1,066,508	1,554,812	-	2,621,320
Payables from exchange transactions	67,581,199	688,406	-	68,269,605
	68,647,707	**2,243,218**	**-**	**70,890,925**
Net Assets				
Accumulated surplus	891,388,552	(2,462,280)	-	888,926,272

Notes to the Annual Financial Statements

53. Prior Period Adjustments (continued)

53.1. Cash and cash equivalents

Amount as reported on audited AFS - 30 June 2024	73,957,994
Prior period adjustment restating the 2023/2024 movement	(123,691)
	73,834,303

Reclassification of accrued interest from cash and cash equivalents to receivables from exchange transactions.

53.2 Receivables from exchange transactions

Balance previously reported	43,059,718
Prior period adjustment restating the 2023/2024 movement	4,681,123
	47,740,841

Reclassification vat control from statutory receivable - vat receivable to receivables from exchange transactions as per GRAP 108 and recognition of accrued interest investment as at 30 June 2024.

53.3 Receivables from non-exchange transactions

Balance previously reported	35,451,958
Prior period adjustment restating the opening balance as at 1 July 2023	(4,361,097)
Prior period adjustment restating the 2023/2024 movement	(540,243)
	30,550,618

The municipality made a correction of an error in the impairment methodology traffic fines and adjusted the impairment accordingly.

53.4 VAT receivable

Balance previously reported	4,240,136
Prior period adjustment restating the 2023/2024 movement	(4,240,136)
	-

Reclassification of vat control to receivables from exchange transactions as per GRAP 108.

53.5 Property, plant and equipment

Amount as reported on audited AFS - 30 June 2024	831,234,082
Prior period adjustment restating the opening balance as at 1 July 2023	4,720,401
Prior period adjustment restating the 2023/2024 movement	(354,916)
	835,599,567

The municipality recognised as portion of Osborn road rehabilitation project that was not fully capitalised due to an incorrect completion certificate, laptop that was reimbursed by the insurance company due to theft and adjusted certain assets' useful life's that were miss aligned.

Notes to the Annual Financial Statements

53. Prior Period Adjustments (continued)

53.6 Investments

Amount as reported on audited AFS - 30 June 2024	500
Prior period adjustment restating the 2023/2024 movement	(500)
	-

The municipality accounted investement refund from coastal farmers.

53.7 Payables from exchange transactions

Amount as reported on audited AFS - 30 June 2024	67,581,199
Prior period adjustment restating the opening balance as at 1 July 2023	688,406
	68,269,605

Prior period error on retention that was not raised due to an incorrect project completion certificate received.

53.8 Provisions

Amount as reported on audited AFS - 30 June 2024	1,066,508
Prior period adjustment restating the opening balance as at 1 July 2023	887,023
Prior period adjustment restating the 2023/2024 movement	667,789
	2,621,320

The municipality realised a provision from a litigation that had a judgemental against the municipality, this case was previosly disclosure a contingent liability (R887 023).

The municipality also realised a provision that was disclosed as events after reporting for Councillors after a notice for consultation of Determination of Upper Limits of Salaries, Allowances and Benefits of different members of Municipal Councils Circular No. 19/2024, was issued on the 19 August 2024.

Notes to the Annual Financial Statements

53. Prior Period Adjustments (continued)

53.9 Accumulated surplus

Amount as reported on audited AFS - 30 June 2024	891,388,552
Prior period adjustment restating the opening balance as at 1 July 2023	(5,719,045)
Prior period adjustment restating the 2023/2024 movement	3,256,765
	888,926,272

Adjustments were made as follows:

- Property Plant and equipment depreciation emanating from incorrect completion certificate on a completed project and certain assets useful lifes being adjusted.
- Insurance reimbursement not accounted in 2023/2024 financial year.
- Contingent liability realised as a provision based on the arbitration outcome in October 2022.
- Remuneration of Councillors' provision being raised based on draft upper limits of Councillors salaries and allowances for 2023/2024 to be paid in 2024/2025 financial year.
- Receivables from exchange transactions prior period error is as a result reclassification of VAT receivables and accrued interest on short-term investments previously not accounted for.

Notes to the Annual Financial Statements

53. Prior Period Adjustments (continued)

Statement of Financial Performance

	Audited	Prior year adjustments	Reclassifying adjustments	Restated
Revenue				
Revenue from exchange transactions				
Service charges	107,269,076	-	(203,141)	107,065,935
Interest earned - external investments	10,111,987	317,294	-	10,429,281
Gain on disposal of assets	59,789	43,900	-	103,689
Revenue from non-exchange transactions				
Transfer revenue				
Fines, Penalties and Forfeits	2,952,157	-	203,141	3,155,299
Expenditure				
Remuneration of councillors	(25,158,075)	194,067	-	(24,964,008)
Depreciation and amortisation	(48,904,756)	358,116	-	(48,546,640)
Debt impairment	(9,918,654)	2,343,388	-	(7,575,266)
Total expenditure	**(83,981,485)**	**2,895,571**	**-**	**(81,085,914)**
Surplus for the year	**9,369,372**	**3,256,765**		**12,626,137**

53.10 Service charges

Amount as reported on audited AFS - 30 June 2024	107,269,076
Prior period adjustment	(203,141)
	107,065,935

Reclassification of disconnection fees penalty fines and forfeits.

53.11 Interest earned - external investments

Amount as reported on audited AFS - 30 June 2024	-	10,111,987
Prior period adjustment restating the 2023/2024 movement	-	317,294
	-	**10,429,281**

Recognition of accrued interest from short-term investement as at 30 June 2024

53.12 Gains on disposal of assets

Amount as reported on audited AFS - 30 June 2024	59,789
Prior period adjustment restating the 2023/2024 movement	43,900
	103,689

Adjustments were made to property plant and equipment additions from insurance reimbursement not accounted in 2023/2024 financial year.

Notes to the Annual Financial Statements

53. Prior Period Adjustments (continued)

53.13 Fines, Penalties and Forfeits

Amount as reported on audited AFS - 30 June 2024	2,952,157
Prior period adjustment	203,141
	3,155,298

Reclassicifation of disconnection fees from service charges.

53.14 Renumeration of councillors

Amount as reported on audited AFS - 30 June 2024	25,158,075
Prior period adjustment	(194,067)
	24,964,008

Reversal of remuneration of councillors' back pay on a correct period after the promulgation of upper limits of councillors salaries and allowances for 2023/2024 in the correct period.

53.15 Depreciation and amortisation

Amount as reported on audited AFS - 30 June 2024	48,904,756
Prior period adjustment	(358,116)
	48,546,640

Depreciation adjustments relates to the prior period adjustments made within the roads and computer equipment asset class.

53.16 Debt impairment

Amount as reported on audited AFS - 30 June 2024	9,918,654
Prior period adjustment	(2,343,388)
	7,575,266

The municipality made a correction of an error in the impairment methodology on traffic fines and adjusted the impairment accordingly.

54. Risk management

Financial risk management

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

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

54. Risk management (continued)

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, municipality treasury maintains flexibility in funding by maintaining availability under committed credit lines.

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

Borrowings	2,131,303	2,305,137
Trade and other payables	56,279,181	50,248,431
Consumer deposits	4,022,588	3,811,255
	62,433,072	**56,364,823**

Credit risk

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

Except as detailed below, the carrying amount of financial assets recorded in the annual financial statements, which is net of impairment losses, represents the municipality's maximum exposure to credit without taking account of the value of any collateral obtained.

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

Financial instrument	2025	2024
Cash and cash equivalent	86,376,633	73,834,303
Trade and other receivables	54,002,262	47,740,841

Market risk

Interest rate risk

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

Cash and cash equivalents	86,376,633	73,834,303

Price risk

Due to a legislation restrictions, the municipality does not trade these investments.

Notes to the Annual Financial Statements

55. Going concern

We draw attention to the fact that at 30 June 2025, the municipality had an accumulated surplus of 914,407,246 and that the municipality's total liabilities exceed its assets by 916,095,764.

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

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality and that the sound financial management will remain in force for so long as it takes to maintain the solvency of the municipality.

Based on the above, the annual financial statements have been prepared on a going concern as sufficient measures are in place to curb the impact of the economic changes.

Repayments of long-term debt
The municipality has not defaulted in meeting its obligations to repay its long-term debts
.
Grant funding in terms of DoRA
Capital projects as well as operational expenditure are partially funded through gazetted transfers to the Municipality to ensure continued operations in terms of the budgeted expenditure for the 2024/2025 financial year.

Revenue Enhancement Strategy
The municipality is in a process of developing and implanting a Revenue Enhancement Strategy to ensure all monies that are due is collected. It must be noted that the municipality has opened opportunities for consumers to enter into debt payment arrangements with the municipality to improve revenue collection. Further more the municipality is continuing with the implementation of Credit Control and Legal action to reduce the outstanding debt. The municipality will adequately budgeted for the provision for bad debts in the 2024/2025 financial year.

Payment of Creditors within thirty (30) days
The municipality has not defaulted in making creditors payments timeously, except where there are delays in receiving the necessary documents to process payments and delays are experienced with service providers who are not adhering to disclosing the correct required information on invoices submitted.

Payment of Bulk Services
The municipality has not defaulted in paying Eskom for bulk service supplied. All payments are made before the due date.

Investments and Positive Bank Balance - The municipality has maintained a positive bank balance for a number of years, and surplus funds are invested or transferred to a call account to maximise interest revenue.

Cash Flow Monitoring
The municipality prepares monthly cash flow report to monitor the cash resources in terms of revenue collection and payments. These reports are reported to Council to monitor the cash flow of the Municipality.

Transactions and events after reporting
Transactions after year end on the general ledger were considered and no negative implications were identified that could change the going concern assumption. No events were identified that could change the going concern.

The municipality's budget for the 2024/2025 financial year indicates a surplus in terms of cash backed reserves, and budgeted cash flows. Furthermore Provincial Treasury has confirmed that the municipality's 2025/2026 budget is funded.

The current ratio of the Municipality is 1.76:1 which shows that the Municipality can be able to honour its obligations.

% of unspent Grants Funded is 100%

Figures in Rand	2025	2024

55. Going concern (continued)

Debts to total Assets ratio is 0.14 or 14%. This reflects a strong results in terms of all debts covered by total assets, thus Municipality is Solvent.

Cash and Cash equivalent
The municipality's cash and cash equivalent is sitting at R 86 376 633 as at 30 June 2025.

Taking the above into account, there were no factors identified that would cast significant's doubt on the Municipality's ability to continue as a going concern. Therefore, the Annual Financial Statements were on a going concern basis.

56. Events after the reporting date

The following were events happened after the reporting date 30 June 2025.

Nature of Event

The Determination of Upper Limits of Salaries, Allowances and Benefits of different members of Municipal Councils gazette No. 53168, was issued on the 14 August 2025 for 2024/2025 financial year.

Estimate of Financial effect is R738 950.

Nature of Event.

The municipal council approved a proposal from a debtor to write off R398 000 for interest out of a total outstanding debt of R1 495 907.48.

Estimate of Financial effect is that, the municipality did not impair this debt in the presence of the council resolution.

57. Unauthorised expenditure

	2025	2024
Opening balance as previously reported	7,546,942	13,193,765
Add: Unauthorised expenditure - current	1,203,846	7,546,942
Less: Amount authorised - current	(8,750,788)	(13,193,765)
Closing balance	**-**	**7,546,942**

Notes to the Annual Financial Statements

57. Unauthorised expenditure (continued)

2024/2025 Incidents

The municipality incurred R1 203 846 unauthorised expenditure as at 2024/2025 financial year. This is a result of non cash item being actuarial losses emanating from the post retirement assessment conducted by Actuaries at 30 June 2025. The municipality budgeted for a gain while the actual assessment reported showed a loss in 2024/205 financial year. The municipality has followed section 32 of the MFMA in dealing with current year expenditure. The full amount of R1 203 846 has been written off by Council as irrecoverable.

The municipality incurred R7 546 942 unauthorised expenditure during 2023/2024 financial year. This is a result of non cash items being debt impairment and impairment loss of property plan and equipment. The municipality experienced a number of natural disasters during the financial year and that contributed to an increase in impairment of assets. Collection of debts from government departments remains a challenge to the municipality. The municipality has followed Section 32 of the MFMA in dealing with prior year's expenditure. The full amount of R7 546 942 has been written off by Council.

2023/2024 Incidents

The municipality incurred R7 546 942 unauthorised expenditure during 2023/2024 financial year. This is a result of non cash items being debt impairment and impairment loss of property plan and equipment. The municipality experienced a number of natural disasters during the financial year and that contributed to an increase in impairment of assets. Collection of debts from government departments remains a challenge to the municipality.

The municipality incurred R13 193 765 unauthorised expenditure during 2022/2023 financial year.This is a result of non cash items being depreciation, impairment and contribution of employee benefit obligation being higher that anticipated.The municipality has followed Section 32 of the MFMA in dealing with prior year's expenditure. The full amount of R13 193 765 has been written off by Council.

Analysed as follows: non-cash

	2025	2024
Actuarial losses	1,203,846	-
Provision of impairment	-	4,338,653
Impairment loss	-	3,208,289
	1,203,846	**7,546,942**

58. Fruitless and wasteful expenditure

	2025	2024
Add: Fruitless and wasteful expenditure identified - current	1,241,665	-
Less: Amount written off - current	(1,241,665)	-
Closing balance	**-**	**-**

2024/2025 Incidents

The municipality incurred an amount of R1 241 665 fruitless and wasteful expenditure emanating from projects designs. The municipality followed S32 of MFMA to deal with this expenditure. See note 7.

2023/2024 Incidents

The municipality did not incur any fruitless and wasteful expenditure as at 30 June 2024.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

59. Irregular expenditure

Add: Irregular expenditure - prior period	3,745,691	1,441,602
Less: Amount written off - current	(3,745,691)	(1,441,602)
Closing balance	-	-

2024/2025 incidents

The municipality incurred an amount of R3 745 691.42 for the provision of quality assurance on accounting services. This has been referred for investigation in accordance with section 32 of the MFMA. An amount of R3 745 691.42 has been written off as irrecoverable by Council.

2023/2024 Incidents

The municipality incurred an amount of R601 489.06 for the provision of prepaid vending system services. The contract was extended in accordance with section 116 of the MFMA for the period beyond a year. This has been referred for investigation in accordance with Section 32 of the MFMA. An amount of R601 489.06 has been written of by Council as irrecoverable. This expenditure was identified in the previous year. To date, the new contract was entered between uMlalazi municipality and Contour effective from 1 September 2023

The municipality incurred an amount of R478 400 for the provision of animal pound services. The contract was extended in accordance with Section 116 of the MFMA for the period beyond a year. This has been referred for investigation in accordance with Section 32 of the MFMA. An amount of R478 400 has been written of by Council as irrecoverable.This irregular expenditure has been identified in the previous financial year. To date, the new contract was entered between uMlalazi municipality and Njomisa Boerdery effective from 1 March 2024.

The municipality incurred an amount of R263 828.40 for the provision of performance management system services. The contract was extended in accordance with Section 116 of the MFMA for the period beyond a year. This has been referred for investigation in accordance with Section 32 of the MFMA. An amount of R263 828.40 has been written off by Council as irrecoverable. This expenditure was identified in the previous year. To date, the new contract was entered between uMlalazi municipality and IGS Solutions effective from 3 October 2023.

The municipality incurred an amount of R 97 884.60 for the provision of fleet management system services. The contract was extended in accordance with section 116 of The MFMA for the period beyond a year. This was investigated in accordance with section 32 of the MFMA. This expenditure was identified in the previous year. To date, the new contract was entered between uMlalazi municipality and C-track Mzansi effective from 7 October 2024. An amount R97 884.60 has been written off by Council as irrecoverable.

60. In-kind donations and assistance

Donations received	439,810	299,000

The municipality has received donations or assistance such as computer equipment and machinery and equipment amounting to R439 810 (2024: R299 000).

61. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year subscription / fee	2,053,522	2,182,202
Amount paid - current year	(2,053,522)	(2,182,202)
	-	-

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

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

Audit fees

Current year subscription / fee	2,875,874	2,356,117
Amount paid - current year	(2,875,874)	(2,356,117)
	-	-

PAYE,UIF and SDL

Current year subscription / fee	32,910,926	30,773,899
Amount paid - current year	(32,910,926)	(30,773,899)
	-	-

Pension and Medical Aid Deductions

Current year subscription / fee	48,249,363	45,227,046
Amount paid - current year	(48,249,363)	(45,227,046)
	-	-

Councillors' arrear consumer accounts

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

	Outstanding more than 90 days	Total
Councillor NG Qwabe	10,639	10,639

62. Deviation from supply chain management regulations

In terms of regulations 36 of the Municipal Supply Chain Management Regulations any deviations from the Supply Chain Management Policy needs to be approved by the Municipal Manager and noted by Council.

Impractical to follow SCM processes	148,673	462,417
Emergency	32,102	14,548
Sole Supplier	15,596	-
	196,371	**476,965**

63. Segment information

General information

Identification of segments

The municipality is organised and reports to management on the basis of five major functional areas: Basic Services, Good Governance, Public Participation, Financial Management and institutional Capacity. The segments were organised around the type of service delivered. Management uses these same segments for determining strategic objectives. Segments were aggregated for reporting purposes.

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

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

63. Segment information (continued)

Aggregated segments

The Segments were aggregated on the basis of service delivered as management consider that the economic characteristics of the segments throughout were sufficiently similar to warrant aggregation

Types of goods and/or services by segment

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

Reportable segment	Goods and/or services
Segment 1	Cemeteries
Segment 2	Electricity
Segment 3	Housing
Segment 4	Road and Storm water
Segment 5	Refuse Removal

Notes to the Annual Financial Statements

Figures in Rand

63. Segment information (continued)

Segment surplus or deficit, assets and liabilities

2025

	Cemeteries	Electricity	Housing	Roads and Storm Water	Refuse Removal	Total
Revenue						
Revenue from exchange - Interest received - receivable from exchange transactions	-	1,983,202	-	-	1,217,969	3,201,171
Revenue from exchange - Rental of facilities and equipment	-	-	163,019	-	-	163,019
Revenue from exchange - Operational revenue	205,227	3,496,522	-	-	26,103	3,727,852
Revenue from exchange - Service charges	-	102,911,910	-	-	16,812,093	119,724,003
Revenue from non-exchange - Availability charge	-	1,570,891	-	-	-	1,570,891
Revenue from non-exchange - Interest received	-	216,847	-	-	-	216,847
Revenue from non-exchange - Government grants & subsidies	2,220,000	30,670,561	103,632	11,738,649	17,823,730	62,556,572
Total segment revenue	**2,425,227**	**140,849,933**	**266,651**	**11,738,649**	**35,879,895**	**191,160,355**
Revenue from exchange - Interest received						11,146,277
Revenue from exchange - Agency services						2,802,079
Revenue from exchange - licences and permits						2,654,603
Revenue from exchange - Operational revenue						1,525,008
Revenue from exchange - Rental of facilities and equipment						1,943,636
Revenue from non-exchange - Interest						4,965,149
Revenue from non-exchange - Fines, penalties and forfeits						1,616,318
Revenue from non-exchange - Licences and permits						35,557
Revenue from non-exchange - Property rates						74,573,923
Revenue from non-exchange - Government grants & subsidies						285,142,079
Revenue from exchange - Gain on disposal of assets						676,122
Fair value adjustments						2,320,000
Total revenue reconciling items						**389,400,751**
Entity's revenue						**580,561,106**

Notes to the Annual Financial Statements

Figures in Rand

63. Segment information (continued)

	Cemeteries	Electricity	Housing	Roads and Storm Water	Refuse Removal	Total
Expenditure						
Employee related cost	958,301	8,637,101	1,817,204	16,465,442	11,142,112	39,020,160
Bulk Purchases	-	101,585,858	-	-	-	101,585,858
Depreciation	-	2,910,443	-	28,379,015	-	31,289,458
Finance charges	-	-	-	3,363,587	-	3,363,587
Inventory consumed	-	2,195,640	-	6,490,334	2,228,667	10,914,641
Impairment loss	-	332,742	-	31,043	109,399	473,184
Bad debts written off	-	48,194	-	-	459,594	507,788
Contracted Services	2,204,689	12,871,443	118,632	19,171,736	13,266,197	47,632,697
Operational expenditure	417	7,963,569	-	568,781	1,609,222	10,141,989
Total segment expenditure	**3,163,407**	**136,544,990**	**1,935,836**	**74,469,938**	**28,815,191**	**244,929,362**
Total segmental surplus/(deficit)	**(738,180)**	**4,304,943**	**(1,669,185)**	**(62,731,289)**	**7,064,704**	**(53,769,007)**
Unreconciled - Employee related costs						158,355,505
Unreconciled - Remuneration of Councillors						25,188,860
Unreconciled - Contracted services						42,758,684
Unreconciled - Depreciation						19,418,501
Bad debts written off						3,186,989
Unreconciled - Debt impairment						7,574,605
Debt Impairment						160,106
Unreconciled - Transfers nd subsidies						5,549,313
Unreconciled - Inventory consumed						7,088,366
Unreconciled - Operational expenditure						41,948,685
Inventories losses/write-downs						352,647
Loss on Remeasurement of employee benefits						1,203,846
Entity's surplus (deficit) for the period						**22,845,625**
Assets						
Segment assets acquisitions	-	1,754,606	-	28,683,578	6,194,353	36,632,537
Unreconciled - Assets acquisitions						31,569,717

Notes to the Annual Financial Statements

Figures in Rand

63. Segment information (continued)

	Cemeteries	Electricity	Housing	Roads and Storm Water	Refuse Removal	Total
Total assets as per Statement of financial Position						**68,202,254**

Significant reconciling differences

An amount of R158 355 505 reflected as employee related cost represent remuneration for all employees that are not associated with any of the reportable segment like employee in finance department and corporate services department and executive department being support departments.

An amount of R42 758 684 reconciling item for contracted services is mainly attributable to contracts like securities and other similar contracts that are not directly linked with any of the reportable segment.

An amount of R19 418 501 for depreciation could not be allocated to any reportable segment as it relates to assets that are used for administrative purposes and other assets that are used as support in running of the municipality.

An amount of R25 188 860 for remuneration of councillors cannot be allocated to any reportable segment as councillors are playing an oversight role in the running of the municipality as a whole and are not linked with a specific reportable segment.

A reconciling item of R 41 948 685 is in respect of municipal running costs for mainly administration purposes like advertising expenses, audit fees, councillors communications and other related expenses which are not directly linked with any of the reportable segment.

63. Segment information (continued)

2024

	Cemeteries	Electricity	Housing	Roads and Storm water	Refuse removal	Total
Revenue						
Revenue from exchange - Interest received - receivable from exchange transactions	-	1,524,933	-	-	1,240,538	2,765,471
Revenue from exchange - Rental of facilities and equipment	-	-	234,667	-	-	234,667
Revenue from exchange - Operational revenue	224,228	7,403	-	-	34,512	266,143
Revenue from exchange - Service charges	-	91,317,911	-	-	15,748,024	107,065,935
Revenue from non-exchange - Fines, penalties and forfeits	-	-	-	-	140,381	140,381
Revenue from non-exchange - Availability charge	-	1,470,528	-	-	-	1,470,528
Revenue from non-exchange - Interest on availability charge	1,600,000	23,461,229	-	18,200,000	14,217,780	57,479,009
Total segment revenue	**1,824,228**	**117,782,004**	**234,667**	**18,200,000**	**31,381,235**	**169,422,134**
Revenue from exchange - Interest received - receivable from exchange transactions						10,839,013
Revenue from exchange - Agency services						2,601,720
Revenue from exchange - licences and permits						2,283,512
Revenue from exchange - Actuarial gains						2,103,674
Operational revenue						1,248,176
Rental from fixed assets						1,190,164
Revenue from exchange - Fair value adjustments						1,145,000
Revenue from non-exchange - Fines, penalties and forfeits						4,926,590
Revenue from non-exchange - Property rates - penalties imposed						5,113,910
Revenue from non-exchange - Property rates						18,016
						71,880,510
Revenue from non-exchange - Government grants & subsidies						259,490,002
Revenue from exchange - Gain on disposal of assets						103,689
Total revenue reconciling items						**362,943,976**
Entity's revenue						**532,366,110**

Notes to the Annual Financial Statements

Figures in Rand

63. Segment information (continued)

	Cemeteries	Electricity	Housing	Roads and Storm water	Refuse removal	Total
Expenditure						
Employee related costs	928,276	8,257,925	2,104,803	14,890,516	10,568,779	36,750,299
Contracted services	1,730,296	2,589,441	223,520	21,348,162	10,102,703	35,994,122
Bulk purchases	-	89,665,933	-	-	-	89,665,933
Depreciation	-	2,896,338	-	28,134,731	-	31,031,069
Impairment loss	-	-	-	5,728,289	-	5,728,289
Finance charges	-	-	-	3,146,984	-	3,146,984
Inventory consumed	-	2,173,266	-	5,001,692	2,329,791	9,504,749
Operational expenditure	3,111	6,926,742	-	527,664	949,230	8,406,747
Total segment expenditure	**2,661,683**	**112,509,645**	**2,328,323**	**78,778,038**	**23,950,503**	**220,228,192**
Total segment surplus/(deficit)	**(837,455)**	**5,272,359**	**(2,093,656)**	**(60,578,038)**	**7,430,732**	**-**
Unreconciled - Employee related costs						149,995,437
Remuneration of councillors						24,964,009
Unreconciled - Contracted services						45,207,273
Unreconciled - Depreciation						17,515,570
Unreconciled - Debt impairment						7,575,265
Unreconciled - Transfers and subsidies						8,160,333
Unreconciled - Inventory consumed						7,423,418
Unreconciled - Operational costs						38,670,465
Entity's surplus (deficit) for the period						**12,626,138**
Assets						
Segment assets acquisitions	3,210,520	1,569,077	-	61,814,171	11,739	66,605,507
Unreconciled - Assets requisitions						23,463,672
Total assets as per Statement of financial Position						**90,069,179**

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

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

63. Segment information (continued)

Information about geographical areas

The table below indicates the relevant geographical information after eliminating inter segmental transfers:

2025

	External revenues from non-exchange transactions	External revenues from exchange transactions	Total expenditure	Non-current assets*
Urban areas	81,362,367	119,724,003	190,601,276	77,361,522
Rural areas	-	-	-	125,794,301
The whole of municipality	349,314,968	26,663,245	367,114,204	693,752,643
Total	**430,677,335**	**146,387,248**	**557,715,480**	**896,908,466**

2024

	External revenues from non-exchange transactions	External revenues from exchange transactions	Total expenditure	Non-current assets*
Urban Areas	78,724,204	108,490,766	170,839,238	76,776,637
Rural Areas	-	-	-	124,843,234
The whole of municipality	319,709,611	25,026,830	348,900,734	678,482,295
Total	**398,433,815**	**133,517,596**	**519,739,972**	**880,102,166**