EMTHANJENI LOCAL MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2025

General Information

Country of incorporation and domicile	South Africa
Legal form of entity	South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act (Act no 117 of 1998).
Nature of business and principal activities	Emthanjeni Municipality is a Local Municipality performing the functions as set out in the Constitution (Act no 105 of 1996)
Legislation governing the municipality's operations	MFMA Circulars and Regulations Constitution of the Republic of South Africa (Act No. 108 of 1996) Municipal Finance Management Act (Act 56 of 2003) Division of Revenue Act The Income Tax Act (Act No. 58 of 1962) Value Added Tax Act (Act No. 117 of 1998) Municipal Structures Act (Act No. 32 of 2000) Water Service Act (Act No.108 of 1997) Housing Act (Act No. 107 of 1997) Municipal Property Rates Act (Act No. 6 of 2004) Electricity Act (Act No. 41 of 1987) Skills Development Levies Act (Act No. 9 of 1999) Employment Equity Act (Act No. 55 of 1998) Unemployment Insurance Act (Act No. 30 of 1966) Basic Conditions of Employment Act (Act No. 75 of 1997) Municipal System Amendment Act (Act No. 7 of 2011) Municipal Planning and Performance Management Regulations Municipal Supply Chain Management Regulations Municipal Collective Agreements Municipal Budget and Reporting Regulations
Mayoral committee	
Executive Mayor	Hon. GL Nkumbi
Councillors	Cllr. MN Mackay (Chairperson of MPAC) Cllr. M Mvenya Cllr. FCS Swanepoel Cllr. JT Brandt Cllr. GK Engelbrencht Cllr. IE Andrews Cllr. JM Fortuin Cllr. PP Mhauli Cllr. PN Bushula Cllr. R Smith Cllr. B Swanepoel Cllr. RH Adams-Beukes Cllr. MST Booysen
Speaker	M.C. Kivedo
Chief Finance Officer (CFO)	L. Ndlovu (Acting: 01June 2025 to current) SN Jordan (Acting: 01 July 2024 to 30 November 2024)
Accounting Officer	D.H. Molaole
Registered office	45 Dr. Pixley-ka-Seme Drive

General Information

	De Aar 7000
Postal address	P.O.Box 42 De Aar 7000
Bankers	ABSA Bank Limited
Auditors	Auditor-General of South Africa
Attorneys	Joseph & Van Rensburg Attorneys Lanham-Love Galbraith - Van Reenen

Emthanjeni Local Municipality
(Registration number NC073)
Annual Financial Statements for the year ended 30 June 2025

Index

Abbreviations used:

VAT	Value Added Tax
GRAP	Generally Recognised Accounting Practice
MFMA	Municipal Finance Management Act

Emthanjeni Local Municipality
(Registration number NC073)
Annual Financial Statements for the year ended 30 June 2025

Statement of Financial Position as at 30 June 2025

Figures in Rand	Note(s)	2025	2024 Restated*
Assets			
Current Assets			
Inventories	3	23 875 433	24 476 051
Receivables from non-exchange transactions	4	40 179 852	41 629 799
VAT receivable	5	34 019 398	25 110 522
Receivables from Exchange Transactions	6	67 673 898	68 021 754
Cash and cash equivalents	7	36 909 316	26 309 053
		202 657 897	**185 547 179**
Non-Current Assets			
Investment property	8	8 767 885	8 767 885
Property, plant and equipment	9	784 742 808	791 024 303
Intangible assets	10	4 336 291	16 912
Heritage assets	11	6 833 773	6 833 773
Investments	12	46 764	42 149
		804 727 521	**806 685 022**
Total Assets		**1 007 385 418**	**992 232 201**
Liabilities			
Current Liabilities			
Other financial liabilities	13	1 172 191	1 116 980
Payables from exchange transactions	14	516 055 971	346 594 372
Payables from non-exchange	15	11 577 786	11 577 786
Consumer deposits	16	3 142 183	3 026 958
Employee benefit obligation	17	2 238 800	2 357 100
Unspent conditional grants and receipts	18	8 237 337	6 244 342
		542 424 268	**370 917 538**
Non-Current Liabilities			
Other financial liabilities	13	4 658 876	4 495 383
Employee benefit obligation	17	25 255 101	23 765 101
Provisions	19	122 469 855	115 577 400
		152 383 832	**143 837 884**
Total Liabilities		**694 808 100**	**514 755 422**
Net Assets		**312 577 318**	**477 476 779**
Capital Replacement	20	2 252 793	2 252 793
Accumulated surplus		310 324 525	475 223 986
Total Net Assets		**312 577 318**	**477 476 779**

* See Note 49

Emthanjeni Local Municipality
(Registration number NC073)
Annual Financial Statements for the year ended 30 June 2025

Statement of Financial Performance

Figures in Rand	Note(s)	2025	2024 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	21	166 061 684	161 522 381
Operational revenue	22	603 171	1 257 767
Rental of facilities and equipment	23	559 586	757 836
Interest Earned - Exchange Transactions	24	-	7 307 941
Licences and permits	26	903 851	859 291
Interest Earned - External Investments	25	3 105 250	3 727 148
Total revenue from exchange transactions		**171 233 542**	**175 432 364**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	27	55 209 061	49 675 259
Debt Relief - Income	37	1 361 657	1 603 311
Interest earned from non-exchange	28	-	6 776 790
Transfer revenue			
Government grants & subsidies	29	98 501 301	96 018 711
Fines, Penalties and Forfeits	30	658 300	408 200
Provincial Service-in-kind	31	380 826	963 714
Total revenue from non-exchange transactions		**156 111 145**	**155 445 985**
Total revenue	32	**327 344 687**	**330 878 349**
Expenditure			
Employee related costs	33	(102 921 545)	(105 319 507)
Remuneration of councillors	34	(6 606 637)	(5 720 012)
Depreciation and amortisation	35	(49 540 749)	(53 756 898)
Finance costs	36	(40 542 384)	(49 037 784)
Bulk purchases	38	(110 059 507)	(94 084 280)
Contracted services	39	(27 488 525)	(21 265 031)
Inventory Consumed	58	(12 614 632)	(12 391 147)
General Expenses	40	(36 075 938)	(30 183 240)
Total expenditure		**(385 849 917)**	**(371 757 899)**
Operating deficit		**(58 505 230)**	**(40 879 550)**
Fair value adjustments	41	4 615	5 791
Actuarial gains	17	(3 420 866)	857 300
Reversal of Impairment Loss/(Impairment Loss) on Receivables	42	(102 977 982)	(55 715 418)
		(106 394 233)	**(54 852 327)**
Deficit for the year		**(164 899 463)**	**(95 731 877)**

* See Note 49

Statement of Changes in Net Assets

Figures in Rand	Capital Replacement	Accumulated surplus	Total net assets
Opening balance as previously reported	2 252 793	553 151 637	555 404 430
Adjustments			
Prior year adjustments	-	17 804 226	17 804 226
Balance at 01 July 2023 as restated*	**2 252 793**	**570 955 863**	**573 208 656**
Changes in net assets			
Deficit for the year	-	(95 731 877)	(95 731 877)
Total changes	-	(95 731 877)	(95 731 877)
Restated* Balance at 01 July 2024	**2 252 793**	**475 223 988**	**477 476 781**
Changes in net assets			
Deficit for the year	-	(164 899 463)	(164 899 463)
Total changes	-	(164 899 463)	(164 899 463)
Balance at 30 June 2025	**2 252 793**	**310 324 525**	**312 577 318**
Note(s)	20		

* See Note 49

Cash Flow Statement

Figures in Rand	Note(s)	2025	2024 Restated*
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Cash receipts from customers		115 514 793	94 763 320
Grants		100 494 295	94 541 632
Interest received from investments		3 105 250	17 811 879
		219 114 338	207 116 831
Payments			
Suppliers		(20 303 012)	(25 898 494)
Employee Costs		(106 548 631)	(98 209 390)
Finance costs		(30 731 630)	(37 203 672)
		(157 583 273)	(161 311 556)
Net cash flows from operating activities	44	**61 531 065**	**45 805 275**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	9	(46 360 976)	(50 151 609)
Purchase of intangible assets	10	(4 788 528)	-
Net cash flows from investing activities		**(51 149 504)**	**(50 151 609)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Receipts from other financial liabilities		218 704	2 514 293
Net cash flows from financing activities		**218 704**	**2 514 293**
Net increase/(decrease) in cash and cash equivalents		**10 600 265**	**(1 832 041)**
Cash and cash equivalents at the beginning of the year		26 309 053	28 141 098
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	7	**36 909 318**	**26 309 057**

* See Note 49

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	201 022 000	(4 234 000)	**196 788 000**	166 061 684	**(30 726 316)**	
Operational revenue	1 500 000	25 000	**1 525 000**	603 171	**(921 829)**	
Rental of facilities and equipment	476 000	-	**476 000**	559 586	**83 586**	1.
Interest received exchange	9 240 000	-	**9 240 000**	-	**(9 240 000)**	
Dividends	2 000	-	**2 000**	-	**(2 000)**	
Licences and permits	1 707 000	-	**1 707 000**	903 851	**(803 149)**	
Interest earned- investment	4 582 000	-	**4 582 000**	3 105 250	**(1 476 750)**	
Total revenue from exchange transactions	**218 529 000**	**(4 209 000)**	**214 320 000**	**171 233 542**	**(43 086 458)**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	46 640 000	17 272 000	**63 912 000**	55 209 061	**(8 702 939)**	
Debt Relief Income	-	-	-	1 361 657	**1 361 657**	2.
Interest earned from non-exchange	547 000	-	**547 000**	-	**(547 000)**	
Transfer revenue						
Government grants & subsidies	122 925 000	(10 000 000)	**112 925 000**	98 501 301	**(14 423 699)**	
Fines, Penalties and Forfeits	3 120 000	-	**3 120 000**	658 300	**(2 461 700)**	
Provincial Service In Kind	-	-	-	380 826	**380 826**	3.
Total revenue from non-exchange transactions	**173 232 000**	**7 272 000**	**180 504 000**	**156 111 145**	**(24 392 855)**	
Total revenue	**391 761 000**	**3 063 000**	**394 824 000**	**327 344 687**	**(67 479 313)**	
Expenditure						
Employee related costs	(140 664 000)	24 588 000	**(116 076 000)**	(102 921 545)	**13 154 455**	
Remuneration of councillors	(5 793 000)	(5 493 000)	**(11 286 000)**	(6 606 637)	**4 679 363**	
Depreciation and amortisation	(10 869 000)	161 000	**(10 708 000)**	(49 540 749)	**(38 832 749)**	4.
Finance costs	(10 917 000)	(83 000)	**(11 000 000)**	(40 542 384)	**(29 542 384)**	5.
Bad debts written off	(17 325 000)	4 614 000	**(12 711 000)**	-	**12 711 000**	
Bulk purchases	(98 772 000)	12 000 000	**(86 772 000)**	(110 059 507)	**(23 287 507)**	6.
Contracted Services	(25 235 000)	(9 851 000)	**(35 086 000)**	(27 488 525)	**7 597 475**	7.
Inventory consumed	(4 121 000)	(14 525 000)	**(18 646 000)**	(12 614 632)	**6 031 368**	
General Expenses	(62 488 000)	14 078 000	**(48 410 000)**	(36 075 938)	**12 334 062**	
Total expenditure	**(376 184 000)**	**25 489 000**	**(350 695 000)**	**(385 849 917)**	**(35 154 917)**	
Operating deficit	**15 577 000**	**28 552 000**	**44 129 000**	**(58 505 230)**	**(102 634 230)**	
Fair value adjustments	-	-	-	4 615	**4 615**	8.
Actuarial gains/losses	-	-	-	(3 420 866)	**(3 420 866)**	9.
Reversal of impairment loss/impairment loss on receivables	-	-	-	(102 977 982)	**(102 977 982)**	11.

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	-	-	-	(106 394 233)	(106 394 233)	
Surplus	**15 577 000**	**28 552 000**	**44 129 000**	**(164 899 463)**	**(209 028 463)**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**15 577 000**	**28 552 000**	**44 129 000**	**(164 899 463)**	**(209 028 463)**	

1. Rental of facilities difference was due tariff increase in the current year under review.

2. Debt relie income was not budgeted for in the current year under review.

3. Provincial service in kind was not budgeted for in the current year under review.

4.Variance is due to the depreciation on capital projects not budgeted for in the current year under review.

5. The municipality due to high debt amount on Eskom and AGSA incurred interest costs for the year were higher than anticipated as management had budgeted to pay a portion of the debt.

6. This is due to the high tarriff increases in electricity costs.

7. The municipality had an obligation to maintain old infrustructure which resulted in additional procurement of service provider.

8. Fair value adjuistement is a non-cash item not separately budgeted for by the municipality.

9.Actuarial gains/losses is a non-cash item not separately budgeted for by the municipality.

10. Impairment loss on movables and immovables assets was not budgeted for in the currrent year under review.

11. Reversal of impairment loss/impairment loss on receivables was not budgeted for in current year under review.

Emthanjeni Local Municipality
(Registration number NC073)
Annual Financial Statements for the year ended 30 June 2025

Statement of Comparison of Budget and Actual Amounts
Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Inventories	(4 127 000)	4 077 000	**(50 000)**	23 875 433	**23 925 433**	1.
Receivables from non-exchange transactions	4 553 000	25 534 000	**30 087 000**	40 179 852	**10 092 852**	2.
VAT receivable	58 167 000	(8 079 000)	**50 088 000**	34 019 398	**(16 068 602)**	
Receivables from exchange transactions	3 058 633 000	26 054 000	**3 084 687 000**	67 673 898	**(3 017 013 102)**	
Other current asset	6 000	-	**6 000**	-	**(6 000)**	
Cash and cash equivalents	(42 785 000)	66 859 000	**24 074 000**	36 909 316	**12 835 316**	3.
	3 074 447 000	**114 445 000**	**3 188 892 000**	**202 657 897**	**(2 986 234 103)**	
Non-Current Assets						
Investment property	-	-	-	8 767 885	**8 767 885**	4.
Property, plant and equipment	2 261 811 000	(9 704 000)	**2 252 107 000**	784 742 808	**(1 467 364 192)**	
Intangible assets	25 000	-	**25 000**	4 336 291	**4 311 291**	5.
Heritage assets	-	-	-	6 833 773	**6 833 773**	6.
Investments	-	-	-	46 764	**46 764**	7.
	2 261 836 000	**(9 704 000)**	**2 252 132 000**	**804 727 521**	**(1 447 404 479)**	
Total Assets	**5 336 283 000**	**104 741 000**	**5 441 024 000**	**1 007 385 418**	**(4 433 638 582)**	
Liabilities						
Current Liabilities						
Other financial liabilities	13 316 000	-	**13 316 000**	1 172 191	**(12 143 809)**	
Payables from exchange transactions	2 301 319 000	47 086 000	**2 348 405 000**	516 055 969	**(1 832 349 031)**	
Payables from non exchange transactions	29 460 000	-	**29 460 000**	11 577 786	**(17 882 214)**	
VAT payable	397 116 000	6 375 000	**403 491 000**	-	**(403 491 000)**	
Consumer deposits	(863 000)	-	**(863 000)**	3 142 183	**4 005 183**	8.
Employee benefit obligation	-	-	-	2 238 800	**2 238 800**	9.
Unspent conditional grants and receipts	-	-	-	8 237 337	**8 237 337**	10.
Bank overdraft	1 538 000	-	**1 538 000**	-	**(1 538 000)**	
	2 741 886 000	**53 461 000**	**2 795 347 000**	**542 424 266**	**(2 252 922 734)**	
Non-Current Liabilities						
Other financial liabilities	-	-	-	4 658 876	**4 658 876**	11.
Employee benefit obligation	-	-	-	25 255 101	**25 255 101**	9.
Provisions	-	-	-	122 469 855	**122 469 855**	12.
Other non-current liabilities	23 823 000	-	**23 823 000**	-	**(23 823 000)**	
	23 823 000	-	**23 823 000**	**152 383 832**	**128 560 832**	
Total Liabilities	**2 765 709 000**	**53 461 000**	**2 819 170 000**	**694 808 098**	**(2 124 361 902)**	
Net Assets	**2 570 574 000**	**51 280 000**	**2 621 854 000**	**312 577 320**	**(2 309 276 680)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Net Assets						
Capital Replacement	-	-	-	2 252 793	**2 252 793**	13.
Reserves						
Accumulated surplus	2 570 574 000	51 280 000	**2 621 854 000**	310 324 528	**(2 311 529 472)**	
Total Net Assets	**2 570 574 000**	**51 280 000**	**2 621 854 000**	**312 577 321**	**(2 309 276 679)**	

1. The municipality anticipated to sell all inventory land and issue out all consumables by year end.

2. Due to population growth the municipality billing on property rates has incrased.

3.The variance is due to the unspent capital portion of the grants and investment accounts balances.

4. The municipality did not spent fully on their conditional and operational grants

5. Intangible assets were purchased by the municipality for the implementation on a new financial system.

6. Heritage assets were not budgeted for in the current year under review.

7. Investments were not budgeted for in the current year under review..

8.The municipality under budgeted for consumer deposits due to the expectation that no material new accounts would be opened in the current year under review.

9. Employee benefit obligation was not budgted for the current year under review.

10. The municipality did not not anticipate not fully utilising their capital grants

11. other financial liabilities was not budgeted for in the current year under review.

12. Provisions was not budgted for in the current year under review.

13. Capital replacement was not budgeted for in the current year under review.

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Cash Receipts from customers	236 878 000	(25 925 000)	**210 953 000**	115 514 793	**(95 438 207)**	.
Interest Income	4 582 000	-	**4 582 000**	3 105 250	**(1 476 750)**	.
Dividends	2 000	-	**2 000**	-	**(2 000)**	
Grants	122 925 000	(10 000 000)	**112 925 000**	100 494 295	**(12 430 705)**	
	364 387 000	**(35 925 000)**	**328 462 000**	**219 114 338**	**(109 347 662)**	
Payments						
Employee costs	-	-	-	(20 303 012)	**(20 303 012)**	1.
Suppliers	(294 775 000)	27 377 000	**(267 398 000)**	(106 548 631)	**160 849 369**	
Finance costs	(10 917 000)	(83 000)	**(11 000 000)**	(30 731 630)	**(19 731 630)**	2..
	(305 692 000)	**27 294 000**	**(278 398 000)**	**(157 583 273)**	**120 814 727**	
Net cash flows from operating activities	**58 695 000**	**(8 631 000)**	**50 064 000**	**61 531 065**	**11 467 065**	
Cash flows from investing activities						
Purchase of property,plant and equipment	(127 642 000)	75 489 000	**(52 153 000)**	(46 360 976)	**5 792 024**	
Purchases of Intangible assets	-	-	-	(4 788 528)	**(4 788 528)**	3.
Net cash flows from investing activities	**(127 642 000)**	**75 489 000**	**(52 153 000)**	**(51 149 504)**	**1 003 496**	
Cash flows from financing activities						
Receipt from other financial liabilities	-	-	-	218 704	**218 704**	4.
Net increase/(decrease) in cash and cash equivalents	(68 947 000)	66 858 000	**(2 089 000)**	10 600 263	**12 470 561**	
Cash and cash equivalents at the beginning of the year	-	26 164 000	**26 164 000**	26 309 053	**145 053**	5.
Cash and cash equivalents at the end of the year	**(68 947 000)**	**93 022 000**	**24 075 000**	**36 909 316**	**12 615 614**	

1. Employee related costs was not budget for separately, it was included in the budget for suppliers which combined the municipality is still within budget.

2. The finance costs variance is due to high oustanding debt of Eskom and AGSA accounts which yielded high interest charges for the current financial year under review.

3. Purchases of intangible assets was not budgeted for in the current period under review

4. Receipt from other financial liabilities was not budgetd for in the current period under review.

5. The variance is due to unspent portion of the conditional grants as the municipality had initially budgeted to fully spent the allocation.

Accounting Policies

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 preparation

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

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

The annual financial statements have been prepared in accordance with the Finance Management Act (MFMA) and effective Standards of Generally Recognised Accounting Practice (GRAP), including any interpretations and directives issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

Accounting policies for material transactions, events or conditions not covered by the GRAP reporting framework, have been developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 and the hierarchy approved in Directive 5 issued by the Accounting Standards Board.

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

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant notes to the annual financial statements.

In terms of Directive 7: "The Application of Deemed Cost on the Adoption of Standards of GRAP" issued by the Accounting Standards Board, the Municipality applied deemed cost to Property, Plant and Equipment, Investment Property and Intangible Assets where the acquisition cost of an asset could not be determined.

In terms of Directive 11: "Changes in Measurement Bases following the Initial Adoption of Standards of GRAP" issued by the Accounting Standards Board, the Municipality elected to change the measurement bases selected for Property, Plant and Equipment, Investment Property, Intangible Assets and Heritage Assets on the initial adoption of Standards of GRAP.

1.2 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality. Financial values are rounded to the nearest one Rand. No foreign exchange transactions are included in the statements.

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 Comparative information

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatements of comparative information. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Changes in accounting estimates are applied prospectively in accordance with GRAP 3 requirements.

1.5 Consistent and new accounting policies

Amendments to accounting policies are reported as and when deemed necessary based on the relevance of any such amendment to the format and presentation of the financial statements. For the financial year, no new standards became effective.

1.6 Ammended disclosure policy

Amendments to accounting policies are reported as and when deemed necessary based on the relevance of any such amendment to the format and presentation of the financial statements. The principal amendments to matters disclosed in the current financial statements include errors.

1.7 Materiality

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decision or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatements judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor. Materiality is determined as 1% of total operating expenditure. This materiality is from management's perspective and does not correlate with the auditor's materiality.

1.8 Presentation of budget information

The presentation of budget information is prepared in accordance with GRAP 24 and guidelines issued by National Treasury. The comparison of budget and actual amounts is disclosed as separate additional financial statements, namely Statements of comparison of budget and actual amounts.

Budget information is presented on the accrual basis and is based on the same period as the actual amounts. The budget information is therefore on a comparable basis to the actual amounts.

The comparable information includes the following:
• the approved and final budget amounts;
• actual amounts and final budget amounts;
Explanations for material differences between the final budget amounts and actual amounts are included on the Statement of Budget Comparison.
The municipality considers a variance between the actual and budget of more than 10% of the budgeted value as material, provided that such variance exceeds R1 000 000.

The disclosure of comparative information in respect of the previous period is not required in terms of GRAP 24.

1.9 Significant judgements and sources of estimation uncertainty

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

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

1.9 Significant judgements and sources of estimation uncertainty (continued)

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

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

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

Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the municipality is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, over-the counter derivatives) is determined by using valuation techniques. The municipality uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the end of the reporting period.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the municipality for similar financial instruments.

The carrying amount of available-for-sale financial assets would be an estimated - lower or - higher were the discounted rate used in the discount cash flow analysis to differ by 10% from management's estimates.

Impairment testing

During the 2024/2025 financial years, Emthanjeni Local Municipality revised its methodology for the impairment of receivables. The updated approach includes categorization of receivables into high, medium, and low risk groups, use of expected future cash flows and discounted present value techniques and application of risk-adjusted discount rates based on the R157 government bond yield.
This change was made to enhance the reliability and relevance of financial reporting in accordance with the principles outlined in GRAP 104 and GRAP 108. The previous impairment methodology relied primarily on historical collection rates and broad assumptions, which limited the municipality's ability to reflect the true recoverability of receivables.

In accordance with GRAP 3, this adjustment is classified as a change in accounting estimate, not a change in accounting policy. It reflects updated assumptions and methodologies based on new information and developments.
The revised methodology was applied retrospectively from 1 July 2023. The 2022/2023 financial year continued using the previous impairment methodology due to system migration on 1 July 2024, which rendered historical ageing data inaccessible. As a result; recalculation impairment for years prior to 1 July 2023 was impracticable however, the municipality complied with GRAP 3.52, which allows prospective application when it is impracticable to determine the period-specific effects or the cumulative effect of the change.
The financial statements for 2023/2024 and 2024/2025 reflect the updated impairment methodology. The impact on impairment losses and receivable balances is disclosed in notes 4 and 6 of the financial statements.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 19 - Provisions.

1.9 Significant judgements and sources of estimation uncertainty (continued)

Post-retirement benefits

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

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

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 17.

Effective interest rate

The municipality used the prime interest rate to discount future cash flows.

1.10 Investment property

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

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

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

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

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

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

1.10 Investment property (continued)

Fair value

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

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

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

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.

Any difference between the fair value of the property at that date and its previous carrying amount shall be recognised in surplus and deficit.

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

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

Derecognition

Investment property is derecognised when it is disposed or when there are no further economic benefits expected from the use of the investment property. The gain or loss arising on the disposal or retirement of an item of investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.11 Property, plant and equipment

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

The following items will be regarded as Property, plant and equipment rather than investment property:

•Owner-occupied property (including held for future use);
•Owner-occupied property held for development;
•Property occupied by employees for housing;
•Owner-occupied property held for disposal;
•Property held by the municipality to fulfil their mandated function rather than rental or capital appreciation and;
•Property held by the municipality for strategic purpose

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 are depreciated on the straight-line basis over their expected useful lives to their estimated residual value.

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

1.11 Property, plant and equipment (continued)

Land is not depreciated as it is regarded as having an indefinite life.

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

Item	Depreciation method	Average useful life
Land		Indefinite
Buildings	Straight-line	1-100
Machinery and Equipment	Straight-line	1-20
Furniture and fixtures	Straight-line	1-20
Motor vehicles	Straight-line	3-5
Office equipment	Straight-line	3-5
Computer equipment	Straight-line	1-20
Roads and Stormwater (infrastructure)	Straight-line	3-80
Electricity (infrastructure)	Straight-line	1-60
Community assets	Straight-line	1-60
Recreation sites		
Clinics/Care centers		
Fire/Ambulance stations		
Halls		
Libraries		
Taxi Ranks/Bus Terminals		
Water (infrastructure)	Straight-line	5-75
Refuse (incl landfill sites) (infrastructure)	Straight-line	1-65
Sewerage (infrastructure)	Straight-line	5-75
Transport Assets	Straight-line	1-15

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

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

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

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

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

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

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

1.11 Property, plant and equipment (continued)

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

Changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, or a change in the discount rate, shall be accounted for as follows:
The related asset (under cost model) is measured as follows:
•Changes in the liability, shall be added or deducted from the asset cost;
•The amount deducted from the cost of the asset shall not exceed its carrying amount.
•If a decrease in the liability exceeds the carrying amount of the asset, the excess shall be recognised immediately in surplus or deficit.
If the adjustment results in an addition to the cost of an asset, the municipality shall consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the entity shall test the asset for impairment by estimating its recoverable amount or recoverable service amount, and shall account for any impairment loss, in accordance with its impairment policy.

Decomissioning and restoration asset

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

The related asset (under cost model) is measured as follows:

• Changes in the liability, shall be added or deducted from the asset cost;
• The amount deducted from the cost of the asset shall not exceed its carrying amount.
• If a decrease in the liability exceeds the carrying amount of the asset, the excess shall be recognised immediately in surplus or deficit.

If the adjustment results in an addition to the cost of an asset, the municipality shall consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the entity shall test the asset for impairment by estimating its recoverable amount or recoverable service amount, and shall account for any impairment loss, in accordance with its impairment policy.

1.12 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.

1.12 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. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight-line basis over their useful life.

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

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

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

Internally generated goodwill is not recognised as an intangible asset.

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

Item	Depreciation method	Average useful life
Computer Software	Straight-line	3

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

1.13 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.

1.13 Heritage assets (continued)

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

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

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

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

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

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

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

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

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

1.14 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.

1.14 Financial instruments (continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

1.14 Financial instruments (continued)

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

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

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

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

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:

Financial assets	Category
Receivables from exchange transactions	Financial asset measured at amortised cost
Receivables from non-exchange transactions	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost
Investments	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:

Financial liabilities	Category
Other financial liabilities	Financial liability measured at amortised cost
Payables from exchange transactions	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at amortised cost
Unspent Conditional Grants	Financial liability measured at amortised cost

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

1.15 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.

1.15 Statutory receivables (continued)

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.

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.

1.15 Statutory receivables (continued)

- 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:

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

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

1.16 Tax

Value Added Tax

The municipality is registered with the South African Revenue Services (SARS) for VAT on the payment basis, in accordance with Section 15(2) of the VAT Act No.89 of 1991, however the municipality accounts for VAT on an accrual basis.

Revenue, expenses and assets are recognised net of the amounts of value added tax. The net amount of Value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

1.17 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.

Municipality as lessor

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

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined revenue and actual payments received will give rise to an asset. The Municipality shall recognise the aggregate cost of incentives as a reduction of rental revenue over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern over which the benefit of the leases asset is diminished

Municipality as lessee

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

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant and equipment. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to de-recognition of financial instruments are applied to lease payables

Contingent rents shall be charged as expenses in the periods in which they are incurred

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined expenses and actual payments made will give rise to a liability. The Municipality recognises the aggregate benefit of incentives as a reduction of rental expense over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

1.18 Inventories

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

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

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

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

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

Redundant and slow-moving inventories are identified and written down. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.18 Inventories (continued)

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset

Management refers to Windeed to determine the latest fair value of properties (properties sold as inventory).

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

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

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

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

Where inventory is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

Direct cost relating to properties that will be sold as inventory are accumulated for each separately identifiable development. Costs also include a proportion of overhead.

1.19 Construction contracts and receivables

Receivables are classified as financial assets at amortised cost and are subsequently measured at amortised cost using the effective interest rate method. Receivables comprise of long-term debtors, consumer debtors and other debtors (excluding rates and fines).

For amounts due from debtors carried at amortised cost, the Municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. Objective evidence of impairment includes significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments. If the Municipality determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Statement of Financial Performance. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the municipality. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognised in the Statement of Financial Performance.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate, if material. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

Accounting Policies

1.20 Payables

Financial liabilities consist of trade and other payables. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost using an effective interest rate, which is the initial carrying amount, less repayments, plus interest.

1.21 Cash and cash equivalents

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, highly liquid deposits and net of bank overdrafts. The Municipality categorises cash and cash equivalents as financial assets carried at amortised cost.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities carried at amortised cost.

1.22 Impairment of non-financial 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.

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the municipality estimates the asset's recoverable amount.

In assessing whether there is any indication that an asset may be impaired, the Municipality considers the following indications.

External sources of information.

During the period, an asset's market value has declined significantly more than would be expected as a result of the passage of time or normal use;

Significant changes with an adverse effect on the Municipality have taken place during the period, or will take place in the near future, in the technological, market, economic or legal environment in which the Municipality operates or in the market to which an asset is dedicated;

Market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating an asset's value in use and decrease the asset's recoverable amount materially.

Internal sources of information.

Evidence is available of obsolescence or physical damage of an asset;

Significant changes with an adverse effect on the Municipality have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, plans to dispose of an asset before the previously expected date, and reassessing the useful life of an asset as finite rather than indefinite;

Evidence is available from internal reporting that indicates that the economic performance of an asset is, or will be, worse than expected.

A decision to halt the construction of the asset before it is complete or in a usable condition

1.22 Impairment of non-financial assets (continued)

The re-designation 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 shall only occur when there is clear evidence that such a re-designation is appropriate. A re-designation, by itself, does not necessarily trigger an impairment test or a reversal of an impairment loss. Instead, the indication for an impairment test or a reversal of an impairment loss arises from, as a minimum, the indications listed above.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. Impairment losses are recognised in the Statement of Financial Performance in those expense categories consistent with the function of the impaired asset.

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

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Municipality estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Statement of Financial Performance.

1.22 Impairment of non-financial assets (continued)

Impairment of non-cash generating assets

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

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Municipality estimates the asset's recoverable service amount.

In assessing whether there is any indication that an asset may be impaired, the Municipality considers the following indications:

External sources of information

Cessation, or near cessation, of the demand or need for services provided by the asset;

Significant long-term changes with an adverse effect on the Municipality have taken place during the period or will take place in the near future, in the technological, legal or government policy environment in which the Municipality operates.

Internal sources of information

Evidence is available of physical damage of an asset;

Significant long-term changes with an adverse effect on the Municipality have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, or plans to dispose of an asset before the previously expected date;

A decision to halt the construction of the asset before it is complete or in a usable condition;

Evidence is available from internal reporting that indicates that the service performance of an asset is, or will be, significantly worse than expected.

An asset's recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use. If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss recorded in the Statement of Financial Performance.

The value in use of a non-cash-generating asset is the present value of the asset's remaining service potential. The present value of the remaining service potential of the asset is determined using any one of the following approaches:

depreciation replacement cost approach - the present value of the remaining service potential of an 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 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.

restoration cost approach - the cost of restoring the service potential of an asset to its pre-impaired level. Under this approach, the present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is usually determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.

service unit approach - the present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform to the reduced number of service units expected from the asset in its impaired state. As in the restoration cost approach, the current cost of replacing the remaining service potential of the asset before impairment is usually determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

1.22 Impairment of non-financial assets (continued)

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

An impairment loss is recognised immediately in surplus or deficit, unless the asset is carried at a revalued amount in accordance with another Standard of GRAP. Any impairment loss of a revalued asset shall be treated as a revaluation decrease in accordance with that Standard of GRAP.

The Municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for an 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 an 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. If this is the case, the carrying amount of the asset is increased to its recoverable service amount. 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. Such a reversal of an impairment loss is recognised in the Statement of Financial Performance.

1.23 Capital Replacement

An equity instrument is any contract that evidences a residual interest in the assets of an municipality after deducting all of its liabilities

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, funds are transferred from the accumulated surplus / (deficit) to the CRR. The cash funds in the CRR can only be utilized for the purpose of purchasing/ construction of items of property, plant and equipment and may not be used for the maintenance of these items. The CRR is reduced and the accumulated surplus / (Deficit) are credited or debited, as the case may be, by a corresponding amount when the amounts in the CRR are utilized.If a profit is made on the sale of assets other than land, the profit on these assets is reflected in the Statement of Financial Performance, and is then transferred via the Statement of Changes in Net Assets to the CRR, provided that it is cash backed. Profit on the sale of land is not transferred to the CRR, as it is regarded as revenue

1.24 Non-Current Investments

Goods or services received or acquired in a share-based payment transaction are recognised when the goods or as the services are received. A corresponding increase in equity is recognised if the goods or services were received in an equity-settled share-based payment transaction or a liability if the goods or services were acquired in a cash-settled share-based payment transaction.

Investments which include fixed deposits invested in registered commercial banks and public companies at fair value.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the Statement of Financial Performance in the period that the impairment is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is recognised in the Statement of Financial Performance.

The carrying amounts of such investments are reduced to recognise any decline, other than a temporary decline, in the value of individual investments.

1.25 Employee benefits

Short-term employee benefits

Recognition and measurement

All short-term employee benefits

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

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

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

Pension and Retirement Fund Obligations

Recognition and measurement

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

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

The defined benefit funds, which are administered on a provincial basis, are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities. The contributions and lump sum payments are charged against income in the year they become payable. Sufficient information is not available to use defined benefit accounting for a multi-employer plan. As a result, defined benefit plans have been accounted for as if they were defined contribution plans.

The Municipality contributes to various pension schemes. The schemes are generally funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations. The Municipality has both defined benefit and defined contribution plans. A defined contribution plan is a pension plan under which the Municipality pays fixed contributions into a separate entity. The municipality has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan. Typically, defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using 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 to the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to income.

Past-service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

For defined contribution plans, the Municipality pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

1.25 Employee benefits (continued)

Post-Retirement Medical Obligations

Recognition and measurement

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

The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The present value of the defined benefit liability is actuarially determined in accordance with GRAP 25 – Employee benefits (using a discount rate applicable to high quality government bonds). The plan is unfunded.

These contributions are charged to the Statement of Financial Performance when employees have rendered the service entitling them to the contribution. The liability was calculated by means of the projected unit credit actuarial valuation method. The liability in respect of current pensioners is regarded as fully accrued and is therefore not split between a past (or accrued) and future in-service element. The liability is recognised at the fair value of the obligation. Payments made by the Municipality are set-off against the liability resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as employee benefits upon valuation.

Notional interest is charged against the Statement of Financial Performance as finance cost upon valuation, as it meets the definition of Interest Cost in GRAP 25. Interest is capitalised against the liability.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically, unless circumstances change significantly in which case it is done annually, by independent qualified actuaries.

Recognition and measurement: Present value of defined benefit obligations and current service cost

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

Actuarial assumptions: Discount rate

The rate used to discount post-employment benefit obligations (both funded and unfunded) 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 post-employment benefit obligations.

Accounting Policies

1.25 Employee benefits (continued)

Other long-term employee benefits

Recognition and measurement

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

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically, unless circumstances change significantly in which case it is done annually, by independent qualified actuaries.

(b) **Staff Leave**
Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year end, to a maximum of 48 days, and also on the total remuneration package of the employee.

Accumulated leave is carried forward and can be used in future periods if the current period's entitlement is not used in full. All unused leave, to a maximum of 48 days, will be paid out to the specific employee at the end of that employee's employment term.

Accumulated leave is vesting.

(c) **Staff Bonuses**

Liabilities for staff bonuses are recognised as they accrue to employees. The liability at year end is based on bonus accrued at year end for each employee.

(d) **Performance Bonuses**

A provision, in respect of the liability relating to the anticipated costs of performance bonuses payable to Section 57 employees, is recognised as it accrues to Section 57 employees. Municipal entities' performance bonus provisions are based on the employment contract stipulations as well as previous performance bonus payment trends.

1.26 Provisions

Provisions are recognised when:

The best estimate of the expenditure required to settle the present obligation is the amount that an entity would rationally pay to settle the obligation at the reporting date or to transfer it to a third party at that time and are determined by the judgment of the management of the entity, supplemented by experience of similar transactions and, in some cases, reports from independent experts. The evidence considered includes any additional evidence provided by events after the reporting date. Uncertainties surrounding the amount to be recognised as a provision are dealt with by various means according to the circumstances

Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability

If it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, the provision is derecognised

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

Estimated long-term environmental provisions, comprising rehabilitation and landfill site closure, are based on the Entity's policy, taking into account current technological, environmental and regulatory requirements. The provision for rehabilitation is recognised as and when the environmental liability arises. To the extent that the obligations relate to the asset, they are capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset are charged to the Statement of Financial Performance.

1.27 Contingent Liabilities and Contingent Assets

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. A contingent liability could also be a present obligation that arises from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to the obligation or the amount of the obligation cannot be measures with sufficient reliability.

Contingent Assets represent possible assets that arise from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not fully within the control of the municipality.

The Municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the probability of an outflow of resources embodying economic benefits or service potential is remote. A contingent asset is disclosed where the inflow of economic benefits or service potential is probable.

Management judgement is required when recognising and measuring contingent liabilities and assets.

1.28 Unspent Conditional Government Grants and Receipts

Conditional government grants are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

Unspent conditional grants are liabilities that are separately reflected on the Statement of Financial Position. They represent unspent government grants, subsidies and contributions from government organs. Unspent conditional grants are not considered to be financial instruments as there are no contractual arrangements as required per GRAP 104. Once the conditional grant becomes repayable to the donor due to conditions not met, the remaining portion of the unspent conditional grant is reclassified as payables, which is considered to be a financial instrument.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor

Unspent conditional grants are recognised as a liability when the grant is received.

When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.

The cash which backs up the creditor is invested until it is utilised.

Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the liability. If it is the Municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

1.29 Unpaid Conditional Government Grants and Receipts

Unpaid conditional grants are assets in terms of the Framework that are separately disclosed in the Statement of Financial Position. The asset is recognised when the Municipality has an enforceable right to receive the grant or if it is virtually certain that it will be received based on that grant conditions have been met. They represent unpaid government grants, subsidies and contributions from public

The following provisions are set for the creation and utilisation of grant receivables:

Unpaid conditional grants are recognised as an asset when the grant is receivable.

1.30 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

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

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

1.31 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.

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;

The costs incurred or to be incurred in respect of the transaction can be measured reliably.

The stage of completion at the reporting date can be measured reliably;

Revenue from the rendering of services is recognised when:

The amount of revenue can be measured reliably;

It is probable that economic benefits or service potential associated with the transaction will flow to the municipality;

The stage of completion at the reporting date can be measured reliably;

The costs incurred or to be incurred in respect of the transaction can be measured reliably.

At the time of initial recognition, the full amount of revenue is recognised where the Municipality has an enforceable legal obligation to collect, unless the individual collectability is considered to be improbable. If the Municipality does not successfully enforce its obligation to collect the revenue this would be considered a subsequent event.

Service charges relating to electricity and water are based on consumption and a basic charge as per Council resolution. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale. It is estimated that pre-paid electricity is consumed within 5 to 7 days after date of purchase. The pre-paid electricity sold, but not consumed yet at year-end is disclosed as under Payables from Exchange Transactions in the Statement of Financial Position.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage and are levied monthly based on the recorded number of refuse points per property.

Service charges relating to sanitation (sewerage) are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage. In the case of residential property, a fixed monthly tariff is levied, and in the case of commercial property, a tariff is levied based on the number of sewerage connection on the property. Service charges based on a basic charge as per Council resolution.

Interest revenue is recognised using the effective interest rate method.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

1.31 Revenue from exchange transactions (continued)

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant tariff. This includes the issuing of licences and permits.

Revenue arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

The amount of revenue arising on a transaction is usually determined by agreement between the entity and the purchaser or user of the asset or service. It is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the entity.

In most cases, the consideration is in the form of cash or cash equivalents and the amount of revenue is the amount of cash or cash equivalents received or receivable. However, when the inflow of cash or cash equivalents is deferred, the fair value of the consideration may be less than the nominal amount of cash received or receivable. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The imputed rate of interest is the more clearly determinable of either:

The prevailing rate for a similar instrument of an issuer with a similar credit rating; or

A rate of interest that discounts the nominal amount of the instrument to the current cash sales price of the goods or services.

The difference between the fair value and the nominal amount of the consideration is recognised as interest revenue.

When goods or services are exchanged or swapped for goods or services which are of a similar nature and value, the exchange is not regarded as a transaction that generates revenue. When goods are sold or services are rendered in exchange for dissimilar goods or services, the exchange is regarded as a transaction that generates revenue. The revenue is measured at the fair value of the goods or services received, adjusted by the amount of any cash or cash equivalents transferred. When the fair value of the goods or services received cannot be measured reliably, the revenue is measured at the fair value of the goods or services given up, adjusted by the amount of any cash or cash equivalents transferred.

Accounting Policies

1.32 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.

Revenue is initially measured at fair value.

Revenue from non-exchange transactions is recognised when:

It is probable that the future economic benefits or service potential associated with the asset will flow to the entity and;

the fair value of the asset can be measured reliably.

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. At the time of initial recognition, the full amount of revenue is recognised. If the Municipality does not enforce its obligation to collect the revenue, this would be considered as a subsequent event. Collection charges are recognised when such amounts are legally enforceable. Rebates and discounts are offset against the related revenue, in terms of IGRAP 1, as there is no intention of collecting this revenue.

Fine Revenue constitutes both spot fines and summonses. Fine revenue is recognised when the spot fine or summons is issued. In cases where fines and summonses are issued by another government institute, revenue will only be recognised by the Municipality when the receivable meets the definition of an asset.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the Municipality. Where public contributions have been received but the Municipality has not met the related conditions, it is recognised as an unspent public contribution (liability).

Revenue from third parties i.e. insurance payments for assets impaired, are recognised when it can be measured reliably and is not being offset against the related expenses of repairs or renewals of the impaired assets.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the Municipality.

All unclaimed deposits are initially recognised as a liability until 12 months expires, when all unclaimed deposits into the Municipality's bank account will be treated as revenue as historical patterns have indicated that minimal unidentified deposits are reclaimed after a period of twelve months. This assessment is performed annually at 30 June. Therefore, the substance of these transactions indicates that even though the prescription period for unclaimed monies is legally three years, it is reasonable to recognised all unclaimed monies older than twelve months as revenue. Although unclaimed deposits are recognised as revenue after 12 months, the Municipality still keep record of these unclaimed deposits for three years in the event that a party should submit a claim after 12 months.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No. 56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

Revenue shall be measured at the fair value of the consideration received or receivable.

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

1.32 Revenue from non-exchange transactions (continued)

Services in-kind that are significant to the Municipality's operations are recognised as assets and the related revenue when:

it is probable that the future economic benefits or service potential will flow to the Municipality; and

the fair value of the assets can be measured reliably.

If the services in-kind are not significant to the Municipality's operations or does not satisfy the above-mentioned criteria, the Municipality only disclose the nature and type of services in-kind received during the reporting period. When the criteria for recognition is satisfied, services in-kind are measured on initial recognition at their fair value as at the date of acquisition. Services in-kind include services provided by individuals to the Municipality and the right to use assets in a non-exchange transaction. These services meet the definition of an asset, because the Municipality controls the resource from which future economic benefits or service potential is expected to flow to the Municipality. The assets are immediately consumed and a transaction of equal value is also recognised to reflect the consumption of these services in-kind, resulting in a decrease of the asset and an increase in an expense. The Municipality therefore recognises an expense and related revenue for the consumption of services in-kind.

1.33 Interest Earned - External Investments

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

1.34 Borrowing costs

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

The Municipality recognises all borrowing costs as an expense in the period in which they are incurred.

1.35 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.

Recognition

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

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

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

1.36 Unauthorised expenditure

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

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

1.37 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).

1.38 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).

Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.39 Revaluation reserve

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

1.40 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.

The municipality manages its assets and liability as a whole and are not reviewed on a segregated basis for each town. Segment reporting per geographical area is not deemed relevant.

The measurement basis per the monthly reports is the same as the annual financial statements.

1.41 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.

1.41 Budget information (continued)

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

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

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

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

1.42 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.

- 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.

The following are regarded as related parties of the Municipality:

(a) A person or a close member of that person's family is related to the Municipality if that person:

- has control or joint control over the Municipality.

- has significant influence over the Municipalities. Significant influence is the power to participate in the financial and operating policy decisions of the Municipality.

- is a member of the management of the Municipality or its controlling entity.

(b) An entity is related to the Municipality if any of the following conditions apply:

- the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others).

- one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member).

- both entities are joint ventures of the same third party.

- one entity is a joint venture of a third entity and the other entity is an associate of the third entity.

- the entity is a post-employment benefit plan for the benefit of employees of either the Municipality or an entity related to the Municipality. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity.

- the entity is controlled or jointly controlled by a person identified in (a).

- a person identified in (a) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

(c) 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. A person is considered to be a close member of the family of another person if they:

- are married or live together in a relationship similar to a marriage; or

- are separated by no more than two degrees of natural or legal consanguinity or affinity.

1.42 Related parties (continued)

Management (formerly known as "Key Management") includes all persons having the authority and responsibility for planning, directing and controlling the activities of the Municipality, including:

(a) all members of the governing body of the Municipality;

(b) a member of the governing body of an economic entity who has the authority and responsibility for planning, directing and controlling the activities of the Municipality;

(c) any key advisors of a member, or sub-committees, of the governing body who has the authority and responsibility for planning, directing and controlling the activities of the Municipality; and

(d) the senior management team of the Municipality, including the chief executive officer or permanent head of the Municipality, unless already included in

Management personnel include:

(a) All directors or members of the governing body of the Municipality, being the Executive Mayor, Speaker and members of the Mayoral Committee;

(b) Other persons having the authority and responsibility for planning, directing and controlling the activities of the reporting Municipality being the Municipal Manager, Chief Financial Officer an all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

Remuneration of management includes remuneration derived for services provided to the Municipality in their capacity as members of the management team or employees. Benefits derived directly or indirectly from the Municipality for services in any capacity other than as an employee or a member of management do not meet the definition of remuneration. Remuneration of management excludes any consideration provided solely as a reimbursement for expenditure incurred by those persons for the benefit of the Municipality.

The Municipality operates in an economic environment currently dominated by entities directly or indirectly owned by the South African government. As a result of the Constitutional independence of all three spheres of government in South Africa, only parties within the same sphere of government will be considered to be related parties. Only transactions with such parties which are not at arm's length and not on normal commercial terms are disclosed.

1.43 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.

1.44 Transitional provisions

Application of deemed cost - Directive 7

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. The fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2007.

1.45 Capital Commitments

Capital commitments are not recognised in the statement of financial position as a liability but are included in the disclosure notes in the following cases:

Approved and contracted commitments, where the expenditure has been approved and the contract has been awarded at the reporting date, where disclosure is required by a specific standard of GRAP.

Approved but not yet contracted commitments, where the expenditure has been approved and the contract has yet to be awarded or is awaiting finalisation at the reporting date.

Contracts that are entered into before the reporting date, but goods and services have not yet been received are disclosed in the disclosure notes to the financial statements.

Other commitments for contracts are non-cancellable or only cancellable at significant cost contracts should relate to something other than the business of the Municipality.

1.46 Treatment of Adminstrative and other overhead expenses

The costs of internal support services are transferred to the various services and departments to whom resources are made available

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 1 - Presentation on Financial Statements	To be determined by the Minister of Finance	Unlikely there will be a material impact
• GRAP 103 - Heritage Assets	To be determined by the Minister of Finance	Unlikely there will be a material impact
• GRAP 105 - Transfer of Functions Between Entities Under Common Control	To be determined by Minister of Finance	Unlikely there will be a material impact
• GRAP 106 - Transfer of Functions Between Entities Not Under Common Control	To be determined by Minister of Finance	Unlikely there will be a material impact
• GRAP 107 - Mergers	To be determined by Minister of Finance	Unlikely there will be a material impact

3. Inventories

Consumables - Stationary and material	789 631	1 374 827
Water	24 636	40 058
Land	23 061 166	23 061 166
	23 875 433	**24 476 051**

No inventory was pledged as security.

4. Receivables from non-exchange transactions

Fines	242 518	53 147
Rates	39 937 334	41 576 652
	40 179 852	**41 629 799**
Property Rates		
Current (0 - 30days)	8 557 566	14 130 492
31 - 60 days	3 167 607	2 626 303
61 - 90 days	2 674 478	2 497 330
91 - 120 days	2 441 143	18 192 483
121 - 150 days	4 767 598	14 840 430
>180 days	228 833 144	190 078 957
	250 441 536	**242 365 995**
	-	-

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

Opening balance	201 144 396	90 660 888
Property Rates	9 714 859	110 630 815
Fines	428 578	(147 307)
	211 287 833	**201 144 396**

Figures in Rand	2025	2024

4. Receivables from non-exchange transactions (continued)

Receivables from non-exchange transactions reconcilliation

	2025 Gross balance	2025 Provision for impairment	Net Balance
Rates	250 441 536	(210 504 202)	39 937 334
Fines	1 026 150	(783 632)	242 518
	251 467 686	**(211 287 834)**	**40 179 852**

	2024 Gross balance	2024 Provision for impairment	Net Balance
Rates	242 365 995	(200 789 343)	41 576 652
Fines	408 200	(355 053)	53 147
	242 774 195	**(201 144 396)**	**41 629 799**

There are no receivables past due but not impaired.

The fair value of other receivables approximate their carrying value.

This change was made to enhance the reliability and relevance of financial reporting in accordance with the principles outlined in GRAP 104 and GRAP 108.

Debt is payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of consumer debtors are not performed in terms of GRAP 104 on initial recognition.

No interest was charged for the full financial period of 2024/2025 in line with the municipality credit control and debt management policy to waiver the interest charge. A council respolution was passed to approve the waiver of interest.

None of the Receivables have been pledged as security for the Municipality's financial liabilities.

5. VAT receivable

	2025	2024
VAT	34 019 398	25 110 522

VAT is payable on the receipts basis. VAT is paid over to SARS only once payment is received

No interest is payable to SARS. If the VAT is paid over timeously, but interest for late payments is charged according to SARS policies.

The Municipality has financial risk policies in place to ensure that payments are affected before the due date

6. Receivables from Exchange Transactions

	2025	2024
Gross balances		
Electricity	124 905 768	72 123 668
Water	82 362 224	45 556 714
Waste water management	84 460 573	74 686 946
Waste Management	72 416 638	82 533 293
Creditors with debit balances	2 794 147	308 124
Other Debtors	2 606 705	1 596 078
Rental	141 480	396 022
	369 687 535	**277 200 845**

Figures in Rand	2025	2024

6. Receivables from Exchange Transactions (continued)

Less: Allowance for impairment		
Electricity	(95 835 493)	(44 088 822)
Water	(68 750 355)	(33 624 686)
Waste management	(63 947 900)	(67 825 522)
Refuse	(73 410 903)	(63 356 616)
Rental	(68 986)	(283 445)
	(302 013 637)	**(209 179 091)**

Net balance		
Electricity	29 070 275	28 034 846
Water	13 611 869	11 932 028
Waste management	8 468 738	14 707 771
Waste water management	11 049 670	11 330 330
Town commonage	2 794 147	308 124
Other Debtors	2 606 705	1 596 078
Rental	72 494	112 577
Total Net Receivables from Exchange Transactions	**67 673 898**	**68 021 754**

Electricity		
Current (0 -30 days)	11 471 799	23 622 080
31 - 60 days	16 192 033	13 156 748
61 - 90 days	6 342 922	3 477 562
91 - 120 days	14 045 364	333 870
121 - 365 days	4 077 304	319 731
> 365 days	72 776 346	31 213 678
	124 905 768	**72 123 669**

Water		
Current (0 -30 days)	12 549 252	9 811 778
31 - 60 days	7 233 560	4 787 724
61 - 90 days	2 686 447	2 624 265
91 - 120 days	2 940 952	136 080
121 - 365 days	3 202 575	125 981
> 365 days	53 749 439	28 070 887
	82 362 225	**45 556 715**

Waste water		
Current (0 -30 days)	2 457 152	2 491 627
31 - 60 days	4 576 078	4 655 875
61 - 90 days	2 218 321	2 194 373
91 - 120 days	2 174 506	68 077
121 - 365 days	2 139 146	49 490
> 365 days	70 895 371	65 227 504
	84 460 574	**74 686 946**

Figures in Rand	2025	2024

6. Receivables from Exchange Transactions (continued)

Rental		
Current (0 -30 days)	5 506	60 631
31 - 60 days	3 622	128 250
61 - 90 days	-	63 766
91 - 120 days	-	23 559
121 - 365 days	-	23 559
> 365 days	132 352	96 257
	141 480	**396 022**

Refuse		
Current (0 -30 days)	1 336 330	5 687 054
31 - 60 days	2 511 184	10 289 502
61 - 90 days	1 209 735	5 134 925
91 - 120 days	1 193 765	39 314
121 - 365 days	1 172 700	23 618
> 365 days	64 992 924	61 358 880
	72 416 638	**82 533 293**

Reconciliation of allowance for impairment		
Balance at beginning of the year	(209 179 092)	(288 740 144)
Contributions to allowance	(92 834 545)	79 561 052
	(302 013 637)	**(209 179 092)**

VAT accrual on receivables

At year end the municipality reported VAT accrual of R 251 780 046 (2024: R221 035 947)

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

7. Cash and cash equivalents

Cash and cash equivalents consist of:

	2025	2024
Short term deposits	29 675 029	25 996 885
Bank balance	7 234 287	312 168
	36 909 316	**26 309 053**

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2025	30 June 2024	30 June 2023	30 June 2025	30 June 2024	30 June 2023
ABSA bank overdraft(primary account) - 185 00000081	7 234 287	312 168	4 296 608	7 234 287	312 168	4 296 607
ABSA bank - (currentaccount) - 4061 685 162	23 744	18 741	10 633	23 744	18 741	10 633
ABSA bank - (currentaccount) - 4081 497 012	431 727	13 306	577	431 727	13 306	577
Standard bank - (currentaccount) - 2803 50007	162 592	116 297	64 882	162 592	116 297	64 882
ABSA Bank Limited - De AarBranch - Fixed deposit - 2062198 906	13 936 927	12 755 745	11 626 784	13 936 927	12 755 745	11 626 784
Nedbank Ltd - De Aar Branch- Call account - 7662022900	207 422	193 444	178 491	207 422	193 444	178 491
Standard Bank of SA Limited- De Aar Branch - Callaccount-388910356-002	6 289 614	5 821 518	5 359 631	6 289 614	5 821 518	5 359 631
First National Bank - De AarBranch - Call account -62755965583	390 244	361 933	333 807	390 244	361 933	333 807
Absa Bank Limited - De AarBranch - Call deposit -9325381089	1 179 119	1 104 003	1 028 866	1 179 119	1 104 003	1 028 866
Absa Bank Limited - De AarBranch - Call deposit -9357761647	7 053 640	5 611 897	5 240 820	7 053 640	5 611 897	5 240 820
Total	**36 909 316**	**26 309 052**	**28 141 099**	**36 909 316**	**26 309 052**	**28 141 098**

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	8 767 885	-	8 767 885	8 767 885	-	8 767 885

Figures in Rand	2025	2024

8. Investment property (continued)

Reconciliation of investment property - 2025

	Opening balance	Total
Investment property	8 767 885	8 767 885

Reconciliation of investment property - 2024

	Opening balance	Total
Investment property	8 767 885	8 767 885

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

No Investment property was pledged as security

9. Property, plant and equipment

	2025			2024		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	18 367 872	-	18 367 872	18 367 872	-	18 367 872
Buildings	47 205 362	(34 861 832)	12 343 530	47 205 362	(33 986 992)	13 218 370
Plant and machinery	6 354 025	(5 958 852)	395 173	6 234 317	(5 809 859)	424 458
Furniture and fixtures	9 366 591	(8 640 625)	725 966	9 296 251	(8 378 156)	918 095
IT equipment	3 323 700	(2 544 862)	778 838	3 057 368	(2 404 292)	653 076
Infrastructure	2 125 708 844	(1 438 797 681)	686 911 163	2 084 498 031	(1 391 357 181)	693 140 850
Community assets	146 184 681	(88 729 340)	57 455 341	146 184 681	(85 794 296)	60 390 385
Transport assets	15 422 629	(7 657 704)	7 764 925	10 728 849	(6 817 652)	3 911 197
Total	**2 371 933 704**	**(1 587 190 896)**	**784 742 808**	**2 325 572 731**	**(1 534 548 428)**	**791 024 303**

Figures in Rand

9. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2025

	Opening balance	Additions	Depreciation	Impairment loss	Total
Land	18 367 872	-	-	-	18 367 872
Buildings	13 218 370	-	(874 840)	-	12 343 530
Plant and machinery	424 458	119 708	(111 894)	(37 099)	395 173
Furniture and office equipment	918 095	70 340	(262 469)	-	725 966
Computer equipment	653 076	266 332	(140 570)	-	778 838
Infrastructure	693 140 850	41 210 817	(43 816 649)	(3 623 855)	686 911 163
Community assets	60 390 385	-	(2 935 044)	-	57 455 341
Transport assets	3 911 197	4 693 779	(840 051)	-	7 764 925
	791 024 303	**46 360 976**	**(48 981 517)**	**(3 660 954)**	**784 742 808**

Reconciliation of property, plant and equipment - 2024

	Opening balance	Additions	Other movement	Depreciation	Total
Land	18 367 872	-	-	-	18 367 872
Buildings	14 103 910	-	-	(885 540)	13 218 370
Plant and machinery	609 911	69 731	(37 432)	(217 752)	424 458
Furniture and office equipment	1 297 952	62 310	6 319	(448 486)	918 095
Computer equipment	490 025	334 500	(2 583)	(168 866)	653 076
Infrastructure	693 044 822	48 139 583	-	(48 043 555)	693 140 850
Community assets	61 701 428	1 545 485	-	(2 856 528)	60 390 385
Transport assets	5 044 588	-	(891)	(1 132 500)	3 911 197
	794 660 508	**50 151 609**	**(34 587)**	**(53 753 227)**	**791 024 303**

Pledged as security

No Property, plant and equipment was pledged as security.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

9. Property, plant and equipment (continued)

Contractual commitments for acquisition of Property, Plant and Equipment

	2025	2024
Approved and contracted for:		
Infrastructure	59 988 028	86 798 984
This expenditure will be finance from:		
Government Grants	59 988 028	86 798 984

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

	2025	2024
Cumulative expenditure recognised in the carrying value of property, plant and equipment		
Infrastructure	-	55 428 489
Property, Plant and Equipment where construction or development has been halted:		
Roads	2 091 646	2 091 646
Storm Water	1 514 954	1 514 954
Electricity	1 042 990	1 042 990
Water Supply	5 463 598	5 463 598
	10 113 188	**10 113 188**

Reconciliation of Work-in-Progress 2025

	Included within Infrastructure	Total
Opening balance	55 428 490	55 428 490
Additions/capital expenditure	31 855 143	31 855 143
	87 283 633	**87 283 633**

Reconciliation of Work-in-Progress 2024

	Included within Infrastructure	Included within Community	Total
Opening balance	16 318 807	6 096 246	22 415 053
Additions/capital expenditure	39 295 083	1 545 486	40 840 569
Transferred to completed items	(185 400)	(7 641 732)	(7 827 132)
	55 428 490	**-**	**55 428 490**

Included in the above Work in Progress are the below long standing projects:

- Rehabilitation of Boreholes
- Supply and Installation on Grid Streetlight
- Upgrading of Reverend Swart Street
- Construction of storm water

Expenditure incurred to repair and maintain property, plant and equipment

	2025	2024
Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance		
Contracted services	-	2 192 212

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

9. Property, plant and equipment (continued)

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

10. Intangible assets

	2025			2024		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	7 027 612	(2 691 321)	4 336 291	2 239 084	(2 222 172)	16 912

Reconciliation of intangible assets - 2025

	Opening balance	Additions	Amortisation	Total
Computer software	16 912	4 788 528	(469 149)	4 336 291

Reconciliation of intangible assets - 2024

	Opening balance	Amortisation	Total
Computer software	20 582	(3 670)	16 912

Pledged as security

No intangible assets were pleddged as security.

Other information

No intangible asset were assed having an indefinite useful life.

No expenditure were incurred with regards to research or development cost.

There are no internally generated intangible assets at reporting date.

There are no intangible assets in process of being constructed or developed.

There are no intangible assets whose title is restricted.

There are no intangible assets pledged as security for liabilities.

Figures in Rand	2025	2024

11. Heritage assets

	2025			2024		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Historical monuments	5 634 573	-	5 634 573	5 634 573	-	5 634 573
Other heritage assets	849 200	-	849 200	849 200	-	849 200
Works of art	350 000	-	350 000	350 000	-	350 000
Total	**6 833 773**	**-**	**6 833 773**	**6 833 773**	**-**	**6 833 773**

Reconciliation of heritage assets 2025

	Opening balance	Total
Other heritage assets	849 200	849 200
Historical monuments	5 634 573	5 634 573
Works of art	350 000	350 000
	6 833 773	**6 833 773**

Reconciliation of heritage assets 2024

	Opening balance	Total
Other heritage assets	849 200	849 200
Historical monuments	5 634 573	5 634 573
Works of art	350 000	350 000
	6 833 773	**6 833 773**

There are no restrictions on the on title of Heritage assets and disposal thereoff.

There are no contractual obligations to purchase, construct or develop Heritage Assets or for repairs, maintenance or restorations.

There are no Heritage Assets pledged as security for liabilities.

Except for the Schreinerhuis building which is partly used as a restaurant there are no Heritage Assets that are used by the municipality for more than one purpose.

No expenditure were incurred to repair and maintain heritage assets.

No compensation received from third parties for Heritage assets impaired, lost or given up.

No Heritage assets were retired active use and held for disposal

12. Investments

	2025	2024
Designated at fair value		
Listed shares	46 764	42 149

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

12. Investments (continued)

Non-current assets		
Listed shares	46 764	42 149

Shares are held in Oos Vrystaat Kaap Bedryf Bpk. No specific maturity dates and interest rates are applicable to those shares.

The Management of the municipality is of the opinion that the carrying value of investments approximate their fair value.

13. Other financial liabilities

At amortised cost		
ABSA Bank Limited An unsecured loan at amortised cost from ABSA - A principle amount of R13 000 000 at a floating rate of prime less 25% (capitalised monthly) and a maturity date of 2032, was raised on 4 May 2022.The full amount of the loan is not borrowed, but taken up with withdrawals as and when the need for the capital spending exist.	5 831 067	5 612 363
Non-current liabilities		
At amortised cost	4 658 876	4 495 383
Current liabilities		
At amortised cost	1 172 191	1 116 980

14. Payables from exchange transactions

Trade payables	457 394 738	302 671 547
Accruals	983 432	-
Debtors with credit balances	28 520 703	26 724 926
Other creditors	632 065	541 121
Bonus Accrual - Employees	2 464 330	2 933 596
Bonus Accrual - Senior managers	535 877	434 385
Leave accrual	9 344 030	8 848 938
Unallocated Deposits	5 234 383	116 361
Salary control	5 193 059	1 085 688
Retentions	5 753 354	3 237 810
	516 055 971	**346 594 372**

VAT Accrual on payables

At year end the municipality reported VAT accrual of R 217 366 898 (2024: R195 925 524)]

15. Payables from Non-exchange

Other creditors	11 577 786	11 577 786

Figures in Rand	2025	2024

15. Payables from Non-exchange (continued)

Payables are being recognised net of any discounts.

No credit period exists for Payables from Non-exchange Transactions, neither has any credit period been arranged. No interest is charged on outstanding amounts

The Municipality did default on payment of its Creditors. However, no terms for payment have been renegotiated by the Municipality.

The management of the Municipality is of the opinion that the carrying value of Creditors approximates their fair values.

16. Consumer deposits

	2025	2024
Electricity	154 213	107 656
Water	2 987 970	2 919 302
	3 142 183	**3 026 958**

The fair value of consumer deposits approximate their carrying value. Interest is not paid on these amounts.

Figures in Rand	2025	2024

17. Employee benefit obligations

Defined benefit plan

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

	2025	2024
Carrying value		
Opening balance	26 122 200	25 318 900
Current Service cost	964 000	1 007 000
Interest cost	2 918 300	2 890 300
Expected benefit vesting	(2 360 600)	(2 236 700)
Actuarial loss/(gain)	(150 000)	(857 300)
	27 493 900	**26 122 200**
Non-current liabilities	(25 255 101)	(23 765 101)
Current liabilities	(2 238 800)	(2 357 100)
	(27 493 901)	**(26 122 201)**

The Municipality provides certain post-retirement health care benefits by funding the medical aid contributions of qualifying retired members of the municipality. According to the rules of the medical aid fund, with which the municipality is associated, a member is entitled to continued as a member of such medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee. The municipality operates an unfunded defined benefit plan for these qualifying employees. No other post-employment benefits are provided to these employees..

The municipality provides certain long term service bonus awards. The municipality offers LSA for every 5 years of completed services from 10 years to 45 years of service. Long term service accummulated leave must be taken within one year of receiving such leave. The municipality does not pay any pro-rata long service award.

The most recent actuarial valuation of plan assets and the present value of the defined obligation were carried out at 30 June 2025 by Mr. C Weiss. Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the projected unit credit method.

Ex-Gratia Benefit

Data of the pensioners was received from the Municipality in August 2025.
Several tests of validity and reasonability were performed on this data. No independent verification of this information was undertaken.

	2025	2024
Eligible employee - Gender		
Female	2	2
Male	-	-
Average age	80.46	80.46
Average annual pension	R37 974	R37 947

	2025	2024
Movement in the present value of the defined benefit obligations were as follows:		
Opening balance	547 200	539 900
Net expenses recognised in the statemnt of financial performance	2 700	7 300
Total at 30 June 2025	**549 900**	**547 200**

	2025	2024
The amounts recognised in the Statement of Financial Position are as follows:		
Current portion (due in next 12 months)	70 800	67 100
Non-current portion	479 100	480 100
	549 900	**547 200**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

17. Employee benefit obligations (continued)

The amounts recognised in the Statement of Financial Performance are as follows:		
Interest Cost	53 300	54 300
Expected benefit vesting	(70 600)	(66 700)
Acturial loss/(gain)	20 000	19 700
Current service cost	-	-
	2 700	**7 300**

Key Assumptions

Key Financial Assumptions

Assumption	**30/06/2023**	**30/06/2024**	**30/06/2025**
Discount rate	10.7%	10.4%	9.1%
CPI inflation rate	5.2%	4.8%	3.4%
Pension inflation rate	6.2%	5.8%	4.4%
Net discount rate	**4.2%**	**4.3%**	**4.5%**
Mortality post-employment	PA(90) -1 with a 1% mortality improvement p.a. from 2010	PA(90) -1 with a 1% mortality improvement p.a. from 2010	PA(90) -1 with a 1% mortality improvement p.a. from 2010

The key financial and demographic assumptions are summarised below

Comparison of DBO results (Rands)

	30/06/2024	30/06/2025	Impact
Total defined benefit obligation	547 200	549 900 0%	
Average pensioner DBO	273 000	274 950 0%	

History of net defined benefit liability (Rands)

Net Defined Benefit Liability History	30/06/2023	30/06/2024	30/06/2025
Defined benefit obligation	539 900	547 200	549 900
Net def. benefit liability	539 900	547 200	549 900

Sensitivity Analysis

The DBO at this valuation was recalculated to show the effect of:
(i) a one percentage point increase and decrease in the inflation rates;
(ii) a one percentage point increase and decrease in the discount rate; and
(iii) a one-year age increase and decrease in the assumed rates of post-employment mortality.

Sensitivity analysis on the defined benefit obligation (Rands)

Assumption	**Change**	**Total DBO**	**%Change**
Central assumptions		549,900	
Inflation rates	+1%	579,500	5%
	-1%	522,500	-5%
Discount rate	+1%	521,500	-5%
	-1%	581,100	6%
Post-employment	+1yr	524,200	-5%
mortality	-1yr	576,000	5%

The table above indicates, for example, that if the discount rate is one percentage point greater than the long-term assumption made, the DBO will be 5% lower than that shown.

Sensitivity analysis on interest cost for year ending 30/06/2025

Assumption	**Change**	**Interest Cost**	**% Change**
Central assumptions		53,300	

Figures in Rand	2025	2024

17. Employee benefit obligations (continued)

Inflation rates	+1%	56,500	6%
	-1%	50,400	-5%
Discount rate	+1%	55,200	4%
	-1%	51,200	-4%
Post-employment	+1yr	50,700	-5%
mortality	-1yr	56,000	5%

Detailed Assumptions

Financial Assumptions

It is difficult to predict future investment returns and inflation rates. The relationship between them is more stable and therefore easier to predict. GRAP 25 requires that financial assumptions be based on market expectations at this valuation for the period over which the DBO is to be settled.

Discount Rate

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

Consequently, a discount rate of 9.1% per annum has been used. The corresponding index-linked yield at this term is 5.0%. These rates do not reflect any adjustment for taxation. These rates were deduced from the interest rate data obtained from the Johannesburg Stock Exchange after the market close on 30 June 2025.

Yields were determined by looking at the duration of the DBO and finding the fixed-interest and index-linked yields at the relevant duration using an iterative process (because the yields depend on the duration, which in turn depends on the DBO). The DBO's duration has been estimated to be 6 years.

Pension Inflation Rate

This assumption is required to reflect estimated future changes to pensions. Increases occur annually on 1 July in line with the general earnings increase applicable to municipal employees, which is assumed to equal CPI inflation plus 1% over the long term.

The CPI inflation assumption of 3.4% per annum was obtained from the differential between market yields on index-linked bonds consistent with the estimated term of the DBO (5.0%) and those of fixed interest bonds (9.1%) with a risk premium adjustment for the uncertainty implicit in guaranteeing real increases (0.5%).

Therefore, a pension inflation rate of 4.4% per annum has been assumed. This implies a net discount rate of 4.5% per annum, which derives from ((1+9.1%)/(1+4.4%))-1.

Post-Employment Mortality

PA(90) ultimate table, adjusted down by one year of age, and a 1% annual compound mortality improvement from 2010. This means that we expect 1% fewer people to die next year. In the year thereafter, we expect 1.99% fewer people to die, i.e. 1.99% is derived from [1 - (1 - 1%)2], and so on.

Other Assumptions

It was assumed that the Municipality's ex-gratia policy would remain as outlined in Section 3. Furthermore, it was assumed that the level of benefits receivable would remain unchanged, with the exception of allowing for inflationary adjustments, if applicable.

Long service award

The number of members entitled to receive long service leave awards from the municipality were as follows:

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

17. Employee benefit obligations (continued)

Eligible employee - Gender		
Female	101	106
Male	190	205
	291	**311**

Movements in the present value of the defined benefit obligations were as follows:

Opening balance	5 744 000	5 634 000
Net expenses recognised in the statement of financial performance	(141 000)	110 000
Current portion (due in the next 12 months)	855 000	945 000
Non-current portion	4 748 000	4 799 000
Total as at 30 June 2025	**5 603 000**	**5 744 000**

The amounts recognised in the Statement of Financial Performance are as follows:

Current service cost	499 000	528 000
Interest cost	568 000	573 000
Actuarial (gains) losses	(263 000)	(47 000)
Expected benefits vesting	(945 000)	(944 000)
	(141 000)	**110 000**

Movements in the present value of the defined benefit obligation were as follows:

Long service benefits are awarded in the form of leave days and a percentage of salary. The awarded leave days have been
converted into a percentage of the employee's annual salary. The conversion is based on a 250 working day per year and therefore
the benefits awarded can be expressed as follows:

Completed Service (In Years)	Long Service Award (% of Annual Earnings)	Description
10	7.0%	(10/250 + 3%) x annual earnings
15	8.0%	(10/250 + 4%) x annual earnings
20	11.0%	(15/250 + 5%) x annual earnings
25,30,35,40,45	12.0%	(15/250 + 6%) x annual earnings

The calculated award values are then discounted at the assumed discount interest rate to the date of calculation. The mortality,retirements and withdrawals from services as set out in the next section was also allowed.

The accrued liability is determined on the basis that each employee's long service benefit accrues uniformly over the working life of an employee uo to the end of the interval at which the benefit becomes payable, Further is it assumed that the current policy for awarding long service awards remains unchanged in the future.

The table below summarises the key long-term financial assumptions used at this valuation for DBO and the expemse figures for the ensuring year.

Key financial assumptions

Assumptions	30/06/2025	30/06/2024
Discount rate	9.5%	10.75%
CPI inflation rate	3.5%	4.94%
General earnings inflation rate	4.5%	5.94%
Net discount rate	4.8%	4.54%
Average retirement age	62	62

Figures in Rand	2025	2024

17. Employee benefit obligations (continued)

Mortality during employment	SA 85-90	SA 85-90
Termination of service	See table A3.2	See table A3.2

The next general earnings increase was assumed to take place on 1 July 2026

Key Demographic Assumptions

The table below summarises the key demographic assumptions used:

Assumption	**Value**	**Value**	**Value**
Average retirement age	62	62	62
Mortality during employment	Age	Female	Male
	20	9%	9%
Termination of service (resignation and retrechment rates per annum)	30	6%	6%
	40	5%	5%
	50	3%	3%
	55	0%	0%

The table below summarises the DBO and plan asse for the current and previous periods.

History of net defined benefit liability (R millions)

Net Defined Benefit Liability History	**30/06/2021**	**30/06/2022**	**30/06/2023**	**30/06/2024**	**30/06/2025**
Defined benefit obligation	5.087	5.402	5.634	5.744	5.603
Fair value of plan asset	0.000	0.000	0.000	0.000	0.000
Net def. benefit liability	5.087	5..402	5.634	5.744	5.603

Table below summarises the experience adjustments for the current and previous periods. Experience adjustments are the effects of differences between the previous actuarial assumptions and what has occurred.

History of experience adjustments

Experience Adjustments	**Year Ending 30/06/2021**	**Year Ending 30/06/2022**	**Year Ending 30/06/2023**	**Year Ending 30/06/2024**	**Year Ending 30/06/2025**
DBO: (gain)/loss	-21000	32000	6000	7000	-219000
Plan asset: gain/(loss)	0	0	0	0	0

Financial Assumptions

Discount Rate

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

Consequently, a discount rate of 9.5% per annum has been used. The corresponding index-linked yield is 5.3%. These rates do not reflect any adjustment for taxation, and were deduced from the interest rate data obtained from the JSE after the market close on 28 June 2025.

These yields were obtained by calculating the duration of the DBO and then taking the fixed-interest and index-linked yields from the respective yield curves at that duration using an iterative process (because the yields depend on the duration, which in turn depends on the DBO). The duration of the DBO was estimated to be 7.25 years.

17. Employee benefit obligations (continued)

Earnings Inflation Rate

This assumption is required to reflect the estimated growth in earnings of the eligible employees until retirement. It is important in that the LSA are based on an employee's earnings at the date of the award.

The assumption is traditionally split into two components, namely general earnings inflation and promotional earnings escalation. The latter is considered under demographic assumptions.

General Earnings Inflation Rate

This assumption is more stable relative to the growth in consumer price index (CPI) than in absolute terms. In most industries, experience has shown that over the long term, earnings inflation is between 1.0% and 1.5% above CPI inflation.

The CPI inflation assumption of 3.5% per annum was obtained from the differential between market yields on index-linked bonds (5.3%) consistent with the estimated term of the DBO and those of nominal bonds (9.5%) with a risk premium adjustment for the uncertainty implicit in guaranteeing real increases (0.5%).

Thus, a general earnings inflation rate of 4.5% per annum over the expected term of the DBO has been assumed, which is 1.0% higher than the estimate of CPI inflation over the same term. This assumption reflects a net discount rate of 4.8%.

It was assumed that the next general earnings increase will take place on 1 July 2026.

Demographic Assumptions

Demographic assumptions are required about the future characteristics of current employees who are eligible for LSA.

Promotional Earnings Scale

The annual escalation rates below are in addition to the general earnings inflation assumption of4.5% per annum for all employees.

Promotional earnings scale

Age Band	Additional Promotional Scale
20-24	5.0%
25-29	4.0%
30-34	3.0%
35-39	2.0%
40-44	1.0%
45+	0.0%

Average Retirement Age

The normal retirement age of employees is 65. It has been assumed that employees will retire at age 62 on average, which then implicitly allows for expected rates of ill-health and early retirement. Employees who have passed the assumed average retirement age, have been assumed to retire at their next birthday.

Mortality During Employment

SA85-90 ultimate table, adjusted for female lives.

Termination of Service

If an eligible employee leaves due to resignation or retrenchment, the employer's DBO in respect of that employee ceases. It is therefore important not to overstate termination rates. The assumed annual rates are set out below.

Figures in Rand	2025	2024

17. Employee benefit obligations (continued)

Termination rates per annum

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

Plan Assets

Management has indicated that there are currently no long-term assets set aside off-balance sheet in respect of the LSA DBO.

LSA Arrangement Assumptions

It was assumed that the employer's LSA arrangements would remain as outlined in Section 3, and that the level of benefits in respect of such, would remain unchanged, with the exception of allowing for inflationary adjustments.

Sensitivity analysis

The assumtions which tend to have the greates impact on the results are:

- the general earnings inflation rate assumption;
- the discount rate assumption;
- the average retirement age of employees; and
- assumed service termination rates.

Assumption	Change	DBO	% Change
Central assumptions		5603000	
General earnings inflation rate	+1%	5887000	5%
	-1%	5342000	-5%
Discount rate	+1%	5338000	-5%
	-1%	5895000	5%
Average retirement age	+2 yr	6167000	10%
	-2yr	5025000	-10%
	-1 yr	4774000	-15%
Membership contribution	-10%	6125000	9%

The table above indicates, for example, that if the earnings inflation rate is one percentage point greater than the long-term assumption made, the DBO will be 5% higher than the results shown in Section 6.

Sensitivity Analysis on Current-Service and Interest Costs for year ending 30/06/2025

Assumption	Change	Current service costs	Interest cost	Total	% Change
Central assumptions		499,000	568,000	1,067,000	
General earnings inflation rate	+1%	532,000	599,000	1,131,000	6%
	-1%	468,000	540,000	1,008,000	-6%
Discount rate	+1%	472,000	590,000	1,062,000	0%
	-1%	528,000	544,000	1,072,000	0%
Average retirement age	+2yr	547,000	630,000	1,177,000	10%
	-2yr	456,000	504,000	960,000	-10%
Rates of termination of service	x2	391,000	477,000	868,000	-19%
	x0.5	572,000	626,000	1,198,000	12%

Sensitivity Analysis on Current-Service and Interest Costs for year ending 30/06/2025

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

17. Employee benefit obligations (continued)

Assumption	Change	Current service cost	Interest cost	Total	% Change
Central assumptions		471,000	491,000	962,000	
General earnings	+1%	503,000	517,000	1,020,000	6%
	-1%	443,000	466,000	909,000	-6%
Discount rate	+1%	446,000	514,000	960,000	0%
	-1%	499,000	464,000	963,000	0%
Average retirement age	+2 yr	518,000	544,000	1,062,000	10%
	-2 yr	431,000	438,000	869,000	-10%
Rates of termination of service	x2	371,000	412,000	783,000	-19%
	x0.5	539,000	540,000	1,079,000	12%

Post employment medical aid subsidy

The number of individuals entitled to a post-employment medical aid subsidy at this valuation was as follows, according to the information provided::

	2025	2024
In-service members (eligible employees on medical aid)	44	49
In-service non-members (eligible employees w/o medical aid)	247	262
Continuation members (retirees and surviving dependants)	29	30
	320	**341**

Movements in the present value of the defined benefit obligations were as follows:

	2025	2024
Opening balance	19 831 000	19 145 000
Net expenses recognised in the statement of financial performance	1 510 000	686 000
Current portion (due in the next 12 months)	1 313 000	1 345 000
Non-current portion	20 028 000	18 486 000
Total at 30 June 2025	**21 341 000**	**19 831 000**

The amounts recognised in the Statement of Financial Performance are as follows:

	2025	2024
Current service cost	465 000	479 000
Interest cost	2 297 000	2 263 000
Actuarial (gains) losses	93 000	(830 000)
Expected subsidy(benefit) payment	(1 345 000)	(1 226 000)
	1 510 000	**686 000**

Movements in the present value of the defined benefit obligation were as follows:

Key Financial Assumptions:

	2025	2024
Discount rates used	10.90 %	11.98 %
CPI inflation rate	4.90 %	6.00 %
Medical aid contribution inflation rate	6.7%	7.50%
Net discount rate	3.90 %	4.17 %
Average retirement age	62	62
Mortality during employment	SA 85-90	SA 85-90
Termination of service (resignation and retrenchment)	See Table A4.2	See Table A4.2
Mortality post-employment	PA(90) -1 with a 1% mortality improvement p.a. from 2010	PA(90) -1 with a 1% mortality improvement p.a. from 2010
Continuation of membership at retirement	75.00 %	75.00 %
Proportion with a spouse dependant at retirement	60%	60%

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

17. Employee benefit obligations (continued)

Proportion of in-service non-members joining a scheme by retirement and continuing with the subsidy at retirement	5.00 %	5.00 %
Other material actuarial assumptions [provide details]	-	-

Discount Rate

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

Consequently, a discount rate of 10.9% per annum has been used. The corresponding index-linked yield at this term is 5.2%. These rates do not reflect any adjustment for taxation. These rates were deduced from the interest rate data obtained from the Johannesburg Stock Exchange after the market close on 30 June 2025.

These yields were obtained by calculating the duration of the DBO and then taking the fixed-interest and index-linked yields from the respective yield curves at that duration using an iterative process (because the yields depend on the duration, which in turn depends on the DBO).

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

A medical aid contribution inflation rate of 6.7% per annum has been assumed. This is 1.8% in excess of expected consumer price index (CPI) inflation over the expected term of the DBO, namely 4.9% per annum. A larger differential would be unsustainable, eventually forcing members to less expensive options. This implies a net discount rate of 3.9% per annum which derives from ((1+10.9%)/(1+6.7%))-1.

The CPI inflation assumption of 4.9% per annum was obtained from the differential between market yields on index-linked bonds consistent with the estimated term of the DBO (5.2%) and those of fixed interest bonds (10.9%) with a risk premium adjustment for the uncertainty implicit in guaranteeing real increases (0.5%).

The next contribution increase was assumed to occur with effect from 1 January 2026.

Replacement Ratio.

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

Demographic Assumptions

Demographic assumptions are required to estimate the changing profile of employees and retirees who are eligible for the post-employment medical aid subsidy.

Mortality During Employment

SA85-90 ultimate table, adjusted for female lives..

Post-Employment Mortality

PA(90) ultimate table, adjusted down by one year of age, and a 1% annual compound mortality improvement from 2010. This means that we expect 1% fewer people to die next year. In the year thereafter, we expect 1.99% fewer people to die, i.e. 1.99% is derived from [1 - (1 - 1%)2], and so on.

Figures in Rand	2025	2024

17. Employee benefit obligations (continued)

Termination of Service If an eligible employee leaves due to resignation or retrenchment, the employer's DBO in respect of that employee ceases. It is therefore important not to overstate termination rates. The assumed annual rates are set out below

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

Average Retirement Age.

The normal retirement age of employees is 65. It has been assumed that employees will retire at age 62 on average, which then implicitly allows for expected rates of ill-health and early retirement. Employees who have passed the assumed average retirement age, have been assumed to retire at their next birthday.

Continuation of Membership

It has been assumed that 75% of in-service members will remain on the Municipality's health care arrangement should they stay until retirement.

Proportion of Eligible In-Service Non-Members Joining a Scheme by Retirement

It has been assumed that 5% of eligible in-service non-members will be on a medical scheme by retirement (should they not exit employment before then) and continue with the subsidy at and after retirement.

Family Profile

It has been assumed that female spouses will be four years younger than their male counterparts. Furthermore, we've assumed that 60% of eligible employees on a health care arrangement at retirement will have a subsidised spouse dependant. For current retiree members, actual subsidised spouse dependants were used and the potential for remarriage was ignored.

Other Assumptions

It was assumed that the Municipality's health care arrangements and subsidy policy would remain as outlined in Section 3. Furthermore, it was assumed that the level of benefits receivable, and the contributions payable in respect of such, would remain unchanged, with the exception of allowing for inflationary adjustments. Implicit in this approach is the assumption that current levels of cross-subsidy from in-service members to continuation members within the medical scheme are sustainable and will continue.

History of the DBO, Plan Asset and Experience Adjustments

History of net defined benefit liability (R millions) and History of experience adjustments (R millions)

Net Defined Benefit Liability History	**30/06/2021**	**30/06/2022**	**30/06/2023**	**30/06/2024**	**30/06/2025**
Defined benefit obligation	22.000	20.041	19.145	19.831	21.341
Fair value of plan asset	0.000	0.000	0.000	0.000	0.000
Net def. benefit liability	22.000	20.041	19.145	19.831	21.341

Experience Adjustments	**Year Ending 30/06/2021**	**Year Ending 30/06/2022**	**Year Ending 30/06/2023**	**Year Ending 30/06/2024**	**Year Ending 30/06/2025**

Notes to the Annual Financial Statements

17. Employee benefit obligations (continued)

DBO: (gain) / loss	0.873	-2.535	0.301	-0.590	-0.467
Plan asset: gain / (loss)	0.000	0.000	0.000	0.000	0.000

Figures in Rand	2025	2024

17. Employee benefit obligations (continued)

Sensitivity analysis

The assumption which tends to have the greatest impact on the results is the medical aid contribution inflation rate relative to the discount rate.

Sensitivity analysis on the defined benefit obligation (R Millions)

Assumption	Change	Eligible Employees	Continuation Members	Total DBO	% Change
Central assumptions		6.852	14.489	21.341	
Medical aid contribution inflation rate	+1%	8.167	15.829	23.996	12%
	-1%	5.797	13.328	19.125	-10%
Discount rate	+1%	5.841	13.378	19.219	-10%
	-1%	8.124	15.787	23.911	12%
Post-employment mortality	+1yr	6.683	14.015	20.698	-3%
	-1yr	7.017	14.965	21.982	3%
Average retirement age	-1yr	7.559	14.489	22.048	3%
Membership continuation	10%	5.974	14.489	20.463	-4%

Sensitivity analysis on current service and interest costs for year ending 30/06/2025:

Assumption	Change	Current Svc. Cost	Interest Cost	Total Cost	% Change
Central assumptions		465,000	2,297,000	2,762,000	
Medical aid contribution inflation rate	+1%	566,000	2,583,000	3,149,000	14%
	-1%	388,000	2,058,000	2,446,000	-11%
Discount rate	+1%	394,000	2,242,000	2,636,000	-5%
	-1%	557,000	2,358,000	2,915,000	6%
Post-employment mortality	+1yr	456,000	2,225,000	2,681,000	-3%
	-1yr	476,000	2,370,000	2,846,000	3%
Average retirement age	-1yr	523,000	2,378,000	2,901,000	5%
Membership continuation	10%	406,000	2,196,000	2,602,000	-6%

18. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

	2025	2024
Unspent conditional grants and receipts		
Department of Education	1 232 100	1 232 100
Energy Efficiency	75 532	75 532
Intergrated National Electrification	777 619	2 380 526
LG SETA	112 519	86 631
Water Services Infrastructure Grant	5 053 416	-
Local Government Financial Management Grant	2 336	2 336
Municipal Infrastructure Grant	983 815	2 410 977
Library grant	-	56 240
	8 237 337	**6 244 342**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

18. Unspent conditional grants and receipts (continued)

Movement during the year

	2025	2024
Balance at the beginning of the year	6 244 343	3 021 422
Additions during the year	100 494 295	99 241 632
Income recognition during the year	(98 501 301)	(96 018 711)
	8 237 337	**6 244 343**

The nature and extent of government grants recognised in the annual financial statements are an indication of other forms of government assistance from which the municipality has directly benefited.

See note 29 for reconciliation of grants from National/Provincial Government.

Figures in Rand	2025	2024

19. Provisions

Reconciliation of provisions - 2025

	Opening Balance	Change in discount factor	Reduction due to re-measurement or settlement without cost to entity	Total
Provision for Landfill Sites	115 577 400	(2 261 997)	9 154 452	122 469 855

Reconciliation of provisions - 2024

	Opening Balance	Increase/(Decrease) due discounting	Reduction due to re-measurement or settlement without cost to entity	Total
Provision for Landfill Sites	83 786 528	22 847 061	8 943 811	115 577 400

Methodology and Assumptions.

The calculation process comprises two main steps:

1. Escalating the 2025 base costs to the estimated rehabilitation year using 5.05% inflation

2. Discounting projected future costs to present value using:

7.7% discount rate for De Aar (8-year RUL)

9.5% discount rate for Britstown and Hanover (14-year RUL)

The discount rates applied in this assessment were derived from South African government bond yields, in accordance with GRAP 19 paragraphs .52–.54 and the ASB Guideline on Accounting for Landfill Sites (2019). Government bond yields were selected because the municipality does not have sufficient internal investment funds. and GRAP 19 therefore requires the use of a pre-tax, market-based rate that reflects current assessments of the time value of money. The yields used in this report were obtained from publicly available market data published by the South African Reserve Bank (SARB) and National Treasury's Investor Relations pages, which provide benchmark yields for instruments such as the R2030 (medium-term) and the R2040/R2044 (long-term) government bonds. These bonds were chosen because their maturities closely match the remaining useful life of the municipality's landfill liabilities, approximately 8 years for De Aar and 14 years for Britstown and Hanover. Discount factors are based on yield-to-maturity of relevant government bonds and therefore differ from simplified annual compounding. The selected yields (7.7% for the 8-year horizon and 9.5% for the 14-year horizon) therefore represent observable, independently verifiable market data appropriate for discounting the long-term rehabilitation obligations.

5.1 Base Cost (2025)

Landfill	2025 Cost (R)	RUL (Years)
Brits town	16 789 198.25	14
De Aar	130 812 925.49	8
Hanover	10 408 378.58	14

5.2 Inflation to FUture Value (Rounded)

Landfill	Future Value(R)	Inflation Rate
Britstown	33 463 761.15	5.05%
De Aar	194 007 764.86	5.05%
Hanover	20 745 689.55	5.05%

Figures in Rand	2025	2024

19. Provisions (continued)

5.3 Present Value (Rounded)

Landfill	Discunt Rate	Discount Factor	Present Value (R)
Britstown	9.5%	0.280674	9 392 410.89
Hanover	9.5%	0.280674	5 822 777.65
De Aar	7.7%	0.552837	107 254 641.74

Updated Closure Cost Estimates

Emthanjeni Landfill Closure Costs - Line item FV and PV (Rounded)

Britstown Landfill (Rehabilitation in 2039)

Cost item	2025 Cost (R)	Future Value 2039 (R)	Present Value 2025 (R)
Preliminary and General (Rand)	1 745 25	3 478 589	976 350
Site Clearance and Preparation	21 457	42 767	12 004
Storm Water Control Measures (Rand)	1 172 587	2 337 169	655 982
Capping (Rand)	7 905 636	15 757 294	4 422 663
Leachate Management (Rand)	443 875	884 718	248 317
Fencing (Rand)	1 195 775	2 383 386	668 955
Environmental Authorisation (Closure Licence)	478 018	952 772	267 418
Technical ROD	242 394	483 134	135 603
Install Groundwater Monitoring Boreholes	272 304	542 749	152 336
Landscape Architects	161 867	322 630	90 554
Water Use Licence	41 140	81 999	23 015
Topographical Survey	9 831	19 594	5 500
Contingencies (10% of total construction costs)	1 247 518	2 486 518	697 901
Engineering: Professional Fees	1 442 508	2 875 166	806 984
Site Supervision (Engineer's Representative)	294 741	587 470	164 888
Site Supervision (Environmental Control Officer & OHS Agent)	114 294	227 807	63 939
Total (Excl.VAT)	**16 789 198**	**33 463 762**	**9 392 409**

De Aar Landfill (Rehabilitation in 2033)

Cost item	2025 Cost (R)	Future Value 2033 (R)	Present Value 2025 (R)
Prelininary and General	15 089 70	22 379 43	12 372 17
Site Clearance and Preparation	240 704	356 986	197 355
Storm Water Cotrol Measures	3 903 454	5 789 186	3 200 476
Capping	87 327 836	129 515 322	71 600 862
Leachate Management	1 435 342	2 128 746	1 176 850
Fencing	14 250	21 135	11 684
Environment Authorisation (CLosure Licence)	478 266	709 313	392 135
Technical ROD	242 487	359 631	198 817
Landscape Architects	176 762	262 154	144 928
Water Use Licence	41 139	61 013	33 730
Topographical Survey	25 291	37 509	20 736
Contingencies (10% of total construction costs)	10 798 186	16 014 717	8 853 528
Engineering: Professional Fees	8 682 294	12 876 652	7 118 689
Site Supervision (Engineer's Representative)	1 982 787	2 940 658	1 625 705
Site Supervision (Environmental Control Officer & OHS Agent)	374 424	555 309	306 996
	130 812 923	**194 007 765**	**107 254 670**

Figures in Rand	2025	2024

19. Provisions (continued)

Hanover Landfill (Rehabilitation in 2039)

Cost Item	2025 Cost (R)	Future Value 2039 (R)	Present Value 2025 (R)
Preliminary and General	1 001 858	1 996 876	560 471
Site Clearance and Preparation	10 425	20 779	5 832
Storm Water Control Measures	921 384	1 836 478	515 452
Capping	3 899 152	7 771 681	2 181 309
Leachate Management	370 841	739 150	207 460
Fencing	963 479	1 920 380	539 001
Environmental Authorisation (CLosure Licence)	478 267	953 269	267 558
Technical ROD	242 396	483 138	135 604
Install Groundwater Monitoring Boreholes	272 816	543 768	152 622
Landscape Architects	162 792	324 473	91 071
Water use licence	41 139	81 997	23 015
Topographical survey	9 025	17 989	5 049
Contingencies (10% of total construction costs)	716 714	1 428 534	400 952
Engineering: Professional Fees	956 369	1 906 208	535 023
Site Supervision (Engineer's Representative)	240 023	478 408	134 277
Site Supervision (Environmental Control Officer & OHS Agent)	121 696	242 561	68 081
	10 408 376	**20 745 689**	**5 822 777**

20. Capital Replacement

	2025	2024
Reserves		
Capital Replacement Reserve	2 252 793	2 252 793

The Capital Replacement Reserve is used to finance future capital expenditure from own funds.

21. Service charges

	2025	2024
Sale of electricity	110 086 124	92 609 516
Sale of water	28 219 879	44 953 670
Sewerage	22 429 133	25 056 490
Refuse removal	10 582 033	13 860 099
Less: Income forgone	(5 255 485)	(14 957 394)
	166 061 684	**161 522 381**

22. Operational revenue

	2025	2024
Sale of Goods	-	954 518
Valuation Services	55 427	14 111
Cemetery and Burial	373 573	256 480
Sundry Income	140 604	32 658
Building Plan Approval	33 567	-
	603 171	**1 257 767**

23. Rental of facilities and equipment

	2025	2024
Facilities and equipment		
Rental of facilities	472 695	54 103
Rental of equipment	86 891	703 733
	559 586	**757 836**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

24. Interest Earned - Exchange Transactions

Interest Earned from exchange transactions	-	7 307 941

The above interest relates to interest earned by the municipality on exchange transactions

The interest waiver was approved by Council for the current period under review as detailed in municipalities credit control and debt management policy paragraph 4.2.

25. Interest earned external investments

Interest revenue		
Bank	354 350	325 615
Investments	2 750 900	3 401 533
	3 105 250	**3 727 148**

26. Licences and permits

Licences and permits	903 851	859 291

27. Property rates

Rates received

Property rates	60 519 284	54 243 429
Less: Income forgone	(5 310 223)	(4 568 170)
	55 209 061	**49 675 259**

Valuations

Business and Commercial Properties	687 157 000	687 157 000
Agricultural Properties	2 736 303 000	2 736 303 000
Industrial Properties	18 854 000	18 854 000
Mining Properties	1 765 000	1 765 000
Public Service Infrastructure Properties	25 986 000	25 986 000
Residential Properties	1 595 892 000	1 595 892 000
Public Services Properties	348 758 000	348 758 000
Multi Purposes Properties	638 213 000	638 213 000
Vacant Land	82 186 000	82 186 000
	6 135 114 000	**6 135 114 000**

Assessment Rates are levied on the value of land and improvements, which valuation is performed every 5 years. The last valuation came into effect on 1 July 2022. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions and also to accommodate growth in the rate base due mostly to private development.

28. Interest from non-exchange receivables

Property rates	-	6 776 790

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

29. Government grants & subsidies

Operating grants		
Provincial: Sport, Arts and Culture (Library Grant)	1 152 647	1 014 476
National: Financial Management Grant	1 800 000	1 847 664
National Equitable Share	63 197 000	57 856 000
National: Expanded Public Works Programme Integrated Grant	1 020 000	665 000
	67 169 647	**61 383 140**
Capital grants		
National: Municipal Infrastructure Grant	9 155 162	12 049 701
National: Water Services Infrastructure Grant	20 573 585	16 716 929
National: Energy Efficiency and Demand Management Grant	-	4 924 468
Intergrated National Electrification Programme Grant	1 602 907	944 473
	31 331 654	**34 635 571**
	98 501 301	**96 018 711**

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	35 304 301	38 162 711
Unconditional grants received	63 197 000	57 856 000
	98 501 301	**96 018 711**

Equitable Share

In terms of section 227 of the Constitution, this grant is used to enable the municipality to provide basic services and perform functions allocated to it. The Equitable Sahre Grant also provides funding to the municipality to deliver free basic services to poor household and to suibsidise costs of administration and other core services of the municipality. The grant is realised in full upon reciept.

LGSETA

Balance unspent at beginning of year	86 631	-
Current-year receipts	25 888	86 631
	112 519	**86 631**

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

The grant aims to improve service delivery, promote good governance and support municipa planning and spatial transformation. Also to provide skills development and address specific needs within the local government sector

Municipal Infrastructure Grant

Balance unspent at beginning of year	2 410 976	1 719 677
Current-year receipts	7 728 000	12 741 000
Conditions met - transferred to revenue	(9 155 162)	(12 049 701)
	983 814	**2 410 976**

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

The Municipal Infrastructure Grant (MIG) is mainly used to fund infrustructure related projects (mainly as part of the service delivery). Capitalised projects funded by this grant are included in property, plant and equipment whilest the unspent portion of the grant is included in current liabilities.

Figures in Rand	2025	2024

29. Government grants & subsidies (continued)

Department of Education

Balance unspent at beginning of year	1 232 100	1 232 100

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

The grant aims to support and enhance educational services at the local level, particularly for early childhood development and infrastructure development in schools.

Expanded Public Works Programme

Current-year receipts	1 020 000	665 000
Conditions met - transferred to revenue	(1 020 000)	(665 000)
	-	-

This grant was used for the upgrading of Roads facilities.

The purpose of the grant is to incentives municipalities to expand work creation efforts through the use of labour intensive delivery methods in the identified focus arears. In compliance with EPWP quidelines.

Library grant

Balance unspent at beginning of year	56 240	27 716
Current-year receipts	1 096 407	1 043 000
Conditions met - transferred to revenue	(1 152 647)	(1 014 476)
	-	**56 240**

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

The purpose is to fund capital projects and maintenance of library facilities to the community.

Local Government Financial Management Grant

Balance unspent at beginning of year	2 336	-
Current-year receipts	1 800 000	1 850 000
Conditions met - transferred to revenue	(1 800 000)	(1 847 664)
	2 336	**2 336**

Conditions still to be met - remain liabilities (see note18).

The purpose of the grant is to promote and support reforms in financial management by building capacity in municipalities to impement the Municipal Finance Management Act (MFMA), (Act No. 56 of 2003). The FMG Grant also pays for the cost of the Financial Management Internship Programme (e.g. salary costs of the Financial Management Interns)

Water Services Infrastructure Grant

Balance unspent at beginning of year	-	41 929
Current-year receipts	25 627 000	16 675 000
Conditions met - transferred to revenue	(20 573 585)	(16 716 929)
	5 053 415	-

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

Figures in Rand	2025	2024

29. Government grants & subsidies (continued)

The purpose of the grant is to facilitate the planning, acceleration and implmentation of various projects that will ensure availability of water to the community.

Energy Efficiency Grant

Balance unspent at beginning of year	75 532	-
Current-year receipts	-	5 000 000
Conditions met - transferred to revenue	-	(4 924 468)
	75 532	**75 532**

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

The grant aims to provide subsidies to municipalities to implement energy efficiency and demand-side management initiatives within municipal infrastructure in order to reduce electricity consumption and improve energy efficiency.

Integrated National Electrification Programme

Balance unspent at beginning of year	2 380 526	-
Current-year receipts	-	3 324 999
Conditions met - transferred to revenue	(1 602 907)	(944 473)
	777 619	**2 380 526**

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

To implement the Integrated National Electrification Programme by providing capital subsidies to municipalities to increase access to electricity, existing and planned residential dwellings (including informal settlements, farm dwellers, new and existing dwellings) and the installation of relevant bulk infrastructure.

Changes in level of government grants

Based on the allocations set out in the Division of Revenue Act, (B7 of 2025), no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

30. Fines, Penalties and Forfeits

Traffic fines	658 300	408 200

31. Provincial Service-in-kind

Employee related costs paid for by national treasury	380 826	963 714

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

32. Revenue

Service charges	166 061 684	161 522 381
Royalty income	603 171	1 257 767
Rental of facilities and equipment	559 586	757 836
Interest earned from exchange	-	7 307 941
Licences and permits	903 851	859 291
Interest received - investment	3 105 250	3 727 148
Property rates	55 209 061	49 675 259
Debt Relief - Income	1 361 657	1 603 311
Interest earned from non-exchange	-	6 776 790
Government grants & subsidies	98 501 301	96 018 711
Fines, Penalties and Forfeits	658 300	408 200
Provincial Service In Kind	380 826	963 714
	327 344 687	**330 878 349**

The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	166 061 684	161 522 381
Royalty income	603 171	1 257 767
Rental of facilities and equipment	559 586	757 836
Interest earned from exchange	-	7 307 941
Licences and permits	903 851	859 291
Interest received - investment	3 105 250	3 727 148
	171 233 542	**175 432 364**

The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	55 209 061	49 675 259
Debt Relief - Income	1 361 657	1 603 311
Interest earned from non-exchange	-	6 776 790
Transfer revenue		
Government grants & subsidies	98 501 301	96 018 711
Fines, Penalties and Forfeits	658 300	408 200
Provincial Service In Kind	380 826	963 714
	156 111 145	**155 445 985**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

33. Employee related costs

Basic	67 425 088	69 068 558
Bonus	6 416 384	5 666 602
Acting allowances	1 110 732	697 161
Car allowance	1 952 471	2 147 422
Overtime	6 871 137	5 469 923
Standby allowances	989 057	1 322 520
Cell phone allowance	381 710	420 081
Housing benefits and allowances	264 113	217 548
Long-service awards	495 667	477 022
Current Service Cost	964 000	1 007 000
Expected benefit vesting	(2 360 600)	(2 236 700)
Group insurance	51 085	56 432
Bargaining council	42 979	43 563
Medical aid	3 288 180	1 981 149
Other allowance	-	4 659 857
Pension and UIF	12 698 303	12 977 025
Staff leave	1 905 269	1 328 547
Motor Vehicle allowances	61 690	15 797
Uniform/Special/Protective Clothing	364 280	-
	102 921 545	**105 319 507**

Remuneration of Municipal Manager: Mr DH Molaole

Annual Remuneration	612 242	585 607
Travel Allowance	447 648	492 000
Cellphone Allowance	60 000	60 000
Contribution to Unemployment Insurance Fund	2 125	2 125
Remote Area Allowance	111 312	107 760
Performance Bonus	155 844	-
Other Contributions	1 196	1 148
Back Pay	57 195	-
	1 447 562	**1 248 640**

Remuneration of Acting Chief Financial Officer - Ms SN Jordan

Remote Area Allowance	36 866	88 477
Contributions to Unemployment Insurance Fund	597	1 219
Back Pay	23 260	-
Cellphone Allowance	15 000	36 000
Other Contributions	59	125
	75 782	**125 821**

Acting July 2024 to November 2024

Remuneration of Acting Chief Financial Officer - Mr. L. Ndlovu

Annual Remuneration	170 433	-
TravelAllowance	43 584	-
Cellphone Allowance	3 324	-
Contributions to Unemployment Insurance Fund	531	-
Contribution to Pension	30 678	-
Contribution to Medical Aid Fund	6 899	-
Other contribution	36	-
	255 485	**-**

Figures in Rand	2025	2024

33. Employee related costs (continued)

Acting 1-30 June 2025

Remuneration of Director: Community Services- Mr HM Joka

Annual Remuneration	548 381	525 990
Travel Allowance	165 504	159 120
Bonus	45 698	44 262
Contributions to Unemployment Insurance Fund	2 125	2 125
Performance Bonus	248 216	-
Remote Area Allowance	91 397	91 054
Cellphone Allowance	36 000	36 000
Other Contributions	143	137
Onceoff Allowance	-	20 340
Diverse	(11 254)	(1 145)
Back Pay	52 457	34 360
Contribution to Pension Fund	98 709	94 678
Contrbution to Medical Aid Fund	64 663	49 154
	1 342 039	**1 056 075**

Remuneration of Director: Technical Services- Ms. L Thiso

Annual Remuneration	548 381	540 000
Travel Allowance	175 392	146 880
Bonuses	45 698	45 000
Contributions to Unemployment Insurance Fund	2 125	2 125
Remote Area Allowance	91 397	91 054
Performance Bonus	248 216	-
Cellphone Allowance	36 000	36 000
Diverse	8 180	11 141
Onceoff Allowance	-	20 340
Back Pay	53 790	54 700
Contribution to Pension Fund	98 709	97 200
Contribution to Medical Aid Fund	35 341	32 810
Other Contributions	143	137
	1 343 372	**1 077 387**

Remuneration of Acting Director : Technical Services - Ms. D.Mjandana

Annual Remuneration	624 152	584 551
TravelAllowance	131 786	125 484
Bonuses	52 908	48 713
Housing Allowance	13 373	12 797
Cellphone Allowance	36 000	20 866
Acting Allowance	78 202	24 356
Back Pay	4 489	-
Contribution to Unemployment Insurance Fund	2 125	2 125
Contribution to Pension Fund	113 155	105 219
Contribution to Medical Aid	62 064	56 988
Other Contributions	143	137
	1 118 397	**981 236**

Acting July 2024 to June 2025

Remuneration of Acting Director: Corporate Services - Mr S ST Felix

Figures in Rand	2025	2024

33. Employee related costs (continued)

Annual Remuneration	-	349 171
Bonus	-	49 882
Travel Allowance	-	73 199
Leave Pay	-	79 012
Cellphone Allowance	-	23 062
Acting Allowance	-	44 631
Contribution to Unemployment Insurance Fund	-	1 240
Contribution to Pension Fund	-	62 851
Contribution to Medical Aid Fund	-	24 068
Other Contributions	-	80
	-	**707 196**

Acting July 2023 to I January 2024

34. Remuneration of councillors

Travel Allowance	1 368 816	1 269 124
Annual Remuneration	4 544 034	3 799 688
Executive Mayor Cellphone Allowance	693 787	651 200
	6 606 637	**5 720 012**

In-kind benefits

The Executive Mayor and Speaker are full-time. Each is provided with an office and secretarial support at the cost of the Council.

The Executive Mayor is entitled to stay at the mayoral residence owned by Council at no cost. The Executive Mayor has use of a Council owned vehicle for official duties.

35. Depreciation and amortisation

Property, plant and equipment	49 540 749	53 756 898

36. Finance costs

Provision for Landfill Sites	(2 261 997)	22 847 061
Borrowings	539 765	226 980
Employee Benefits Obligation	2 918 300	2 890 300
Overdue creditors	39 346 316	23 073 443
	40 542 384	**49 037 784**

37. Debt Relief Income

Debt Relief Income	1 361 657	-

Auditor General of South Africa granted the municipality a 1% total debt as part of a debt relief programme.

38. Bulk purchases

Electricity - Eskom	110 059 507	94 084 280

Figures in Rand			2025	2024

38. Bulk purchases (continued)

Electricity losses

	Number 2025	Number 2024		
Units purchased (KWH)	108 972 181	56 554 088	51 978 580	94 084 280
Units sold(KWH)	(101 548 347)	(53 408 998)	(48 437 490)	(88 852 058)
Total loss	**7 423 834**	**3 145 090**	**3 541 090**	**5 232 222**
Percentage Loss:				
Technical losses	6.81 %	5.56 %	- %	5.56 %

Water losses

	Number 2025	Number 2024		
Units purchased	3 086 815	3 659 945	3 920 255	4 648 130
Units sold	(2 201 192)	(2 579 382)	(2 795 514)	(3 275 815)
Total	**885 623**	**1 080 563**	**1 124 741**	**1 372 315**
Percentage Loss:				
Technical losses	28.7 %	29.5 %	28.7 %	29.5 %

39. Contracted services

	2025	2024
Outsourced Services		
Business and Advisory	-	395 674
Catering Services	515 995	395 766
Internal Auditors	301 591	286 957
Litter Picking and Street Cleaning	29 069	46 795
Medical Services Medical Health Services & Support	123 605	130 061
Personnel and Labour	720	404 883
Security Services	8 009 787	6 934 265
Drivers Licence Cards	99 217	99 068
Consultants and Professional Services		
Business and Advisory	8 593 701	7 554 314
Infrastructure and Planning: Civil & Electrical	4 360	191 623
Laboratory Services	523 556	28 125
Legal Cost: Legal Advice and Litigation	1 354 890	882 591
Contractors		
Distribution of Electricity by Others:Network Charges	7 812 085	781 373
Maintenance of Buildings and Facilities	-	61 916
Maintenance of Equipment	-	90 733
Maintenance of Unspecified Assets	-	2 648 964
Printing services	119 949	148 060
Prepaid Electricity Vendors	-	173 863
Traffic Fines Management	-	10 000
	27 488 525	**21 265 031**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

40. Operational Costs

Advertising	33 915	35 892
Auditors remuneration	5 189 090	3 746 010
Bank charges	431 163	327 190
Commission paid	1 214 609	971 266
Conferences and seminars	-	25 087
Electricity - Eskom connection fees	9 886 288	8 089 577
Entertainment	183 138	185 164
Licences and permits cards	227 133	-
Meter readers wages	31 839	39 120
Fuel and oil	2 810 848	6 159 427
Hire	1 491 860	108 918
IT expenses	925 975	1 050 094
Insurance	1 823 474	1 592 694
Postage and courier	30 240	5 100
Printing and stationery	228 550	305 486
SDL	1 000 702	92 616
Other expenses	1 124 102	13 127
Subscriptions and membership fees	1 855 441	1 683 904
Telephone and fax	1 841 183	1 798 978
Travel - local	4 628 868	2 596 340
Uniforms	83 515	1 064 061
Utilities	1 034 004	293 189
	36 075 938	**30 183 240**

41. Fair value adjustments

Other financial assets		
• Fair value through profit or loss	4 615	5 791

Fair value adjustments relates to the fair value changes on the OVK shares held by the municipality.

42. Reversal of Impairment Loss/(Impairment Loss)

Impairments		
Trade receivables from exchange and non-exchange	(102 977 982)	(55 715 418)

43. Auditors' remuneration

Audit expense	5 189 090	3 746 010

Figures in Rand	2025	2024

44. Cash generated from operations

	2025	2024
Deficit	(164 899 463)	(95 731 877)
Adjustments for:		
Depreciation and amortisation	53 111 620	53 756 898
Fair value adjustments	(4 615)	(5 791)
Actuarial gains/loss	(150 000)	-
Debt Impairment	102 977 984	55 715 417
Movement in Provisions liability-interest	-	8 943 811
Movements in retirement benefit assets and liabilities	-	1 660 600
Movements in Employee benefit obligation- actuarial value	1 521 700	-
Other non-cash items	-	34 587
Movement on provision liability - discount factor	6 892 455	22 847 061
Movement in employee benefit obligation	-	(857 300)
Changes in working capital:		
Inventories	600 618	1 040 487
Receivables from exchange transactions	(92 486 690)	6 325 702
VAT receivable	(9 302 626)	2 067 200
Receivables from Non-Exchange Transactions	(8 693 486)	(127 505 084)
Payables from exchange transactions	157 511 111	106 674 958
Employee benefit - leave and bonus	12 344 237	12 216 919
Unspent conditional grants and receipts	1 992 995	(1 477 080)
Consumer deposits	115 225	98 767
	61 531 065	**45 805 275**

45. Financial instruments disclosure

Categories of financial instruments

2025

Financial assets

	At amortised cost	Total
Trade and other receivables from exchange transactions	67 673 898	67 673 898
Other receivables from non-exchange transactions	40 179 852	40 179 852
Cash and cash equivalents	36 909 316	36 909 316
	144 763 066	**144 763 066**

Financial liabilities

	At amortised cost	Total
Other financial liabilities	5 831 067	5 831 067
Trade and other payables from exchange transactions	516 055 971	516 055 971
Unspent conditional grants	8 237 337	8 237 337
Consumer deposit	3 142 183	3 142 183
	533 266 558	**533 266 558**

2024

Financial assets

	At amortised cost	Total
Trade and other receivables from exchange transactions	68 021 754	68 021 754

Figures in Rand	2025	2024

45. Financial instruments disclosure (continued)

Other receivables from non-exchange transactions	41 629 799	41 629 799
Cash and cash equivalents	26 309 053	26 309 053
	135 960 606	**135 960 606**

Financial liabilities

	At amortised cost	Total
Other financial liabilities	5 612 363	5 612 363
Trade and other payables from exchange transactions	346 594 372	346 594 372
Unpent conditional grants	6 244 342	6 244 342
Consumer deposits	3 026 958	3 026 958
	361 478 035	**361 478 035**

46. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Property, plant and equipment	59 988 028	86 798 984
Total capital commitments		
Already contracted for but not provided for	59 988 028	86 798 984

Total commitments

Total commitments		
Authorised capital expenditure	59 988 028	86 798 984

This committed expenditure relates to property and will be financed by available bank facilities, retained surpluses, existing cash resources, funds internally generated, etc.

Figures in Rand	2025	2024

47. Contingencies

Contingent Liabilities

Nature of the litigation		
Emthanjeni/ Inzalo Enterprise Management Systems (Pty) Ltd - The law suit is on going. Third parties have instituted litigation against the municipality (and have cited the municipality as a Defendant/Respondent). The municipality is currently in a legal dispute for the outstanding debt.	9 249 173	9 249 173
Emthanjeni/ Hamsa Cosulting - The lawsuit is on going. Litigation is in relation to the supply of solar streetlights. The matter will be heard in court in the year 2025. As at 30 June 2025 the litigation was still underway and therefore the outcome was still uncertain.	1 637 734	1 637 734
Emthanjeni//Various farmers -There is a brewing dispute between the Municipality and various land owners abouttheextraction of water by the Municipality from farms. It is foreseen that these land ownersmay institute legal claims against the Municipality in due course. At 30 June 2025 thepossible claim amount could not be measured with certainty.	-	-
Emthanjeni/Sindile Xontile - This matter is postponed until 14 September 2022 for Mr. Xontile to come to court withan attorney. Due to the nature and the fact that we do not know how long this litigationwill proceed we are unable to tell in rand value what the expenses will be.	-	-
Louis Charles Marais Testamentêre Trust/Emthanjeni -Servitude of aqueduct, compensation payable in terms of court order	2 100	2 100
Blaauwkrantz Boerdery CC/Emthanjeni - Servitude of aqueduct, compensation payable in terms of court order	-	19 500
JCM Venter/Emthanjeni - Servitude of aqueduct, compensation payable in terms of court order	-	26 250
	10 889 007	**10 934 757**

Contingent assets

There are current open files (in the following matters) in which the Municipality instituted litigation as the Plaintiff/Applicant:

Nature of the Matter		
Fusion Guarantees (Pty) Ltd/Emthanjeni - The lawsuit is ongoing. Claim in favor of the municipality.	1 329 326	1 329 326
Lubacon Civils/Emthanjeni - The litigation is in relation to capital project for the implementation of boreholes. As at year end, the litigation was still under way and therefore outcome was still uncertain. Claim in favour of the municipality plus interest at the prescribed rate (Act 55 of 1975) and cost of suit.	4 945 000	4 945 000
CJ DU PLESSIS & OTHERS (re S OLAR CAPITAL) CASENO. 1 508/2018 & 332/2021 - Settlement eminent. Settlementdoes not settle the proceedingsinstituted in the High Court forthe recovery of arrear property	-	-
CASE NO. 2 602/2017 & CJ DU PLESSIS & O THERS CASE NO:2599/2017 & 2 601/2017 - Settlement eminent. Settlementdoes not settle the proceedingsinstituted in the High Court forthe recovery of arrear propertyrates.	-	-
CJ DU PLESSIS N.O. & OTHERS/Emthanjeni Local M unicipalityCASE N O: 1798/2021 - The Municipality issued Summons against theDefendant for arrear rates andtaxes.Pleadings have been exchanged andapplication for a trial date willfollow after apre-trial has beenheldIt is highly likely that theMunicipality will recover thearrear rates and taxes.	-	-

Figures in Rand	2025	2024
47. Contingencies (continued)		
S NAUDE & OTHERS/Emthanjeni Local M unicipalityCASE N O: 1821/2024 - The Municipalityissued Summons against theDefendant for arrear rates andtaxes.Pleadings have been exchanged andapplication for a trial date willfollow after a pre-trial has beenheld It is highly likely that theMunicipality will recover thearrear rates and taxes.	-	-
Sevens 150(Pty)Ltd/Emthanjeni - Retransfer of Erf 9111 De Aar to the Municipality, cost of suite (attorney-client scale), cost of retransfer;	-	-
	6 274 326	**6 274 326**

Uncertainties relating to amount and timing of outflows

The amounts disclosed above for all cases represent the municipality's best estimates based on legal advice and currently available information. However, there is significant uncertainty regarding the amount and timing of any potential outflows, as these depend on the final outcome of ongoing legal proceedings, negotiations, or appeals. The timing of resolution for each matter is also uncertain. The municipality will continue to assess these matters and will recognise a provision when it becomes probable that an outflow will be required and the amount can be reliably estimated.

Figures in Rand	2025	2024

48. Related parties

Relationships

Accounting Officer with significatnt influence	Refer to note 33
Memeber of key management with significant influence	Refer to note 33
Councillors with significant influence and control	Refer to General information and note 34
Councillors Arrear Accounts	Refer to note 55
Key Management and council interest in other companies	
Councillor PP Mhlauli	Ncedis Bakery Primary Co-Operative
Councillor J Fortuin	Jupiter Contruction and Enterprise
	Ziyeka Security and trading Company
Councillor RH Adams	Pixley Seme Boys 2 Man
Councillor R smith	Rehoboth Joan Wertheim Centre
Councillor M Booysen	Van Zyl Booysen Institution
Acting Chief Financial Officer - S.Jordan	Afrire Skies Solution
Director Infrustructure - L Thiso	Dirahata
Municipal Manager - D Molaole	Mosiu 1640 Mining Company
	Phimola Keledi Burial
Director Community Service - H Joka	The Rise of the Umpire

Related party balances

	2025	2024
Amounts included in Trade receivable regarding related parties		
Director Community Service - HM Joka	138 149	130 200

Outstnding municipal accounts

Key management information

Class	Description	Number
Executive management	Senior Management	4
Mayor	Honorable Mayor	1
Councillors	Councillors	17
Municipal Managers	Accounting Officer	1

Remuneration of management

Management class: Councillors

2025

Name	Basic salary	Back-pay	Travel Allowance	Cellphone Allowance	Skills Development levy	Travel and subsistence allowance	Total
Hon. GL Nkumbi	657 509	69 253	219 170	45 919	9 395	31 874	1 033 120
Cllr. MC Kivedo (Speaker)	526 007	55 924	175 336	45 919	7 452	122 449	933 087
Cllr. M.Mvenya	208 078	19 933	74 834	50 921	-	2 801	356 567
Cllr. FCS Swanepoel	208 078	23 696	69 360	45 919	3 332	14 965	365 350
Cllr. JT Brandt	208 078	23 970	69 359	45 919	3 335	8 586	359 247
Cllr. GK Engelbrecht	259 235	29 364	88 175	45 919	4 051	1 175	427 919
Cllr. LE Andrews	275 104	31 465	91 701	45 919	4 258	44 546	492 993
Cllr. JM Fortuin	208 078	23 696	69 359	45 919	3 332	3 440	353 824
Cllr. PP Mhlauli	208 078	23 696	69 359	45 919	3 015	14 369	364 436
Cllr. PN Bushula	208 078	23 696	69 360	45 919	3 015	1 623	351 691
Cllr. R Smith	223 947	25 471	74 649	45 919	3 294	-	373 280
Cllr. B Swanepoel	208 078	23 696	69 360	45 919	3 015	3 039	353 107

Figures in Rand	2025	2024

48. Related parties (continued)

Cllr. RH Adams-Beukes	208 078	23 696	69 360	45 919	3 332	-	350 385
Cllr.MST Booysen	208 078	23 696	69 360	45 919	3 015	-	350 068
Cllr. MN Mackay	267 034	27 394	90 073	45 919	4 124	34 165	468 709
Cllr. SW Makhandula	-	13 847	-	-	-	-	13 847
	4 081 538	**462 493**	**1 368 815**	**693 787**	**57 965**	**283 032**	**6 947 630**

2024

Name	Basic salary	Back Pay	Travel allowance	Cellphone Allowance	Skill Development Levy	Travel and susistence allowance	Total
Hon. GL Nkumbi	622 686	-	207 562	44 400	8 331	37 847	920 826
Cllr. MC Kivedo (Speaker)	498 149	-	166 050	44 400	6 532	62 157	777 288
Cllr. M Mvenya	252 891	-	86 845	44 400	3 668	27 505	415 309
Cllr. FCS Swanepoel	32 843	16 422	16 422	1 100	-	-	66 787
Cllr. JT Brandt	197 058	-	65 688	44 400	2 768	7 406	317 320
Cllr GK Engelbrencht	98 529	-	32 844	22 200	1 470	12 644	167 687
Cllr.LE Andrews	197 058	-	65 686	44 400	2 940	12 393	322 477
Cllr. JM Fortuin	197 058	-	65 688	44 400	2 940	-	310 086
Cllr.PP Mhlauli	260 534	975	86 845	44 400	3 754	17 899	414 407
Cllr. PN Bushula	197 058	-	65 686	44 400	2 940	7 809	317 893
Cllr. R Smith	197 058	-	65 686	44 400	2 644	19 950	329 738
Cllr. B Swanepoel	197 058	-	65 688	44 400	2 644	1 461	311 251
Cllr. RH Adams-Buekes	260 534	-	86 844	44 400	3 353	11 335	406 466
Cllr.MST Booysen	197 058	-	65 688	44 400	2 644	14 074	323 864
Cllr. MN Mackay	197 058	-	65 688	44 400	2 940	9 219	319 305
Cllr. SW Makhandula	197 058	-	65 688	44 400	2 644	3 174	312 964
	3 799 688	**17 397**	**1 274 598**	**644 900**	**52 212**	**244 873**	**6 033 668**

Refer to note "Remuneration of councillors"34

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

Management class: Senior management

2025

Name	Travel and subsistence allowance	Leave Accrual	Bonus Accrual	Skills Development Levy	Performance Bonus Accrual	Total
DH Molaole	36 822	117 900	-	-	202 194	356 916
SN Jordan	676	-	-	524	-	1 200
L Ndlovu	10 793	16 362	14 203	2 022	-	43 380
HM Joka	4 140	105 289	22 849	11 175	164 696	308 149
L Thiso	26 327	105 289	11 425	11 155	168 988	323 184
D Mjandana	7 450	53 331	-	9 295	-	70 076
	86 208	**398 171**	**48 477**	**34 171**	**535 878**	**1 102 905**

2024

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

48. Related parties (continued)

Name	Travel and subsitence allowance	Leave Accrual	Bonus accrual	Skills Development Levy	Performance Bonus Accrual	Total
DH Molaole	15 545	61 067	-	-	174 351	250 963
SN Jordan	7 572	-	-	1 251	-	8 823
HM Joka	4 853	101 980	-	8 566	127 718	243 117
SST Felix	4 040	-	-	5 151	-	9 191
L Thiso	22 361	86 400	-	8 539	132 316	249 616
D Mjandana	9 221	30 397	4 059	8 036	-	51 713
	63 592	**279 844**	**4 059**	**31 543**	**434 385**	**813 423**

*Refer to note "Employee related costs"33 for detailed remuneration of senior management.

The municipality has the above mentioned current employee benefit obligations, and made other non-employee cost related cost
payments towards senior management for the financial year ended 30 June 2025 and 30 June 2024 respectively

Leave accrual and bonus accrual balances due to key management on year end is stated as per above tables:

Figures in Rand	2025	2024

49. Prior period errors

Statement of Financial Position

Figures in Rand	Note(s)	Previously reported	Adjustment	Re-classification	Restated	Referen
Assets						
Current Assets						
Inventories	3	24 476 051	-	-	24 476 051	
Receivables from non-exchange transactions	4	41 960 137	(330 338)	-	41 629 799	
VAT receivable	5	-	11 932 800	13 177 722	25 110 522	
Receivables from exchange transactions	6	156 322 393	(88 300 639)	-	68 021 754	
Cash and cash equivalents	7	26 236 800	72 253	-	26 309 053	
		248 995 381	**(76 625 924)**	**13 177 722**	**185 547 179**	
Non-Current Assets						
Investment property	8	8 767 885	-	-	8 767 885	
Property, plant and equipment	9	788 529 152	2 495 151	-	791 024 303	
Intangible assets	10	16 912	-	-	16 912	
Heritage assets	11	6 833 773	-	-	6 833 773	
Investments	12	42 149	-	-	42 149	
		804 189 871	**2 495 151**	**-**	**806 685 022**	
Total Assets		**1 053 185 252**	**(74 130 773)**	**13 177 722**	**992 232 201**	
Liabilities						
Current Liabilities						
Other financial liabilities	13	2 434 249	(1 317 269)	-	1 116 980	
Payables from exchange transactions	14	338 729 680	(4 352 227)	12 216 919	346 594 372	
Payables from non-exchange	15	11 577 786	-	-	11 577 786	
VAT payable		13 177 722	-	(13 177 722)	-	
Consumer deposits	16	3 026 958	-	-	3 026 958	
Employee benefit obligation	17	14 506 919	67 100	(12 216 919)	2 357 100	
Unspent conditional grants and receipts	18	9 442 122	(3 197 780)	-	6 244 342	
		392 895 436	**(8 800 176)**	**(13 177 722)**	**370 917 538**	
Non-Current Liabilities						
Other financial liabilities	13	5 801 986	(1 306 603)	-	4 495 383	
Employee benefit obligation	17	23 285 001	480 100	-	23 765 101	
Provisions	19	84 476 496	31 100 904	-	115 577 400	
		113 563 483	**30 274 401**	**-**	**143 837 884**	
Total Liabilities		**506 458 919**	**21 474 225**	**(13 177 722)**	**514 755 422**	
Net Assets		**546 726 333**	**(95 604 998)**	**26 355 444**	**477 476 779**	
Capital Replacement	20	2 252 793	-	-	2 252 793	
Accumulated surplus		544 473 541	(69 249 555)	-	475 223 986	
Total Net Assets		**546 726 334**	**(69 249 555)**	**-**	**477 476 779**	

49. Prior period errors (continued)

Statement of Financial Performance

Figures in Rand	Note(s)	Previously reported	Adjustment	Re-classification	Restated	Re
Revenue						
Revenue from exchange transactions						
Service charges	21	186 300 477	(24 778 096)	-	161 522 381	
Operational revenue		1 187 613	70 154	-	1 257 767	
Rental of facilities and equipment	23	655 596	102 240	-	757 836	
Interest earned - exchange transactions		11 889 797	(4 581 856)	-	7 307 941	
Licences and permits		455 427	403 864	-	859 291	
Interest on investments	25	3 727 148	-	-	3 727 148	
Total revenue from exchange transactions		**204 216 058**	**(28 783 694)**	**-**	**175 432 364**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	27	46 150 045	3 525 214	-	49 675 259	
Debt Relief Income	37	-	1 603 311	-	1 603 311	
Interest earned from non-exchange		5 540 671	1 236 119	-	6 776 790	
Transfer revenue						
Government grants & subsidies	29	97 520 932	(1 502 221)	-	96 018 711	
Fines, Penalties and Forfeits		408 200	-	-	408 200	
Provincial service in kind		963 714	-	-	963 714	
Total revenue from non-exchange transactions		**150 583 562**	**4 862 423**	**-**	**155 445 985**	
Total revenue	32	**354 799 620**	**(23 921 271)**	**-**	**330 878 349**	
Expenditure						
Employee related costs	33	(105 386 207)	66 700	-	(105 319 507)	
Remuneration of councilors	34	(5 720 012)	-	-	(5 720 012)	
Depreciation and amortisation	35	(53 756 898)	-	-	(53 756 898)	
Impairment loss/ Reversal of impairments	42	(39 755 252)	-	39 755 252	-	
Finance costs	36	(20 365 754)	(28 672 030)	-	(49 037 784)	
Fines written off		-	-	-	-	
Bulk purchases	38	(94 084 280)	-	-	(94 084 280)	
Contracted services	39	(20 801 183)	(463 848)	-	(21 265 031)	
Inventory consumed		(11 640 903)	(750 244)	-	(12 391 147)	
Operational costs	40	(25 434 389)	(4 748 851)	-	(30 183 240)	
Total expenditure		**(376 944 878)**	**(34 568 273)**	**39 755 252**	**(371 757 899)**	
Operating surplus (deficit)		**(22 145 258)**	**(58 489 544)**	**39 755 252**	**(40 879 550)**	
Fair value adjustments	41	5 791	-	-	5 791	
Actuarial losses	17	877 000	(19 700)	-	857 300	
Reversal of impairment loss/impairment loss on receivables		-	(15 960 166)	(39 755 252)	(55 715 418)	
		882 791	**(15 979 866)**	**(39 755 252)**	**(54 852 327)**	
Deficit for the year		**(21 262 467)**	**(74 469 410)**	**(39 755 252)**	**(95 731 877)**	
Attributable to:						
Unauthorised expenditure		116 630 126	555 758 391	-	672 388 517	
Related parties - Senior managers other benefit		-	813 423	-	813 423	
		116 630 126	**556 571 814**	**-**	**673 201 940**	

* See Note 49

Figures in Rand	Note(s)	2025	2024 Restated*

49. Prior period errors (continued)

Related Parties was restated as a result of other benefits received by management not previously disclosed

Name
DH Molaole
SN Jordan
HM Joka
SST Felix
L Thiso
D Mjandana

Employee benefit Obligation was decreased due to the payable amount of leave accrual (R3 367 981) and bonus accrual (R8 848 938) being included in the figure then disclosed in prior year, the amounts were then reclssified to trand and other payble exchange transactions.

Government grants revenue was restated as a result of expenditure incorrectly recognised in the prior year.

It was further adjusted as a result of recognition for Ex-gratia obligation which had not been recognised during the year, 67 100 was recognised for current portion and 480 100 was recognised for the non current portion .

Operational revenue was restated as a result of income earned in the prior year that had not been accounted for.

Value Added Tax - payable and receivables

VAT payable was reclassified to VAT receivables to comply with the recommended option in an mSCOA environment where VAT balances are represented by various movement aacounts. This adjustement resulted in VAT payable line item decrease of R13 177 722.00 and an increase in VAT receivables with the same amount and as a result of the corrections that were done on monthly billing and corrections on expenditure that was misstated in the prior year.

Receivables from non exchange transactions were restated as a result of the corrections that were done on monthly billing.

Rental of facilities was restated as a result of rental income that had not been accrued for in the 2024 financial year.

Actuarial gains was restated as a result of the recognition on the actuarial loss on ex gratia benefit obligation.

Payables from non-exchange transaction - was written offretrospectively by council in the current year under review.

Reversal of impairment loss - was reclassified from operational expenditure and separately disclosed due to the restatement of receivables from exchange and non-exchange transaction as well as a change in the methodology of impairment resulting from the municipality upgrade of the billing system.

Other Financial liabilities was adjusted due to an error in the recignision of interest incurred which was recognised in full for the full duration of the loan and not that which only incurred in the period being reported as per GRAP 5 disclosure requirment.

Cash and cash equivalents was restated as a result of transactions on the bank statements that were not captured in the cashbook resulting in differences between cashbook and the bank confirmation.

Contracted services - adjusted due to contract supplier expenditure not previously raised due to delay in the receipting of invoices and statements from suppliers.

Receivables from exchange transactions were restated as a result of the corrections that were done on monthly billing.

* See Note 49

49. Prior period errors (continued)

Accumulated surplus was restated as a result of corrections that were effected on all line items of the Statement of Financial Performance and Statement of Financial Position

Service charges was restated as a result of errors that were noted on the customer billing.

Property rates was restated as a result of errors that were noted on customer billing.

Licenses and permit was restated due to the incorrec recognisition of RTMC liability as revenue in the prior year.

Other financial liabilities (Borrowings) current and non current portion were restated as a result of the future interest cost that was incorrectly accounted for as part of amounts owing at year end. The restatement was done to ensure that the amounts recorded on the financial statements reconcile to the actual amounts owing to the bank

Property, Plant and Equipment

Increase in carrying amount of assets due to IT equipment correction of R176 005,Increase in opening accumulated depreciation for furniture R41 562,Increase in carrying amount of Machinery and Equipment due to opening balance error R39 210 in 2022/2023 financial year.

Reduction in accumulated surplus due to adjustment for roads infrastructure R267 994,Reduction in accumulated surplus dur to adjustment for IT equipment of R176 005 and reduction in opening accumulated surplus due to furniture adjustment of R41 562 in 2022/2023 financial year

Increase in Community assets due to capitalisation of expensed assets R39 211,Increase in landfil site due to correction of casting error R99311 and Increase in accumulated depreciation for roads infrastructure R267 994 due to opening balance error in 2023/2024 financial year

Decrease in expenditure due to capitalisation of expensed Community assets R39 211 in the 2023/2024 financial year.

Payables from exchange was restated as a result of the reclassification of leave and bonus accrual. It was further restated as a result of expenditure that was not accounted for during the year and allocation of payments to customer accounts.

Unspent government grants was restated due to amount of revenue not previously recognised.

Provisions were restated as a result of an error that was noted in the prior year calculations

Interest from non exchange was restated as a result of corrections that were effected on revenue and receivables

Debt relief was restated as a result of the debt relief that was given to the municipality by the Auditor General

Employee costs was restated as a result of ex gratia that was adjusted for

Finance costs was restated as a result of interest on borrowings and creditors correction

Inventory consumed was restated as a result of corrections on expenditure that was not correctly accounted for.

Operational expenses was restated as a result of corrections on expenditure that was not correctly accounted for.

Debt impairment was restated as a result of the corrections that were done on receivables

Unauthorised expenditure was restated due to the adjustment made to the priro year operationa and capital expenditure.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

50. 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.

Liquidity risk

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

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

At 30 June 2025	Less than 1 year	Between 1 and 2 years
Other finanacial liabilities	1 172 191	4 658 876
Trade and other payables	516 055 971	-
Consumer deposits	3 142 183	-
Unspent conditional grants and receipts	8 237 337	-
Payables from non-exchange	11 577 786	-

At 30 June 2024	Less than 1 year	Between 1 and 2 years
Other financial liabilities	1 116 980	4 495 383
Trade and other payables	346 594 372	-
Consumer deposits	3 026 958	-
Unspent conditional grants and receipts	6 244 342	-
Payables from non-exchange	11 577 786	-

Credit risk

Credit risk is the risk that a counter party to a financial or non-financial asset will fail to discharge an obligation and cause the Municipality to incur financial loss.

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

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors.

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

Financial instrument	2025	2024
Receivables from exchange transactions	67 673 898	68 021 754
Receivables from non-exchange transactions	40 179 852	41 629 799
Cash and cash equivalents	36 909 316	26 309 053

Market risk

* See Note 49

Figures in Rand	2025	2024

50. Risk management (continued)

Interest rate risk

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates, which expose the Municipality to cash flow interest rate risk. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk.

During 2025 and 2024, the entity's borrowings at variable rate were denominated in the Rand. The entity analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing. Based on these scenarios, the entity calculates the impact on surplus and deficit of a defined interest rate shift. For each simulation, the same interest rate shift is used for all currencies

51. Going concern

Despite the above negative indicators, the municipality is a going concern because of the following:

It is a state entity set up by the Constitution of the Republic of South Africa to provide basic services to the community and is also funded by the state for that purpose. Failure to provide these services will prompt National Government intervention to ensure it stays functional and ale to deliver basic services and consequently compliance with the Constitution.

51. Going concern (continued)

	2025/26	2026/27	2027/28
Municipal Infrastructure Grannt	10 452 000	14 749 000	15 228 000
Integrated National Electrification Programme(Municipal)Grant	-	2 500 000	2 613 000
Water Service Infrastructure Grant	28 285 000	30 000 000	11 750 000
Equitable Share Grant	66 014 000	68 584 000	71 668 000
	104 751 000	**115 833 000**	**101 259 000**

Going Concern Assessment

Objective: To determine the suitability of the Gong Concern assumption used in the preparation of the Annual Financial Staments. The Government's ability to undertake its objective to provide service delivery in the foreseeable future and the main objective to eliminate unpaid and unauthorised expenses.

Consideration: Government support, Liquidty and Solvency, Cashflow.

1. **Government Support**

The municipality is primarily funded by grants, and this is the primary consideration in determining whether the municipality will be a going concern.

The DORA(introduced by the Government Gazette no.52061 of 7 February 2025), indicates that the municipality wll continue to receive funding for the 2025/2026,2026/2027 and 2027/2028 financial years. Management is not aware of any policy decisions at Provincial or National level which may impact on the ability of the municipality to continue as a going concern.

Conclusion: There is no indication that government will withdraw support. There is no indication of a going-concern risk.

2. **Liquidity and Solvency**

Net Assets:

Total Liabilities	=	647 160 464
Total Assets	=	1 001 601 770
		354 441 306

The municipality is in a net asset position, therefore, it is not technically insolvent

Debt Ration:

Total Liabilities	=	647 160 464	=	0.65	: 1
Total Assets		1 001 601 770			

The debt ration is well below the 'norm' of 1:1, indicating that the municipality's debt is low in relation to it's assets.

Liquidity Ratio:

Current Assets	=	202 888 236	=	0.38
Current Liabilities		530 806 168		

The liquidity ratiois marginally below the normof 2, indicates that th municipaility has financial difficulties in covering it's immediat debts.

Figures in Rand	2025	2024

51. **Going concern (continued)**

Acid test ratio:

Current Assets - Inventory =	179 012 803	=	0.34
Current Liabilities	530 806 168		

This result is below 1: this indicates that the municipality is likely to have difficulty paying all it's debts as they fall due, resulting in an abnormal average collection period and creditors payment period

Conclusion: The municipality is not technically insolvent and there is no indication of a going concern risk.

3. **Cashflow:**

2024/25 Cash Inflow:	10 600 263
2023/24 Cash Reserves:	26 309 053
Cash and cash equivalents at year end	36 909 316

Conclusion: The cash reserves of the municipality appears to be adequate to meet cash requirements through the new financial year. The net cash inflows of R 39 909 316 is less than the anticipated budgeted amount, but the year end cash and cash equivalents is more than the prior year.

4. **Budget 2024/2025 - Recent and Projected operations**

Management have prepared a budget, in terms of which the municipality will continue as a going concer. This indicates managements understanding that the municipality will continue in operation.

The following figures are extracted from the 2024/2025 budgte:

Projected Revenue:	394 824 000.00	
Projected Expenditure:	- 350 693 000.00	
Net:	44 131 000.00	Surplus

Conclusion: Management anticipates operating for a full year. The budget for 2024/2025 anticipates continued cost saving and no deficit for the year. There is no indication of going concern risk.

Based on the above analysis, there are indicators that the municipality will not be a going concern. However, in local government, the over-arching consideration is govenrments intention to close or merge municipalities. There is no indication that government intends to close the municipality within the foreseeable future. If the municipality were to face significat financial problems, it would continue to operate, but under administration by Department of Treasury. Management is actively looking for cost-cutting measurues.

Based on this, management believes that the municipality will be a going concern for the foreseeable future.

Significant financial indicators

Event or condition	Current year	Previous year
The municipality realised a deficit for the year which exceeds 5% of total revenue. An accumulated deficit has been realised for the past two consecutive years.	-R 57 591 328,00	-R 11 537 717,00

* See Note 49

Figures in Rand

	2025	2024

51. Going concern (continued)

Inability to pay creditors and meet obligations within agreed upon timelines	Significant non-compliances with the 30 days requirement	Significant non-compliances with the 30 days requirement
Overdue payments at year end are more than 2% of budgeted operating expenditure for year	165,715%	104,543%
The municipality is in a net liability position, and this will affect the municipality's ability to meet its short-term obligations within the agreed upon terms.	Net liability position	net liability position
The debtor's collection period is significantly higher than the norm of 30 days	215,442 days	262,900 days
Adverse indicator: Debtors impairment provision exceeds 10% of accounts receivable which affect the collection of revenue from debtors.	167,98%	161,87%
The municipality has realised an adverse Liquidity ratio (cash ratio) which affects the ability of the municipality to meet its short-term obligation	0,0695	0,0734
Municipality has historically failed to meet its budgets, unreliable budget trends, suggesting unrealistic forecasting or deteriorating control over spending	Significant non-compliances with the 30 days requirement	Significant non-compliances with the 30 days requirement
Underspending on maintenance or capital projects which affects the delivery of core services delivery.	0,1%	0,0%

52. Unauthorised expenditure

	2025	2024
Opening balance as previously reported	672 388 517	230 117 261
Add: Unauthorised expenditure - current	209 187 873	442 271 256
Closing balance	**881 576 390**	**672 388 517**

Unauthorised expenditure can be summarised as follow:

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

	2025	2024
Non-cash	134 504 301	136 216 677
Cash	52 829 891	184 020 354
	187 334 192	**320 237 031**

* See Note 49

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

52. Unauthorised expenditure (continued)

Analysed as follows: non-cash

Employee related cost - expected benefit	1 327 400	1 007 000
Depreciation and amortisation	38 832 750	53 756 898
Finance charges - interest on employee benefit	656 303	25 737 361
Impairment loss on movables and immovables assets	3 420 866	-
Reversal of impairment loss /impairment loss on receivables	90 266 982	55 715 418
	134 504 301	**136 216 677**

Analysed as follows: cash

Finance costs - Interest on outstanding creditors and interest on other financial liabilities	29 542 384	26 190 723
Bulk purchases	23 287 507	93 990 212
Contract services	-	21 265 031
Inventory consumed	-	12 391 147
General expenses	-	30 183 241
	52 829 891	**184 020 354**

* See Note 49

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

53. Fruitless and wasteful expenditure

	2025	2024
Opening balance as previously reported	39 807 320	16 381 523
Add: Fruitless and wasteful expenditure identified - current	39 114 714	23 186 541
Add: Fruitless and wasteful expenditure identified - Identified by AGSA	239 581	239 256
Fruitless and wasteful expenditure awaiting condonement	**79 161 615**	**39 807 320**

Fruitless and wasteful expenditure is presented inclusive of VAT

Details of fruitless and wasteful expenditure

	Disciplinary steps taken/criminal proceedings	2025	2024
Identified by AGSA	None	7 979	-
Eskom - interest paid	None	38 793 448	21 132 053
Inzalo - EMS interest charges	None	-	1 799 565
Auditor General - Overdue charges	None	308 055	245 576
Telkom - interest charges	None	13 211	9 347
SARS - Non submission of returns	None	231 602	239 256
		39 354 295	**23 425 797**

54. Irregular expenditure

	2025	2024
Opening balance as previously reported	58 229 951	35 120 316
Add: Irregular expenditure - current	1 388 915	3 300 332
Irregular identified by the Auditor-General	20 525 628	19 809 303
Closing balance	**80 144 494**	**58 229 951**

Recoverability of all irregular expenditure will be evaluated by Council in terms of section 32 of MFMA. No steps have been taken at this stage to recover any monies for expenditure.

Irregular expenditure is disclosed inclusive of VAT.

* See Note 49

Notes to the Annual Financial Statements

Figures in Rand		2025	2024

54. Irregular expenditure (continued)

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

	Disciplinary steps taken/criminal proceedings	2025	2024
2023/2024 - Irregular expenditure identified by Auditor General of South Africa	None	-	19 809 303
2023/2024 - No contract in place	None	-	423 731
2023/2024 - Contact price exceeded	None	-	1 672 900
2023/2024 - Tender was advertised for less than 31 days	None	-	474 448
2023/2024 - Three quotations not obtained	None	11 016 233	729 254
[2024/2025 - Non-Compliant Tax Status	None	10 898 310	-
		21 914 543	**23 109 636**

55. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

	2025	2024
Opening balance	2 066 878	823 823
Current year subscription / fee	1 289 136	1 243 055
Amount paid - previous years	(440 000)	-
	2 916 014	**2 066 878**

Audit fees

	2025	2024
Opening balance	1 393 288	3 036 276
Current year subscription / fee	6 275 508	4 410 323
Payment and adjustments	(4 509 967)	(6 053 311)
	3 158 829	**1 393 288**

* See Note 49

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

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

PAYE and UIF

Current year subscription / fee	14 555 262	12 991 447
Amount paid - current year	(14 555 262)	(12 991 447)
	-	-

Skills Development Levy

Current year subscription/fee	884 132	870 944
Amount paid - current year	(884 132)	(870 944)
	-	-

Pension and Medical Aid Deductions

Current year subscription / fee	29 213 575	29 557 428
Amount paid - current year	(29 213 575)	(29 557 428)
	-	-

VAT

VAT receivable	34 019 398	25 110 522

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

* See Note 49

Figures in Rand	2025	2024

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

Councillors' arrear consumer accounts

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

30 June 2025	Outstanding less than 90 days	Outstanding more than 90 days	Total
Cllr GL Nkumbi	-	7 547	7 547
Cllr. MC Kivedo	-	26 982	26 982
Cllr. FC Swanepoel	-	8 362	8 362
Cllr. MN Mackay	-	2 402	2 402
Cllr. TJ Brant	-	21 633	21 633
Cllr. JM Fortuin	-	33 982	33 982
Cllr. RH Adams-Beukes	-	73 218	73 218
Cllr. B Swanepoel	-	22 518	22 518
Cllr. PN Bushula	-	58 496	58 496
Cllr. BM Mvenya	-	127 287	127 287
	-	**382 427**	**382 427**

30 June 2024	Outstanding less than 90 days	Outstanding more than 90 days	Total
Cllr G.L Nkumbi	-	39 146	39 146
Cllr L.E. Andrews	-	25 674	25 674
Cllr M.C. Kivedo	-	43 540	43 540
Cllr F.C Swanepoel	-	4 882	4 882
Cllr M.N Mackay	-	14 823	14 823
Cllr T.J. Brandt	-	37 094	37 094
Cllr J.M. Fortuin	-	27 880	27 880
Cllr P.P. Mhlauli	-	13 946	13 946
Cllr R.H. Adams-Beukes	-	76 516	76 516
Cllr B. Swanepoel	-	18 674	18 674
Cllr P.N. Bushula	-	94 567	94 567
Cllr M.S.T. Booysen	-	6 422	6 422
	-	**403 164**	**403 164**

During the year the following Councillors' had arrear accounts outstanding for more than 90 days.

Figures in Rand	2025	2024

56. Deviation from supply chain management regulations

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

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

Nature and value of deviations from SCM Regulations granted during the reporting period		
The reason we choose this supplier Echochem is because the other suppliers they don't have all the items we need.	13 555	-
Two quote were received Checkers and Shoprite, Shoprite is the cheapest service provider but they do not have all the items that's why we used Checkers.	7 564	-
Three quotes were received, Prestige Hardware, Build IT and Cash Build. Prestige Hardware it's the supplier that have all items we need.	27 255	-
The service provider has given the post-retirement Actual Valuation that are each year to finish the AFS	22 885	-
Only one quote received, newly appointed councillor Mr. Mvenya needed a laptop immediately for his tools of trade to perform his council work	11 282	-
The only place that will transport the low bed for the wide route from Kimberley to Bloemfontein to Richmond	41 860	-
The truck was taken to service provider to be stripped in order to quote.	4 226	-
Only serive provider around our area that render the service of innstalling and maintaining alarms system.	6 920	-
Highlighting the ongoing water crisis we are experiencing and to emphasize the likelihood of its continuation unless immediate action is taken. Given that water is a basic necessity for every household,it is imperative that we address this issue through emergency procurement of the necessary equipment and infrastructure upgrades. Without this, we risk ongoing disruptions to the water supply which will continue to affect our community severly. These item Jojo Tanks will assist an providing water to comminities of De Aar. Iurge that we prioritize this matter to prevent further deterioration of the situation and ensure a reliable water supply for all and Build It is the only service provider that will provide us tanks within a short turnaround time of 7 days.	75 599	-
The Municipality went out on a formal written quotation in trying to source quotations for the hiring of TLB and upon closing date, only one service provider responded.	268 080	-
Trek in Paneelkloppers the only available service provider in De Aar procure trailer parts. The trailer used in these service require specific parts for maintenance and repair.	6 370	-
Fulcrum is the sole supplier of equipment used by VTS. The calibration expires on 23/10/2024 and VTS will need to shoutdown until calibrated.	23 345	-
Two quotes were received, Motor Spares was send specification and they are not willing to provide quote for us.	2 833	-
We currently have an emergency with the overflow of waste water beyond the plant premises The action plan that is required to urgently and immediately re-direct waste water away from the Brak river catchment . This is an environmental and health hazard tha requires municipal immediate action and we hire TLB from the service provider.	179 014	-
We currently have an emergency with the overflow of waste water beyond the plant premises. Working tools are urgently needed in this processes	8 440	-
We currently have an emergency with the overflow of waste water beyond the plant premises. PPE for workers were needed to get work	3 764	-
Only one (1) quote was received from Southern Sun Newlands the other accommodation were fully booked	21 756	-

* See Note 49

Figures in Rand	2025	2024
56. Deviation from supply chain management regulations (continued)		
The service provider was able to assist with platters for the memorial service of Miss GT Simanga which will take place on Wednesday, 13 November 2024	4 796	-
Two quotes were received from Echochem and CM Chemicals. Echochemhas got all the items we requested that is why we are taking them	2 500	-
Three (3) quotes were received and the service provider is not registered on the Central Supplier Database (CSD), though we are going to use them, the event that the Mayor is going to tommorrow and all the other places are fully booked	27 962	-
Various service provider were contracted to obtain quotations. Waltons Bidvest is the only supplier that responded and willing to provide assistance. The two service provider does not want to assist and failed to respond despite reminders via email ans phone	4 233	-
Two quotes were received from Checkers and Shoprite. We are going to take Checkers because all the items we requested are available	29 975	-
Due to electrical motor having burned this then prompted a slow movement in the water supply and this affected all areas of Emthanjeni Municipality. The procurement of these electrical motors will boost the water supply in the Municipality.	198 019	-
Axle mass meter broken,supplier did fault fiding without axle mass meter. The vehicle test station do not comply with the minimum standards to repair at VTS . This implies the test station must closeuntil is replaced.	29 972	-
Only one quote was received. The other guesthouses were fully booked	13 690	-
The Municipality truck which was driven by the municipal employee crashed into a house in Barcelona Buitestraat, the municipality took decision to fix the house and the truck(CNS 112 NC) because this truck is essential for service delivery. Luvuyo and Mihle Properties and Service are the only service provider who were willing to help us in such a short notice.	137 000	-
Three quotes were sourced. The cheapest supplier Shoprite don't not have all items. Spar sthe second cheapest prices on other items are on special on that day, thus we dviate and taking Checkers as third supplier	7 318	-
As the DCTC and VTS must have updated version of road traffic act to comply with mimum requirements to operate such as set out in traffic legislation Lexis Nexis is the only supplier of online traffic legislation	4 834	-
Upon closing two bids were received and both those bids were above R300 000.00 Upon this advertisement the Municipality had issued a notice to the community informing them that the sale of land will commerce soon the community has come to the offices in numbers and are showing great excitement about this as they have been waiting for years for such . The numbers of interest that came in were quite high and also necessitating the quick response in this regard. It is due to this then that the municipality has opted to deviate from following tender process . The municipality is afraid that should this process be prolonged this may cause uproar in the community.	561 200	-
During the sourse of quotes only one supplier responded. This material was very critical that is why we deviate . Build It and Cash Build don't purchase rods.	29 156	-
In response to an unexpected power outage on the MV network in Waterdaal community had no electricity for three (3)days. Tri-Lectro is the only service to perform a crucial cable joint repair.	60 175	-
De Aar Stone Crusher is the only service provider that is able to provide the required amount of crusher dust on short notice. The crusher dust was required urgently for the repair of roads to ensure that service delivery and maintenance of infrastructure is completed.	19 700	-
Due to the disastrous rainfall that the Municipality area has encountered the Municipal building in Hanover was highly affected and then this prompted and speedy response to make sure no further damage is done. The service provider has offered to help the Municipality in short notice.	111 824	-

* See Note 49

Notes to the Annual Financial Statements

56. Deviation from supply chain management regulations (continued)

Figures in Rand	2025	2024
The Municipality Hall had busted a pipe andthis pipe needed to be repaired immediately as it poses risk to have people working in that area be affected by unkown sickness as a result of sewer pipe that busted Prestige is the only supplier that has all the material needed for this emergency.	60 560	-
The municipality made calls to the different companies in De Aar who can help but only Wee Cee had all the necessary material needed	7 028	-
Two quotes were receive other guest house were full booked.	8 700	-
The transformer failure has resulted in a power outage affecting 250 households in Mziwabantu Britstown. The disruption has persisted for three days, severaly impacting the daily lives of residents. Immediate procurement is necessary to restore electricity and further inconvenience and potential hazards to the community. Delays in procurement could exacerbate the situation,leading to inreased dissatisfaction and potential unrest. Prolonged outages can disrupt local business, school and daily activities leading to economic losses and community dissatisfaction	231 400	-
The vehicle was sent to workshop because local body loose of the body. The workshop could not repair due to chasses cab that was loose only panelbeater can repair vehicle needed to be striped to determine faults to be repaired	8 567	-
The Municipality Front Loader and TLB broke sdown as it was supposed to be fetched by the Lowbed Truck the municipality does not have a lowbed truck and Chulumanco Mivuyo Trading Enterprise was the only service provider who was willing to help us with lowbed truck and TLB and front loader have been repaired and should be collected failure to do that the Municipality will have to pay penalties	160 000	-
On the original quotation the municipality omitted to calculate and include VAT as the price excluded VAT. This was realized later when we received the invoice. VAT needs to be paid to the company as they were VAT registered. This is to enable the supplier to enable the supplier to dispatch to De Aar so that the affected house can be restored with electricity	34 710	-
Mr. Ndlovu has been appointed as new Manager Financial Services. He has started 01/04/2025 We have source the quotes only one supplier was responded	33 264	-
Refreshments for Memorial Service for Ms Thabiseng Mosia. We asked for quotation from Checkers, Shoprite and Spar and it was a short notice as they do not have everything in stock.so we use Checkers as they have everything we needed for the memorial service	17 929	-
Only service provider that can provide Hanover office with electricity	18 000	-
De Aar Printers is the only local newspaper in the Municipality region. Legislation requires that this notice be advertised in the newspaper to inform the public and provide an opportunity for comments.	7 458	-
De Aar Printers is the only local newspaper in the Municipality region. This notice provides standby and emergency numbers to the public during the Easter Long Weekend	8 658	-
Attempts of trying to get the software from local shopshave failed and some refusing to make business with the minicipality. Ubertech is the service provider that is responsible for the municipality IT and they confirmed that they do have the needed software	48 013	-
Only service provider that provide us payroll training	29 891	-
The Municipality TLB is currently out of order and thus a rental TLB is required since the use of one is essential for service delivery as it is used to clean illegal dumping sites,landfill sites and dig grave site. Siyakhasa is the only provider that has one available as such short notice	198 000	-
Waltons is the only supplier that can assist with quotation for the Galaxy 500 Manual Binding Machine.	9 964	-

* See Note 49

Notes to the Annual Financial Statements

Figures in Rand	2025	2024
56. Deviation from supply chain management regulations (continued)		
Electrical emergency work in Waterdal. Area been without electricity for 72hours due to lack of material in our stores we are required to undertake emergency procurement in order to restore power in waterdal. This action was necessary to ensure the continuity of essential service and minimize downtime for affected residents	16 014	-
Only one quote was received from Undulata, the other guesthouse and hotels were fully booked	8 400	-
Spingbok Inn was the only accommodation that was available on the 08/05/2025 until 16/05/2025	10 480	-
While Mayor was in Bloemfontein, he realized that the car service needed to the schedule. After we sourced quotations from companies with this service delivery, only the MCH service centre was available at that moment	4 612	-
Due to unforeseen electricity emergency at Solheim Park Substation, it is necessary to deviate from standard procurement procedures. A cable fault occurred between the MV switchgear and transformer, resulting in the failure of cable terminations. Immediate replacement of the terminations was requiredto restore power supply and prevent further damage to the substation infrastructure. Given the urgent nature of the fault and the critical need to restore electricity to the affected area, an emergency procurement is implemented to appoint a qualified service provider who respond without any delay. This deviation is essential to minimize the duration of the outrageensure public safety and warrant service delivery	66 663	-
GTTS is the only service provider that is able and willing to assist on such short notice The compactor is essential for service delivery (refuse removal). There is currently only one compactor operating in our whole jurisdiction which delays services. The license disc of both vehicle and bring it up to standard so that it can be licensed again(CNS113NC) and (CDB742NC)	238 770	-
Due to the scarcity of accredited providers offering Operating Regulations for High Voltage Switching in Northern Cape. It is necessary to deviate from the normal procurement process. This specialised training is essential for ensuring that our electricians are legally compliant and adequately compotent to safety perform high voltage switching.	24 000	-
The Premier was doing oversight visiting at Emthanjeni Municipality on 21/05/2025 We have requested quotation for catering from service providers and we received three quotes, however its only Thandiswas Enterprise who indicated that they can provide catering in such a short notice. The other two supplier requested that they paid first	16 000	-
The engine of CDF 508 NC had been taken to the service provider in order to give a quotation on repairs. It is important to take the engine to different service provider in order to give an assessment on its condition	6 164	-
A service was delivered to Emthanjeni Loal Municipality, in a situation where the service provider was the only service provider with parts ready available under time constraints	7 052	-
The truck CHT 645 NC is used as a refuse removal truck in Hanover in order to get it roadworthy and deliver the essential servicing of refuse removal it needed the spare parts as indicated by the roadworthy test Midas being the only service provider who responded gave the quotation which is attached	8 734	-
The municipal workshop currently is in of consumables. The consumables are critically raw and is used on a day to day basis on repaires of the municipal fleet. Having reached on to various service providers, autozone responded with only part of what is needed through it is the only service provider who responded	21 842	-
The Municipality TLB is currently out of order and thus a rental TLB is required since the use of one is essential for service delivery. Siyakhasa is the only provider that has one at short notice.	198 000	-
De Aar Printers is the only local newspaper in the jurisdiction of Emthanjeni Local Municipality. The special council notice had to be advertised to inform the public	2 072	-

* See Note 49

Figures in Rand	2025	2024
56. Deviation from supply chain management regulations (continued)		
Only receive two quotes from Checkers and Shoprite, Spar don't have all the items that we needed	14 391	-
De Aar Stone Crushers are the only service provider that can provide us with crusher dust. This material is needed for the paving project in street 7	8 800	-
Received one quote from service provider Swop Shop. Ok Furniture and Lewis Store has only gas heaters	3 798	-
Only service provider who is able to assist on short notice. The truck is essential for service delivery as it is used to clean illegal dumping sites	78 000	-
Legislation requires that post for senior managers such as the Chief Financial Officer and Senior Manager Corporate Service be advertised nationally	23 000	-
De Aar Printers is the only local newspaper in the jurisdiction of Emthanjeni Local Municipality, notice 34 is a reminder to consumers to ensure that they are the correct account and reference when making payments	2 516	-
The only service provider responded during the requesting process of fixing the screen of laptop	2 260	-
Two quote were received from Spar and Checkers. Taken Checkers, is for the refreshments for memorial service late Mr. Micheal Perris	17 308	-
Only service provider that can assist with transport and that have the available quantity of taxi on short notice for the program	2 565	-
We source quotes for cleaning material for finance offices. Two suppliers responded Shoprite and Checkers Taken Checkers because they quoted all items we ask on the specification	8 417	-
We did source out quotation so you will see that 3 quotations are attached. This though happened on the last minutes as the games were fast approaching	8 692	-
De Aar Printers is the only local newspaper in the jurisdiction of Emthanjeni Local Municipality. The publishing of Notice 33, which is the Tariffs for 25/26 financial year serves to inform consumers of it	4 736	-
De Aar Printers is the only local newspaper in the jurisdiction of Emthanjeni Local Municipality. The publishing of Notice 34, which is the Tariffs for 24/25 financial year serves to inform consumers of it	4 736	-
Received quotes from Checkers Platters for a prayer session of late Mr. Khaya Jola	3 479	-
Irrigation Supplies is the only service provider that responded and would provide items	583 625	-
The service provider replace alternator, the mechanic starts stripping the vehicle and delves deeper into its components, they discover additional damage. The diagnosis of the problem can only be discover through stripand quote.	-	4 672
The service provider repair booster pump, our community has been facing an increasing frequency of water shortage incidents in the recent week.	-	194 495
The service provider was the only supplier that can assist us with quotation for water tank.	-	11 043
The service provider help on an emergency relief for the house that was burned to the ground the Mayor requested for blankents.	-	7 066
The Municipality advertise notice for purchasing of five (5) laptops. Only two (2) quotation were received on the closing date of notice.	-	120 175
Only local newspaper available in town	-	29 082
Issued quotations to suppliers on the 10 August 2023 but caterers responded late that is why we (mayors office) cannot go on 7 days notice	-	32 000
The service provider is the only one that located MV/LV cable faults, which affected Bosasa and Kyto. The outage and industrial area lasted 2 days. LV cable faults location due to an outage from Miller substation which affected numerous household in that area.	-	15 953
The service provider repair MV (11 KV) switch gear due to an emergency outage at extention 7 that affected Vlamink substation and Swaanlaan substation whereby the switchgear exploded as a result there was no electricity in that area.	-	49 072

* See Note 49

Notes to the Annual Financial Statements

Figures in Rand	2025	2024
56. Deviation from supply chain management regulations (continued)		
Bell is the only service provider selling the service kit of the JCB	-	29 639
Three quotes were received. The lowest quote Autozone is the cheapest but they don't have all the parts, we requested on specification. Smith Broers is the second supplier and they have all the parts we needed o specification.	-	18 135
Cherry Picker Truck was taken to Hino Oranje for maintenance and services, the service provider strip the truck before quoted, because service delivery for community was negetively impacted.	-	48 914
The service provider has Strip and Assemble wiring problems on the vehicle CCY 990 NC/Tipper-UD85-Street before quoted	-	2 708
Three quotes were received, the cheapest quote not registered on Central Supplier Database and taken second cheapest De Aar Bande and Gas	-	12 500
The only service provider that can do frames	-	7 320
The only service provider that can deliver sand and stone	-	29 560
The quote was only received on this service provider for urgency of UD40 Truck they must first strip before issue quote	-	3 600
Three quotes were received, the cheapest quote OK Furniture and Lewis are not registered on the Central Supplier Database and we decided to take Swop Shop.	-	7 000
Celerity System only service provider that can supply Bulk SMS and we have an amount, Portal where they load the credits as per purchase.	-	12 105
The service provider has render service of repairing and maintain reconditioning of differential and propshaft. The service provider must strip the vehicle for comprehensive inspection, disassembly and assessment of the Toyota Hilux,Nissan Ford Ranger and Nissan Hardbody 2.7D differential differential and propshaft.	-	88 142
Only two quotes were received for the Ford Ranger mechanical spare sparts. Ryamic Mining Supplies was the cheapest quote during this process.	-	25 080
The service provider repair booster pump motor for maintanance of efficient water distribution system for community.	-	47 820
Only two quotes were received for the Nissa Hrdbody and Toyota Hilux mechanical spare sparts. Ryamic Mining Supplies was the cheapest quote during this process.	-	112 629
Three quotes were received due to the breakdown of cherry picker that was sent for repairs, the service provider repaired the vehicle. Upon collection of the vehicle, the team drove 40km outside of Bloemfontein and the vehicle started leaking water and oil and overheat, that is were the Municipality hire truck from service provider.	-	195 000
Only one quote from Super Armature in the procurement process for the strip and quote of the 55kw booster pump induction motor.	-	24 916
De Aar Printers is the only newspaper (The Echo) in the Emthanjeni Municipality	-	15 688
The service provider render the service of Hiring of Cherry Picker	-	196 000
De Aar Printers is the only local printer who can provide letterheads	-	7 414
Cash Asset Trading 71/NB Mechanical is the only service provide provide us with electrical material	-	30 021
The service provider render the service of hiring of 30 000 Water Truck. The higher lying areas are the most highly affected due to no pressure to pump water.	-	207 000
The service provider must strip and quote for 15kw pump station ,4.0kw Mono Pump, and 7.5kw Mono Pump induction motor. The additional work will be provided with quote that reflects the changes in the scope of electrical corrections on the induction motor	-	42 384
The Motor and Pump must be dismantle of 5.5kw Mono Pump Induction Motor before they give us quote.	-	2 760
Only two quotes were received, the cheapest quote Shoprite don't have have all the items we requested	-	12 958

* See Note 49

Figures in Rand	2025	2024
56. Deviation from supply chain management regulations (continued)		
The service provider render the service for strip and quote of the 55kw booster pump induction motor. The goal is to ensure the safety and reliability of our booster pump induction motor.	-	18 792
Three quotes were received, the two service provider are not registered on Central Supplier Database that why we took Swop Shop.	-	7 200
The service provider must strip and quote of Tractor Sterring Rack and 3 Mono Pump Borehole Induction Motors.	-	40 194
The service provider only supplier provide postal service to our Municipality.	-	5 865
Only service provider that render the services of compiling requisation,vuilwaterverwyderings and receipt books.	-	13 456
Cash Build is the cheapest service provider but doesn't have all the necessary items on stock thus, we use Prestige Hardware	-	5 498
The service provider must first strip and quote of 7.5 Mono Pump Induction Motor	-	16 992
The service provider procure process for the supply of 20x deep and Angular Bearing for Mono Pumps. The bearing will enable the water to augment the existing supply by adding the boreholes on the network.The higher lying areas impacted will receive water when bearing are installed.	-	38 335
Two quotes were received. OK is not registered on Central Supplier Database	-	6 999
This was a notice for completing of MFMP Modules. This was advertised for two(2) officials the other official left the Municipality. The suppliers quote for one official and the cheapest supplier on their Central Supplier Database on the item of government employee is written TCB. We ask Treasury for assistance, they advise us to do our due diligence and we decided to take the second quote for compliance.	-	25 000
We currently have a problem with all our Suction Truck, but the Truck (BSW 181 NC) that is now priority is the one with a gearbox problem that needs to be urgently repaired	-	114 999
Insufficient quotes obtained DHA panel beating and spraypainting is the only place that wants to work with Municipality.	-	59 980
Truvelo is sole provider in our country for the motorcycle test units to driving testing centre. As we are on the brink of to be charged by the Department of Transport this calibration is necessary for us to be compliant with the grading of our DCTC in Data	-	6 154
Three quotes were received, the cheapest quote doesn't have all the material needed then we use the second quote.	-	24 388
The braker roller tester electrical motors broke at the vehicle testing station. This means that we had to close the station as we are not complying with legislation. The testing can re-open again as soon as the motors are required. The motors were sent to service providerfor strip and repair.	-	13 338
The service provider is the only supplier that can supply with crasher dust.	-	16 304
De Aar Printers is the only local that can bind 37 documents (minutes)	-	2 268
Only local newspaper in our area that can advertise final budget for Municipality	-	3 626
The recent heavy rainfall has caused significant damage to our water infrastracture particularly affecting the functionality of the sludge pumps crucial for draining the sludge from the subway. The service provider must strip and quote pumps parts.	-	21 235
Repair damage MV cable at Carlton East Substation which supplies four mini substation Additionally, a ring main unit located at the sports ground which was vandalized and works as a ring feed to Carlton East Substation. This unexpected event resulted in the disruption of the power supply to a portion of houses in De Aar West leading to the emergency outage The service provider was called on emergency outage.	-	81 407
The Mayor had just received the invite and it was in a very short space of time.	24 745	-
	4 269 115	**2 164 881**

* See Note 49

Figures in Rand	2025	2024

57. Principal Agency Agreements

Commission - Syntell	1 214 609	971 266
Trade receivables - Syntell	2 087 471	1 596 078

The municipality paid 2.70% commission plus bank cost which range between 1% to 1.75% , all VAT included,on the rand value of pre-paid electricity sales as reflected in the Syntell Vending Gateway reports. Syntell exclusively dispense and sell pre-paid electricity on behalf of the municipality. As per the agreed terms of conditions of a contract entered between the parties for a 4 year period which is due to lapse on 31 March 2025.

No assets were given to Syntell in terms of the Principal - Agency agreement that the municipality has with Syntell.

The contract was extended and there was no changes in the significant terms and conditions from the prior year.

The municipality (agent) collects licensing fees on behalf of the Provincial Department of Transport and Public Works (principal). The municipality can retain a portion of the fees collected and the net amount is due to the Provincial Department. The amount retained is recorded as Agency Services in the Statement of Financial Performance. The amounts due to the Provincial Department at year end are included in the balances reported as Payables from Exchange Transactions in the Statement of Financial Position.

There was not a change in the significant terms and conditions from the prior year. No significant risks were noted as the municipality only collects monies on behalf of the Provincial Department of Transport and Public Works, as part of its existing service at the Traffic Department.

58. Inventory consumed

Consumables - Stationery and material	111 597	212 252
Materials and Supplies	12 503 035	12 178 895
	12 614 632	**12 391 147**

The cost of water production for the year amounted to R1.27 per kilolitre (2023: R1.27 per kilolitre)

* See Note 49

Figures in Rand	2025	2024

59. Segment information

General information

Identification of segments

The segments were organised based on the type and nature of service delivered by the Municipality.These services are delivered in various municipal departments, which for reporting purposes are allocated to a standardised functional area(guided by mSCOA regulations). Budgets are prepared for each functional area and the budget versus actual amounts are reported on a monthly basis. Information reported about these segments isused 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..

Types of goods and/or services by segment

The Municipality has several departments/functional areas which are based on the same geographical area which is in De Aaar - Emthanjeni Local municipality and accordingly the segments were aggregated for reporting purposes as set out below:

Reportable segment	Goods and/or services
Community and Social Services	Provision of public safety, an acceptable standard ofSocial Services, Emergency Services, Environmental andHealth Services, Community Safety and Road TrafficM anagement
Corporate Services	This segment is responsible for the Strategic Management of theDepartment Corporate, C ommunity and Development Servicesto ensure the achievement of the Department's strategic o bjectivesand its developmental and Service delivery obligations.
Finance Services	Provision of financial and administrative services too ther segments of the municipality
Infrastructure Services	Construction and maintenance of roads and i nfrastructureowned by the municipality
Mayor and Council	This segment is responsible for the political oversight of themunicipality's functions, programs and the management of theadministration
Municipal Manager	This segment is responsible for the establishment and maintenanceof a strategic management system for the municipality as a wholeto ensure the achievement of the municipality's strategic objectivesand its developmental and service delivery obligations.

* See Note 49

Notes to the Annual Financial Statements

Figures in Rand

59. Segment information (continued)

Segment surplus or deficit, assets and liabilities

2025

	Mayor and Council	Corporate Services	Finance Services	Infrastructure Services	Community and social services	Municipal Manager	Total
Revenue							
Service charges	-	-	-	156 049 525	10 012 159	-	166 061 684
Operational revenue	-	-	220 939	-	382 232	-	603 171
Rental of facilities and equipment	-	126 689	-	-	432 897	-	559 586
License and permits	-	-	-	-	903 851	-	903 851
Interest on investment	-	-	3 105 250	-	-	-	3 105 250
Property rates	-	-	18 724 849	-	36 484 212	-	55 209 061
Debt Relief - Income	-	-	1 361 657	-	-	-	1 361 657
Government grants & subsidies	-	-	1 800 001	95 548 654	1 152 647	-	98 501 302
Fines, Penalties and Forfeits	-	-	658 300	-	-	-	658 300
Provincial Service-in-kind	-	-	380 825	-	-	-	380 825
Actuarial gains	-	-	150 000	-	-	-	150 000
Fair value adjustment	-	-	4 616	-	-	-	4 616
Total segment revenue	**-**	**126 689**	**26 406 437**	**251 598 179**	**49 367 998**	**-**	**327 499 303**
Entity's revenue							**327 499 303**

* See Note 49

Notes to the Annual Financial Statements

Figures in Rand

59. Segment information (continued)

	Mayor and Council	Corporate Services	Finance Services	Infrastructure Services	Community and social services	Municipal Manager	Total
Expenditure							
Employee related costs	9 372 946	15 715 393	16 287 564	29 409 482	32 136 159	-	102 921 544
Remuneration of councilors	6 606 637	-	-	-	-	-	6 606 637
Depreciation and Amortisation	1 092 515	2 935 044	1 696 545	34 899 460	8 917 186	-	49 540 750
Finance costs	(2 261 997)	42 804 381	-	-	-	-	40 542 384
Inventory consumed	36 462	185 928	39 718	10 818 984	1 533 540	-	12 614 632
General expenses	6 768 724	2 348 780	6 912 183	18 760 192	1 244 649	41 408	36 075 936
Contracted Services	2 168 545	6 129 384	10 540 391	8 340 720	251 891	57 594	27 488 525
Bulk purchases	-	-	-	110 059 507	-	-	110 059 507
Impairment loss on movables and immovable assets	-	-	3 420 866	-	-	-	3 420 866
Reversal of Impairment Loss/Impairment Loss on Receivables	-	-	102 977 982	-	-	-	102 977 982
Total segment expenditure	**23 783 832**	**70 118 910**	**141 875 249**	**212 288 345**	**44 083 425**	**99 002**	**492 248 763**
Total segmental surplus/(deficit)							**(164 749 460)**
Assets							
Inventories	-	-	789 631	23 085 802	-	-	23 875 433
Receivables from non-exchange transactions	-	-	9 199 751	-	30 980 101	-	40 179 852
VAT	-	30 172	233 873 027	21 991 186	(4 114 339)	-	251 780 046
Receivables from Exchange Transactions	-	141 480	154 626 330	(96 125 131)	9 031 219	-	67 673 898
Cash and cash equivalents	-	-	36 909 316	-	-	-	36 909 316
Investment property	-	-	8 767 885	-	-	-	8 767 885
Property, plant and equipment	(19 682 509)	4 161 624	713 082 973	83 832 372	3 348 348	-	784 742 808
Intangible assets	-	-	4 336 291	-	-	-	4 336 291
Heritage assets	-	-	6 833 773	-	-	-	6 833 773
Investments	-	-	46 764	-	-	-	46 764
Total segment assets	**(19 682 509)**	**4 333 276**	**1 168 465 741**	**32 784 229**	**39 245 329**	**-**	**1 225 146 066**

* See Note 49

Notes to the Annual Financial Statements

Figures in Rand

59. Segment information (continued)

	Mayor and Council	Corporate Services	Finance Services	Infrastructure Services	Community and social services	Municipal Manager	Total
Total assets as per Statement of financial Position							**1 225 146 066**
Liabilities							
Other financial liabilities - current liabilities	-	-	1 172 191	-	-	-	1 172 191
Payables from exchange transactions	223 968 355	12 801 119	90 381 156	173 627 224	19 477 440	(4 175 176)	516 080 118
Payables from non-exchange	-	-	115 577 400	-	-	-	115 577 400
VAT payable	(6 891)	72 262	168 512 381	34 558 238	14 624 659	-	217 760 649
Consumer deposits	-	-	3 095 626	46 557	-	-	3 142 183
Employee benefit obligation - Current liabilities	-	-	2 238 800	-	-	-	2 238 800
Unspent conditional grants and receipts	-	-	7 836 276	428 776	(27 716)	-	8 237 336
Provisions	-	-	122 469 855	-	-	-	122 469 855
Other financial liabilities - non-current liabilities	-	-	4 658 876	-	-	-	4 658 876
Employee benefit - non-current liabilities	-	-	25 255 101	-	-	-	25 255 101
Total segment liabilities	**223 961 464**	**12 873 381**	**541 197 662**	**208 660 795**	**34 074 383**	**(4 175 176)**	**1 016 592 509**
Capital replacement							2 252 793
Total liabilities as per Statement of financial Position							**1 018 845 302**

* See Note 49

Notes to the Annual Financial Statements

Figures in Rand

59. Segment information (continued)

2024

	Mayor and Council	Corporate Services	Finance Services	Infrastructure Services	Community and Social Services	Municipal Manager	Total
Revenue							
Service charges	-	-	-	154 470 964	7 051 416	-	161 522 380
Operational revenue	150	28 237	1 002 248	-	227 133	-	1 257 768
Rental of facilities and equipment	-	724 289	-	-	33 548	-	757 837
Interest Earned - Exchange Transactions	-	-	-	6 745 461	562 481	-	7 307 942
Licences and permits	-	-	-	-	859 291	-	859 291
Interest Earned - External Investments	-	-	3 727 148	-	-	-	3 727 148
Property rates	-	-	29 590 741	-	20 084 518	-	49 675 259
Interest earned from non-exchange	-	-	6 776 790	-	-	-	6 776 790
Government grants & subsidies	-	-	1 847 664	93 156 570	1 014 476	-	96 018 710
Fines, penalties and forfeits	-	-	-	-	408 200	-	408 200
Provincial Service and Kind	-	-	963 714	-	-	-	963 714
Debt Relief - Income	-	-	1 603 311	-	-	-	1 603 311
Fair value Adjustment	-	-	5 791	-	-	-	5 791
Total segment revenue	**150**	**752 526**	**45 517 407**	**254 372 995**	**30 241 063**	**-**	**330 884 141**
Entity's revenue							**330 884 141**

* See Note 49

Notes to the Annual Financial Statements

Figures in Rand

59. Segment information (continued)

	Mayor and Council	Corporate Services	Finance Services	Infrastructure Services	Community and Social Services	Municipal Manager	Total
Expenditure							
Employee related costs	2 458 171	6 807 279	69 193 945	5 884 150	7 955 375	13 020 588	105 319 508
Remuneration of councilors	5 720 012	-	-	-	-	-	5 720 012
Depreciation,amortisationand impairment loss	1 519 118	958 904	1 337 697	42 016 564	7 924 615	-	53 756 898
Finance costs	22 847 061	-	26 190 723	-	-	-	49 037 784
Contracted services	1 315 908	3 209 266	12 432 221	2 804 833	1 209 449	293 353	21 265 030
Inventory consumed	13 069	367 734	166 126	8 555 370	3 288 848	-	12 391 147
General expenses	5 259 562	845 165	7 275 184	15 730 561	980 234	92 534	30 183 240
Bulk Purchases	-	-	-	94 084 280	-	-	94 084 280
Actuarial gains	-	-	(857 300)	-	-	-	(857 300)
Reversal of Impairment Loss/ Impairment Loss on Receivables	-	-	55 715 418	-	-	-	55 715 418
Total segment expenditure	**39 132 901**	**12 188 348**	**171 454 014**	**169 075 758**	**21 358 521**	**13 406 475**	**426 616 017**
Total segmental surplus/(deficit)							**(95 731 876)**
Assets							
Inventories	-	-	1 374 827	23 101 224	-	-	24 476 051
Receivables from non-exchange transactions	-	-	37 714 306	-	3 915 493	-	41 629 799
VAT receivables	-	-	210 008 161	15 324 316	(4 296 530)	-	221 035 947
Receivables from Exchange Transactions	-	396 022	141 619 013	(89 263 533)	15 270 252	-	68 021 754
Cash and cash equivalents	-	-	26 309 052	-	-	-	26 309 052
Investment property	-	-	8 767 885	-	-	-	8 767 885
Property, plant and equipment	(9 879 329)	4 128 604	741 008 680	52 519 569	3 246 779	-	791 024 303
Intangible assets	-	-	16 912	-	-	-	16 912
Heritage assets	-	-	6 833 773	-	-	-	6 833 773
Investments	-	-	42 149	-	-	-	42 149
Total segment assets	**(9 879 329)**	**4 524 626**	**1 173 694 758**	**1 681 576**	**18 135 994**	**-**	**1 188 157 625**

* See Note 49

Notes to the Annual Financial Statements

Figures in Rand

59. Segment information (continued)

	Mayor and Council	Corporate Services	Finance Services	Infrastructure Services	Community and Social Services	Municipal Manager	Total
Total assets as per Statement of financial Position							**1 188 157 625**
Liabilities							
Other financial liabilities - current	-	-	1 116 980	-	-	-	1 116 980
Payables from exchange transactions	115 487 254	9 756 589	88 345 717	118 731 123	14 088 883	184 801	346 594 367
Payables from non-exchange	-	-	11 577 786	-	-	-	11 577 786
VAT payable	(6 000)	106 429	170 740 070	18 267 931	6 816 995	-	195 925 425
Consumer deposits	-	-	3 026 958	-	-	-	3 026 958
Employee benefit obligation -current	-	-	2 357 100	-	-	-	2 357 100
Unspent conditional grants and receipts	-	-	7 810 388	(1 594 571)	28 524	-	6 244 341
Other financial liabilities - Non current	-	-	4 495 383	-	-	-	4 495 383
Employee benefit obligation - Non current	-	-	23 765 101	-	-	-	23 765 101
Provisions	-	-	115 577 400	-	-	-	115 577 400
Total segment liabilities	**115 481 254**	**9 863 018**	**428 812 883**	**135 404 483**	**20 934 402**	**184 801**	**710 680 841**
Capital replacement							2 252 793
Total liabilities as per Statement of financial Position							**712 933 634**

* See Note 49