Kareeberg Municipality

(Registration Number NC074)
Annual Financial Statements
for the year ended 30 June 2025

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Abbreviations

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COID	Compensation for Occupational Injuries and Diseases	
DoRA	Division of Revenue Act	
DBSA	Development Bank of South Africa	
EPWP	Expanded Public Works Programme	
GRAP	Generally Recognised Accounting Practice	
FMG	Finance Management Grant	
CIGFARO	Chattered Institute of Government Finance, Audit & Risk Officers	
INEP	Integrated National Electrification Programme	
IPSAS	International Public Sector Accounting Standards	
PAYE	Pay As You Earn	
MEC	Member of the Executive Council	
MFMA	Municipal Finance Management Act	
MIG	Municipal Infrastructure Grant (Previously CMIP)	
MSIG	Municipal System Improvement Grant	
SALGA	South African Local Government Association	
SARS	South African Revenue Services	

Kareeberg Municipality
(Registration Number NC074)
Annual Financial Statements for the year ended 30 June 2025

General Information

Country of Incorporation and Domicile	South Africa
Registration Number	NC074
Nature of Business and Principal Activities	Kareeberg Municipality is a local municipality performing the function as set out in the Constitution (Act no 108 of 1996)
Legal form	Local municipality as defined in the Municipal Structures Act (Act no. 117 of 1998)
Jurisdiction	The Kareeberg Municipality includes the following areas: Carnavon Vosburg Van Wyksvlei
Registered Office	Hanau Street Carnarvon 8925
Business Address	Hanau Street Carnarvon 8925
Bankers	ABSA
Auditors	The Auditor General of South Africa
Attorneys	Kramer Welhmann Attorneys Van Niekerk Coetzee

General Information

Enabling Legislation	Municipal Finance Management Act (Act no. 56 of 2003) Division Revenue Act The Income Tax (Act no. 58 of 1962) Value Added Tax (Act no. 89 of 1991) Municipal Structure Act (Act no. 117 of 1998) Municipal System Act (Act no. 32 of 2000) Municipal Planning and Performance Management Regulations Housing Act (Act no. 107 1997) Skills Development Levies Act (Act no. 9 of 1999) Employment Equity Act (Act no. 30 of 1966) Unemployment Equity Act (Act no. 30 of 1966) Supply Chain Management Regulations Act, 2005 Disaster Management Act of 2016 Water Services Act (Act no. 108 of 1997) Basic Conditions of Employment Act (Act no 75 of 1997) Municipality Property Rates (Act no 6 of 2004) Constitution (Act no. 108 of 1998) Electricity Act (Act no. 41 of 1987) Remuneration of Public Office Bearers Act (Act no. 20 1998)
Councillors	R.C.G Jikella (Mayor) M.J MacZali (Speaker) E. Hoorn W.F Links W.D Hoorn T.R van Tonder J. Nyl A.J Kamies J.H. Vermeulen P. Charlies S Newath
Chief Finance Officer	Mr W. de Bruin

Accounting Officer Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act no. 56 of 2003) to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is his responsibility to ensure that the annual financial statements satisfy the financial reporting standards as to form and content and present fairly the statement of financial position, results of operations and cash flows of the entity, and explain the transactions and financial position of the operations of the entity at the end of the financial year.

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board. The annual financial statements are based upon appropriate accounting policies consistently applied throughout the entity and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the entity and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the entity and all employees are required to maintain the highest ethical standards in ensuring the entity's operations are conducted in a manner that in all reasonable circumstances are above reproach.

The focus of risk management in the local municipality is on identifying, assessing, managing and monitoring all known forms of risk across the entity. While operating risk cannot be fully eliminated, the entity endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

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

The going concern basis has been adopted in preparing the annual financial statements. Based on forecasts and available cash resources for the year up to 30 June 2026, the accounting officer has no reason to believe that the entity will not be a going concern in the foreseeable future. The annual financial statements support the viability of the entity.

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

Although the accounting Officer is primarily responsible for the financial affairs of the municipality, they are supported by the municipality's external auditors.

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is presented on page 5.

The annual financial statements as set out on pages 8 to 113 were approved by the accounting officer on 31 August 2025 on their behalf by.

Mr M.F Manuel
Accounting Officer

Accounting Officer Report

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

1. Review of financial results and activities

Main business and operations
The principal activity of Kareeberg Local Municipality is performing the function as set out in the constitution (Act no 108 of 1996). There were no major changes herein during the year.

We draw attention to the fact that at 30 June 2025, the municipality had an accumulated surplus of R 306 279 780 and that the municipality's total assets exceed its liabilities by R 306 279 780.

Local Municipality revenue decreased from R100,234,972 in the prior year to R92,961,799 for the year ended 30 June 2025.

2. Going concern

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

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

Furthermore management has reviewed the municipality's cash flow forecast for the year ended 30 June 2025 and in the light of this review and the current financial position, management is satisfied that the municipality has, or has access to, adequate resources to continue it's operation existing for the foreseeable future.

The municipality still has the ability to levy services, rates and taxes and will continue to receive funding from government as evident from the Equitable Share allocations as published in terms of the Division of Revenue Act (Act 1 of 2016).

3. Subsequent event

All events subsequent to the date of the annual financial statements and for which the applicable financial reporting framework requires adjustment or disclosure have been adjusted or disclosed.

The accounting officer is not aware of any matter or circumstance arising since the end of the financial year to the date of this report that could have a material effect on the financial position of the local municipality.

4. Accounting Officer interest in contracts

To my knowledge I had no interest in any contracts entered into during the year under review.

5. Accounting Officer

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

Accounting Officer Report

Mr M.F Manuel

6. Auditors

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

Statement of Financial Position

Figures in R		2025	2024 Restated
Assets			
Non-current assets			
Property, plant and equipment	3	234,761,180	244,026,813
Investment property	4	15,819,750	15,832,697
Intangible assets	5	3,873	7,746
Biological assets	6	46,288	66,422
Heritage assets	7	14,900	14,900
Non-current receivables from exchange transactions	8	893,250	-
Total non-current assets		**251,539,241**	**259,948,578**
Current assets			
Inventories	9	358,728	402,615
Operating lease receivable	10	17,999	17,999
Statutory Receivables	15	8,641,411	6,363,858
Statutory Receivables from non exchange	11	21,402,624	4,635,044
Other Receivables from exchange transactions	12	1,982,182	1,404,817
Receivables from exchange transactions	13	37,206,025	15,445,679
Cash and cash equivalents	14	37,457,925	41,720,595
Total current assets		**107,066,894**	**69,990,607**
Total assets		**358,606,135**	**329,939,185**
Capital Replacement Reserve and liabilities			
Capital Replacement Reserve			
Capital Replacement Reserve		11,347,812	11,347,812
Housing Development Fund		54,998	54,998
Accumulated surplus		306,279,780	279,666,427
Total capital replacement reserve		**317,682,590**	**291,069,237**
Liabilities			
Non-current liabilities			
Provisions	17	6,080,702	7,343,179
Defined benefit plan liabilities	16	9,517,000	9,523,000
Total non-current liabilities		**15,597,702**	**16,866,179**
Current liabilities			
Consumer Deposits	18	401,175	388,187
Trade and other Payables from Non-Exchange Transactions	20	(161,228)	2,088,528
Payables from exchange transactions	19	17,862,160	19,066,245
Defined benefit Obligations	16	787,000	868,000
Unspent conditional grants and receipts	21	6,436,736	(407,191)
Total current liabilities		**25,325,843**	**22,003,769**
Total liabilities		**40,923,545**	**38,869,948**
Total capital replacement reserve and liabilities		**358,606,135**	**329,939,185**

Kareeberg Municipality
(Registration Number NC074)
Financial Statements for the year ended 30 June 2025

Statement of Financial Performance

Figures in R		2025	2024 Restated
Revenue from exchange transactions			
Interest Earned - External Investments	24	2,900,075	5,082,299
Other Income	26	266,399	203,114
Rental from Fixed Assets	23	134,831	160,477
Services Charges	22	32,428,183	24,230,077
Operational Revenue	27	488,404	56,544
Total revenue from exchange transactions		36,217,892	29,732,511
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	28	10,724,026	10,833,868
Transfer revenue			
Fines, Penalties and Forfeits		2,036	47,463
Licences and permits	25	4,896	31,364
Interest Earned - Non-exchange Transactions		-	1,786
Government grants and subsidies	29	46,012,949	59,587,980
Total revenue from non-exchange transactions		56,743,907	70,502,461
Total revenue		92,961,799	100,234,972
Expenditure			
Employee related costs	33	(21,624,820)	(23,391,493)
Remuneration to councillors	30	(5,236,644)	(5,126,307)
Contracted services	31	(8,952,821)	(12,383,987)
Depreciation and amortisation	35	(7,060,471)	(6,090,265)
Bulk Purchases	50	(18,504,147)	(21,949,038)
General Expenses	32	(12,842,533)	(17,175,273)
Finance costs	47	(1,689,674)	(1,275,145)
Total Expenditure		**(75,911,110)**	**(87,391,508)**
Operating Surplus for the year		**17,050,689**	**12,843,464**
Impairment loss on fixed assets	37	(4,848,812)	3,232
Fair Value Adjustments		-	200,207
Debt Impairment gain/(loss)	34	12,047,909	-
Decrease in landfill asset		2,079,050	-
Actuarial gain/(loss)	38	567,945	390,499
Surplus/(Deficit) for the Year		**26,613,353**	**13,437,402**

Statement of Changes in Net Assets

Figures in R	Capital Replacement Reserve	Housing Development Fund	Accumulated surplus	Total
Balance at 1 July 2023 as previously reported	11,347,812	54,998	266,229,025	277,576,837
Increase (decrease) due to corrections of prior period errors	-	-	-	-
Balance at 1 July 2023 as restated	11,347,812	54,998	266,229,025	277,631,835
Changes in capital replacement reserve				
Surplus for the year	-	-	13,437,402	13,437,402
Balance at 30 June 2024 as restated	**11,347,812**	**54,998**	**279,666,427**	**291,069,237**
Balance at 1 July 2024 as previously reported	11,347,812	54,998	270,285,327	281,688,137
Increase (decrease) due to corrections of prior period errors	-	-	9,381,100	9,381,100
Surplus for the period	-	-	26,613,353	26,613,353
Balance at 30 June 2025 as restated	**11,347,812**	**54,998**	**306,279,780**	**317,682,590**

Kareeberg Municipality

(Registration Number NC074)
Financial Statements for the year ended 30 June 2025

Statement of Cash Flows

Figures in R	2025	2024 Restated
Receipts		
Cash receipts		
Cash receipt from customers	13,626,266	13,598,653
Government grants	52,856,876	58,253,627
Interest	-	9,350,776
Other receipts	-	156,895
Interest received	2,900,075	747,125
Gross cash payments	-	
Suppliers and Employees	(79,729,928)	(54,628,954)
Transfer and Subsidies	-	(456,610)
Net cash flows from operations	**(10,346,711)**	**27,478,082**
Proceeds from sales of property, plant and equipment	-	203,439
Purchase of property, plant and equipment	(2,321,608)	(16,340,478)
Purchase of biological assets	-	(3,232)
	(2,321,608)	**(16,140,271)**
Net (decrease) / increase in cash and cash equivalents before effect of exchange rate changes	**(12,668,319)**	**11,337,811**
Net decrease in cash and cash equivalents	**(4,262,670)**	**(43,823,914)**
Cash and cash equivalents at beginning of the year	41,720,595	85,544,509
Cash and cash equivalents at end of the year	**37,457,925**	**41,720,595**

Kareeberg Municipality
(Registration Number NC074)
Financial Statements for the year ended 30 June 2025

Statement of Comparision of Budget and Actual Amounts

Figures in R

Statement of financial performance

	Approved budget	Adjustments		Transfers	Final budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Revenue from exchange transactions								
Interest Earned - External Investments	2,540,000	-	-	-	2,540,000	2,900,075	(360,075)	
Agency Services	35,000	-	-	-	35,000	-	35,000	
Rental from Fixed Assets	202,000	-	-	-	202,000	134,831	67,169	
Services Charges	22,915,000	-	-	-	22,915,000	32,428,183	(9,513,183)	
Licences and permits	10,360	-	-	-	10,360	4,896	5,464	
Sale of goods and rendering of services	20,545	-	-	-	20,545	266,399	(245,854)	
Operational Revenue	16,413,540	-	-	-	16,413,540	488,404	15,925,136	
Total revenue from exchange transactions	42,136,445	-	-	-	42,136,445	36,222,788	5,913,657	
Revenue from non-exchange transactions								
Taxation revenue								
Property Rates	10,048,774	-	-	-	10,048,774	10,724,026	(675,252)	
Transfer revenue								
Fines, Penalties and Forfeits	1,000	-	-	-	1,000	2,036	(1,036)	
Government grants and subsidies	42,808,000	-	-	-	42,808,000	46,012,949	(3,204,949)	
Total revenue from non-exchange transactions	52,857,774	-	-	-	52,857,774	56,739,011	(3,881,237)	
Total revenue	**94,994,219**	**-**	**-**	**-**	**94,994,219**	**92,961,799**	**2,032,420**	

Statement of Comparision of Budget and Actual Amounts

Figures in R

Expenditure							
Employee benefit costs	29,207,000	1,000,000	-	-	30,207,000	21,624,820	8,582,180
Remuneration of councilors	5,159,016	-	-	-	5,159,016	5,236,644	(77,628)
Bulk purchases - Electricity	19,832,000				19,832,000	18,504,147	1,327,853
Water Inventory consumed	-				-	-	
Depreciation and asset impairment	6,338,000				6,338,000	7,060,471	(722,471)
Finance charges	901,000				901,000	1,689,674	(788,674)
Inventory consumed	1,104,000				1,104,000	1,277,807	(173,807)
Debt impairment	7,500,000				7,500,000	-	7,500,000
Contracted services	13,126,000				13,126,000	8,952,821	4,173,179
Transfers and subsidies	1,093,000				1,093,000	-	1,093,000
Irrecoverable debts written off	-				-		-
General expenses/Operational costs	14,729,000				14,729,000	11,367,682	3,361,318
Losses on disposal	4,000				4,000	-	4,000
Other losses	1,500,000				1,500,000	-	1,500,000
Tota Expenditure	**100,493,016**				**101,493,016**	**75,714,066**	**25,778,950**
					-		-
(Losses) / gains on net monetary position	-	-	-	-	-	(5,091,972)	5,091,972
Loss on disposal of biological assets	-	-	-	-	-	-	-
Gains/(Loss) on Sale of Fixed Assets	-	-	-	-	-	-	-
Decrease in landfill asset	-	-	-	-	-	2,079,050	(2,079,050)
Water Inventory gain	-	-	-	-	-	-	-
Actuarial gain/ (loss)	-	-	-	-	-	567,945	(567,945)
Debt Impairment	-	-	-	-	-	12,047,909	(12,047,909)
(Deficit) / surplus for the year	**(5,498,797)**	**-**	**-**	**-**	**(6,498,797)**	**26,850,665**	**26,613,353**

Statement of Comparision of Budget and Actual Amounts

Figures in R

Reconciliation

Statement of Financial Position					
Current assets					
Cash and cash equivalents	72,335,256	(25,131,109)	47,204,147	37,457,925	9,746,222
Trade and other receivables from exchange transactions	7,726,992	7,976,204	15,703,196	37,206,025	(21,502,829)
Receivables from non exchange transactions	(866,411)	4,801,091	3,934,680	21,402,624	(17,467,944)
Inventory	(1,098,735)	-	(1,098,735)	358,728	(1,457,463)
VAT	824,078	8,673,465	9,497,543	8,641,411	856,132
Other current assets	12,591	(80,832)	(68,241)	2,000,181	(2,068,422)
Current portion of non current receivables	2,367	(2,367)	-		-
Total current assets	**78,936,138**	**(3,763,548)**	**75,172,590**	**107,066,894**	**(31,894,304)**
Non current assets					
Investment property	15,845,639	(12,941)	15,832,698	15,819,750	12,948
Property, plant and equipment	239,514,888	15,987,882	255,502,770	234,761,180	20,741,590
Heritage assets	14,900	-	14,900	14,900	-
Biological assets	43,756	12,665	56,421	46,288	10,133
Intangible assets	11,617	(3,870)	7,747	3,873	3,874
Non current receivables	-	-	-	893,250	(893,250)
Total non current assets	**255,430,800**	**15,983,736**	**271,414,536**	**251,539,241**	**19,875,295**
Total Assets	**334,366,938**	**12,220,188**	**346,587,126**	**358,606,135**	**(12,019,009)**

Liabilities

Current Liabilities

Statement of Comparision of Budget and Actual Amounts

Figures in R					
Consumer deposits	381,089	7,099	388,188	401,175	(12,987) #
Trade and other payables from exchange transactions	4,785,977	13,839,669	18,625,646	17,862,160	763,486
Trade and other payables from non exchange transactions	50,082,310	(48,400,978)	1,681,332	-	1,681,332
Provisions	2,618,664	683,236	3,301,900		3,301,900
VAT	2,790,971	3,652,489	6,443,460	-	6,443,460
Other current liabilities	-		-	7,223,736	(7,223,736)
Total current liabilities	**60,659,011**	**(30,218,485)**	**30,440,526**	**25,487,071**	**4,953,455**
Non current liabilities					
Payables from exchange transactions					
Long term portion of trade payables					
Finance lease obligation					
Provisions	7,560,243	517,935	8,078,178	6,080,702	1,997,476
Other non current liabilities	9,353,347	138,753	9,492,100	9,517,000	(24,900)
Total non current liabilities	**16,913,590**	**656,688**	**17,570,278**	**15,597,702**	**1,972,576**
Net Assets					
Capital Replacement Reserve	-	-	-	11,347,812	(11,347,812)
Accumulated surplus	243,382,939	41,781,913	285,164,852	306,279,780	(21,114,928)
Housing Development Fund	-	-	-	-	-
Funds and reserves	11,402,808	-	11,402,808	54,998	11,347,810
	254,785,747	**41,781,913**	**296,567,660**	**317,682,590**	**(21,114,930)**
Total net assets and liabilities	**332,358,348**	**12,220,116**	**344,578,464**	**358,767,363**	**(14,188,899)**

Kareeberg Municipality

(Registration Number NC074)
Financial Statements for the year ended 30 June 2025

Statement of Comparision of Budget and Actual Amounts

Figures in R
CASH FLOW FROM OPERATING ACTIVITIES

	Approved budget	Adjustments	Virement	Transfers	Final budget	Actual amount on comparative basis	Difference between final budget and actual
Receipts							
Property rates	9,700,712	-	-	-	9,700,712		9,700,712
Service charges	24,103,977	(4,917,361)	-	-	19,186,616		19,186,616
Other revenue	18,378,994	-	-	-	18,378,994		18,378,994
Cash receipts from customers	-	-	-		-	13,626,266	
Transfers and Subsidies	39,055,520	3,371,367	-	-	42,426,887	52,856,876	(10,429,989)
Transfers and Subsidies - Capital	16,368,000	6,000,000	-	-	22,368,000		22,368,000
Interest	2,540,303	-			2,540,303	2,900,075	(359,772)
Suppliers and employees	(82,773,675)	200,000	-	-	(82,573,675)	(79,729,928)	(2,843,747)
Net cash from/(used) Operating activities	**27,373,831**	**4,654,006**	**-**	**-**	**32,027,837**	**(10,346,711)**	**56,000,814**
Cash flow from investing activities							
Decrease (increase) non current investments							
Capital assets	(13,408,000)					(2,321,608)	
Net increase/ (decrease) in cash held	**(13,408,000)**	**-**	-	-	**-**	**(2,321,608)**	**12,770,118**
Net (decrease) / Increase in cash and cash equivalents							
Cash/ cash equivalent at the year begin	41,720,595	4,654,006	-	-	-	41,720,595	(2,087,263)
Cash/ cash equivalent at the year end	**28,312,595**	**4,654,006**	-	-	**32,027,837**	**39,398,987**	**11,467,203**

Accounting Policies

1. Presentation of Annual Financial Statements

The financial statements of Kareeberg Municipality have been prepared in accordance with Standards of Generally Recognised Accounting Practice and the Municipal Finance Management Act (Act no. 56 of 2003). The financial statements have been prepared on the accrual basis of accounting under the historical cost convention, as modified by the revaluation of land and buildings, available-for-sale financial assets, and financial assets and financial liabilities (including derivative instruments) at fair value through surplus or deficit. They are presented in South African Rand.

The preparation of financial statements in conformity with Standards of Generally Recognised Accounting Practice requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the municpality's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 2.

The principal accounting policies applied in the preparation of these annual financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Presentation Currency

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

Going concern

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

Significant judgements and sources of estimations 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:

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 surplus 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.

Impairment testing

Presentation of Annual Financial Statements continued...

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

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including [list entity specific variables, i.e. production estimates, supply demand], together with economic factors such as [list economic factors such as exchange rates inflation interest].

Provisions

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

Post-retirement benefits

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

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

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

Allowance for doubtful debts

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

Useful lives and residual values

The municipality's management determines the estimated useful lives, residual values and related depreciation charges for assets as noted in accounting policy 1.5. Property Plant and Equipment. These estimates are based on industry norms.

Management will increase the depreciation charge prospectively where useful lives are less than previously estimated useful lives. Management will decrease the depreciation charge prospectively where useful lives are more than previously estimated useful lives.

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Where changes are made to the estimated residual values, management also makes these changes prospectively

1.1 Property, plant and equipment

Property, plant and equipment are tangible items that:
- are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes; and
- are expected to be used during more than one period.

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 entity, and
- the cost or fair value of the item can be measured reliably.

An item of property, plant and equipment that qualifies for recognition as an asset is initially measured at its cost.
An item of property, plant and equipment that qualifies for recognition as an asset is initially measured at its cost, except where the asset is acquired by way of a non-exchange transaction, where it is initially measured at fair value at the date of acquisition.

The cost of an item of property, plant and equipment includes:
- its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates.
- any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

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.

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

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

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

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

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

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

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

Depreciation of an asset commences when it is available for use, and ceases at the date that the asset is derecognised.

The measurement base, useful life or depreciation rate as well as the depreciation method for all major classes of assets are as follows:

Asset class	**Measurement base**	**Useful life / depreciation rate**	**Depreciation method**
Land Buildings			
Land	Cost	Infinite	Not applicable
Buildings	Cost	2 to 81 years	Straight line
Leasehold property			
Leasehold improvements			
Infrastructure			
Roads and Stormwater Network	Cost	12 - 101 Years	Straight line
Electricity Network	Cost	5 - 61 Years	Straight line
Water Network	Cost	6 - 86 Years	Straight line
Sewerage Network	Cost	13 - 81 Years	Straight line
Refuse Network			Straight line
Community			
Recreation Group	Cost	11 - 102 Years	Straight line
Civil Buildings	Cost	30 - 81 Years	Straight line
Cemetery	Cost	23 - 81 Years	Straight line
Museum	Cost	30 - 81 Years	Straight line
Parks	Cost	30 - 81 Years	Straight line
Public Conveniences/Bathhouses	Cost	30 - 81 Years	Straight line
Libraries	Cost	11 - 81 Years	Straight line
Clinics and Hospital	Cost	30 - 81 Years	Straight line

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Other

Motor Vehicles	Cost	8 - 29 Years	Straight line
Computer Equipment	Cost	3 - 41 Years	Straight line

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

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

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

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

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

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

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

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

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

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

Non-living Resources

Non-living resources are those resources, other than living resources, that occur naturally and have not been extracted.

Non-living resources, other than land, are not recognised as assets in the financial statements of the Municipality.

Site restoration and dismantling cost

Presentation of Annual Financial Statements continued...

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

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

1.2 Heritage assets

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.

Recognition
A heritage asset is recognised as an asset when:
- it is probable that future economic benefits or service potential associated with the asset will flow to the entity; and
- the cost or fair value of the asset can be measured reliably.

Dual purpose assets (used for service delivery and preserved and defined as a heritage asset) are only be classified as a heritage asset when a significant portion of the asset meets the definition of a heritage asset.

Initial measurement
A heritage asset that qualifies for recognition as an asset is measured at its cost. Where a heritage asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

Subsequent measurement - Cost model
After initial recognition, a class of heritage assets is measured at cost less any accumulated impairment losses.

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

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

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

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For a transfer from investment property carried at fair value, on inventories to heritage assets at a revalued amount, any difference between the fair value of the asset at that date and its previous carrying amount shall be recognised in surplus or deficit

Derecognition

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

The gain or loss arising from the derecognition of a heritage asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.

Application of deemed cost - Derivative 7

The Municipality opted to take advantage of the transitional provision as contained in the 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 2010.

1.3 Investment property

Definition

Investment property is property (land or a building—or part of a building—or both) held by the entity 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;
- for administrative purposes; or
- sale in the ordinary course of business.

Investment property includes:
- land held for long-term capital appreciation rather than for short-term sale in the ordinary course of operations;
- land held for a currently undetermined future use;
- a building owned by the entity (or held by the entity under a finance lease) and leased out under one or more operating leases on a commercial basis; and
- a building that is vacant but is held to be leased out under one or more operating leases on a commercial basis to external parties.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes is classified as property plant and equipment and not investment property.

Recognition

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 entity; and
- the cost or fair value of the investment property can be measured reliably.

Initial measurement

Investment property is initially measured at cost, with transaction costs and other directly attributable expenditure being included in the initial measurement. Where an investment property is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

Accounting Policies

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The initial cost of investment property interest held under a lease is recognised at the lower of the fair value of the property and the present value of the minimum lease payments. An equivalent amount is recognised as a liability.

Subsequent measurement - Cost model

Investment property is subsequently carried at cost less accumulated depreciation and any accumulated impairment losses, except for land. Land is not depreciated.

Depreciation of an asset commences when it is available for use, and ceases at the date that the asset is derecognised.

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

Item	**Useful life**
Property - Land	indefinite
Property - Building	20 - 30 Years

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

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

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 10).

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

1.4 Intangible assets

Definition

An intangible asset is an identifiable non-monetary asset without physical substance. The asset is determined to be identifiable if it either is separable, or arises from binding arrangements.

Recognition

An intangible asset is be recognised when:

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

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Initial measurement

Intangible assets are initially measured at cost except where the asset is acquired through a non-exchange transaction, in which case its initial cost at the date of acquisition will be its fair value at that date.

Separately acquired assets are initially measured at their purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates, and any directly attributable cost of preparing the asset for its intended use.

Internally generated goodwill is not recognised as an asset.

Acquisitions as part of a transfer of functions are initially measured at fair value at acquisition date.

The cost of assets acquired through an exchange of assets is measured at fair value at acquisition date unless the fair value of neither the asset received nor the asset given up is reliably measurable. The acquired asset is immediately measured in this way even if the asset given up cannot immediately be derecognised. If the acquired asset is not measured at fair value, its cost is measured using the carrying amount of the asset given up. If the transaction is in substance a non-exchange transaction, it is measured in terms of the accounting policies related to revenue from non-exchange transactions.

Internally generated intangible assets are recognised initially at cost, being the sum of expenditure from the date the recognition criteria for an intangible asset are met, bearing in mind the following additional criteria:

- During the research phase, no intangible asset is recognised. Expenditure on research is recognised as an expense when it is incurred.
- During the development phase, an intangible asset will be recognised only if the following can be demonstrated:
  - it is technically feasible to complete the intangible asset so that it will be available for use or sale;
  - there is an intention to complete the intangible asset and use or sell it;
  - there is an ability to use or sell the intangible asset;
  - it is possible to demonstrate how the asset will generate probable future economic benefits or service potential. including the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset.
  - there are available financial, technical and other resources to complete the development of the intangible asset as well as to use or sell the intangible asset;
  - the expenditure attributable to the intangible asset during the development phase can be reliably measured.

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

Expenditure on an intangible asset is recognised as an expense when it is incurred unless it is part of the cost of an intangible asset that meets the recognition criteria. Expenditure on an intangible item that was initially recognised as an expense is not recognised as part of the cost of an intangible asset at a later date.

Subsequent measurement - Cost model

After initial recognition, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

Subsequent measurement - Revaluation model

After initial recognition, intangible assets are carried at a revalued amount, being their fair value at the date of the revaluation less any subsequent accumulated amortisation and any subsequent accumulated impairment losses.

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Subsequent measurement - Revaluation and Cost model

After initial recognition, some intangible assets are measured at cost less any accumulated amortisation and any accumulated depreciation, with others carried at a revalued amount, being their fair value at the date of the revaluation less any subsequent accumulated amortisation and any subsequent accumulated impairment losses.

Amortisation

An intangible asset is regarded by the entity as having an indefinite useful life when, based on an analysis of all of the relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows. Intangible assets with an indefinite useful life are not amortised, but is tested for impairment annually and whenever there is an indication that the intangible asset may be impaired. The intangible asset's determination as having an indefinite useful life is also reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment. Reassessing the useful life of an intangible asset as finite rather than indefinite is an indicator that the asset may be impaired.

The useful life of an intangible asset that arises from binding arrangements (including rights from contracts) shall not exceed the period of the binding arrangement, but may be shorter depending on the period over which the entity expects to use the asset. If the binding arrangements (including rights from contracts) are conveyed for a limited term that can be renewed, the useful life of the intangible asset shall include the renewal period(s) only if there is evidence to support renewal by the entity without significant cost.

For other intangible assets amortisation is allocated on a systematic basis over its useful life. Where an intangible asset has a residual value, the depreciable amount is determined after deducting its residual value.

Amortisation begins when the asset is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Amortisation ceases at the date that the asset is derecognised.

The amortisation method used reflects the pattern in which the asset’s future economic benefits or service potential are expected to be consumed by the entity. If that pattern cannot be determined reliably, the straight line method is used.

The amortisation charge for each period is recognised in surplus or deficit unless this or another Standard permits or requires it to be included in the carrying amount of another asset.

The residual values of intangibles assets are assumed zero unless:

- there is a commitment by a third party to purchase the asset at the end of its useful life; or
- there is an active market for the asset and:
    - residual value can be determined by reference to that market; and
    - it is probable that such a market will exist at the end of the asset's useful life.

Residual values as well as the useful lives of all assets are reviewed annually. Changes in residual values are treated as a change in estimate and treated in accordance with the relevant accounting policies.

The classification of useful lives and amortisation methods for the various classes of assets are as follows:

Asset class	**Internally generated or other**	**Useful life classifica-tion**	**Useful life classifica-tion**
Computer software	Straight-Line	3 - 11 Years	

Presentation of Annual Financial Statements continued...

Impairments

The entity assesses at each reporting date whether there is any indication that an asset or cash-generating unit (CGU) to which an asset belongs to may be impaired. Only if such an indication exists, the entity estimates the recoverable service amount or recoverable amount of the asset or CGU and compares it to the asset or CGU's carrying amount. Where the carrying amount of an asset or CGU is greater than the estimated recoverable service amount or recoverable amount, it is written down immediately to its recoverable service amount or recoverable amount.

For non-cash generating assets, the recoverable service amount is the higher of the asset's fair value less costs to sell and its value in use. The value in use is determined by using either the depreciated replacement cost, restoration cost or service unit approach, depending on the availability of data and the nature of the impairment.

For cash-generating assets, the recoverable amount is the higher of the asset or CGU's fair value less costs to sell and its value in use. The value in use is determined as the present value of the estimated future cash flows expected to be derived from the continuing use of an asset or CGU and from its disposal at the end of its useful life. The future expected cash flows are discounted at a pre-tax rate that reflects the current market assessment of the time value of money and the risks specific to the asset or CGU for which the future cash flow estimates have not been adjusted.

For intangible assets with indefinite useful lives or intangible assets that are not yet available for use, the entity tests these assets for impairment annually by comparing their carrying amounts with their recovable service amounts or recoverable amounts.

The resulting impairment loss is recognised immediately in surplus or deficit, except where the decrease reverses a previously recognised revaluation increase for the same asset or CGU. The decrease is recognised directly in net assets to the extent of any credit balance existing in the revaluation surplus, and future depreciation charges are adjusted in future periods to allocate the revised carrying amount, less its residual value, on a systematic basis over its remaining useful life.

Where the estimated impairment loss exceeds the carrying amount of the asset or CGU to which it relates, the resulting liability is only recognised if it is required by another standard.

An impairment loss recognised in prior periods for an asset or CGU is only reversed if there is an indication that the impairment may no longer exist or may have decreased. This will occur when there was a change in the estimates used to determine the asset or CGU's recoverable service amount or recoverable amount. An impairment is reversed only to the extent that the asset or CGU's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised.

A reversal of impairment is recognised immediately in surplus or deficit, except where the asset or CGU is carried at a revalued amount. If the asset or CGU is carried at a revalued amount, the reversal of the impairment loss is treated as a revaluation increase, and future depreciation charges are adjusted in future periods to allocate the revised carrying amount, less its residual value, on a systematic basis over its remaining useful life.

Retirements and disposals

An asset is derecognised on disposal or when no future economic benefits or service potential are expected from its use or disposal. The gain or loss on disposal is recognised in surplus or deficit.

The gain or loss arising from the derecognition of an intangible asset shall be included in surplus or deficit when the asset is derecognised (unless GRAP 13 requires otherwise on a sale and leaseback).

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1.5 Biological assets

Definitions
The accounting policy set out below is applied to the following when they relate to agricultural activity:
- biological assets;
- agricultural produce at the point of harvest; and

Agricultural activity is the management by an entity of the biological transformation and harvest of biological assets for sale, distribution at no charge or for a nominal charge, or conversion into agricultural produce or into additional biological assets for sale or distribution at no charge or for a nominal charge.

A biological asset is a living animal or plant.

Agricultural produce is the harvested product of the entity's biological assets.

Recognition
Biological assets are recognised when:
- the entity controls the asset as a result of past events;
- it is probable that future economic benefits or service potential associated with the asset will flow to the entity; and
- the fair value or cost of the asset can be measured reliably.

Measurement
Biological assets are initially and subsequently measured at fair value less costs to sell except where the fair value cannot be determined reliably. In such cases biological assets are measured at cost less accumulated depreciation and accumulated impairment losses.

Agricultural produce harvested from the biological assets is measured at its fair value less costs to sell at the point of harvest, and this value is transferred to inventory.

Gains or losses arising from the initial recognition of a biological asset at fair value less costs to sell, from a change in fair value less costs to sell of a biological asset, and from the initial recognition of agricultural produce at fair value less costs to sell are included in surplus or deficit for the period in which it arises.

Details of the estimated useful life, depreciation rate and depreciation method for biological assets measured at cost is as follows:

Asset class	Useful life	Depreciation rate	Depreciation method
Biological asset	5 - 15 Years	Market Value	Revaluation Method

Impairments
The entity assesses at each reporting date whether there is any indication that an asset or cash-generating unit (CGU) to which an asset belongs to may be impaired. Only if such an indication exists, the entity estimates the recoverable service amount or recoverable amount of the asset or CGU and compares it to the asset or CGU's carrying amount. Where the carrying amount of an asset or CGU is greater than the estimated recoverable service amount or recoverable amount, it is written down immediately to its recoverable service amount or recoverable amount.

For non-cash generating assets, the recoverable service amount is the higher of the asset’s fair value less costs to sell and its value in use. The value in use is determined by using either the depreciated replacement cost, restoration cost or service unit approach, depending on the availability of data and the nature of the impairment.

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For cash-generating assets, the recoverable amount is the higher of the asset or CGU’s fair value less costs to sell and its value in use. The value in use is determined as the present value of the estimated future cash flows expected to be derived from the continuing use of an asset or CGU and from its disposal at the end of its useful life. The future expected cash flows are discounted at a pre-tax rate that reflects the current market assessment of the time value of money and the risks specific to the asset or CGU for which the future cash flow estimates have not been adjusted.

The resulting impairment loss is recognised immediately in surplus or deficit, except where the decrease reverses a previously recognised revaluation increase for the same asset or CGU. The decrease is recognised directly in net assets to the extent of any credit balance existing in the revaluation surplus, and future depreciation charges are adjusted in future periods to allocate the revised carrying amount, less its residual value, on a systematic basis over its remaining useful life.

Where the estimated impairment loss exceeds the carrying amount of the asset or CGU to which it relates, the resulting liability is only recognised if it is required by another standard.

Compensation from third parties for items of biological assets that were impaired, lost or given up are included in surplus or deficit when the compensation becomes receivable.

An impairment loss recognised in prior periods for an asset or CGU is only reversed if there is an indication that the impairment may no longer exist or may have decreased. This will occur when there was a change in the estimates used to determine the asset or CGU’s recoverable service amount or recoverable amount. An impairment is reversed only to the extent that the asset or CGU's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised.

A reversal of impairment is recognised immediately in surplus or deficit, except where the asset or CGU is carried at a revalued amount. If the asset or CGU is carried at a revalued amount, the reversal of the impairment loss is treated as a revaluation increase, and future depreciation charges are adjusted in future periods to allocate the revised carrying amount, less its residual value, on a systematic basis over its remaining useful life.

Derecognition
Agricultural produce is derecognised at the point of reclassification to inventory. As the fair value less point-of-sale costs becomes the cost of the inventory, no gain or loss is recognised at the point of reclassification.

Biological assets are derecognised when the entity disposes thereof or when it is no longer probable that future economic benefits or service potential will be generated from the biological asset. Any gain or loss that arises at the point of derecognition is recognised in surplus or deficit at the date of derecognition.

1.6 Financial instruments

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

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

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

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An equity instrument is any contract that evidences a residual 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 unitilised 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.

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; and
- it is settled at a future date.

Financial instruments at fair value are financial assets or financial liabilities that are:
- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial asset or financial liability 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.

Financial instruments at fair value are financial assets or financial liabilities that are:
- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial asset or financial liability 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.

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

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

Presentation of Annual Financial Statements continued...

Classification and recognition

The local municipality classifies financial assets and financial liabilities into the following categories:

- Financial instruments at fair value
- Financial instruments at amortised cost
- Financial instruments at cost

Classification of a financial instrument, or its component parts takes place on initial recognition. Each instrument is classified as a financial liability, a financial asset or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability, a financial asset and an equity instrument.

A financial asset classified as available-for-sale that would have met the definition of loans and receivables may be reclassified to loans and receivables if the entity has the intention and ability to hold the asset for the foreseeable future or until maturity. Financial instruments are not reclassified into the fair value through surplus or deficit category after initial recognition.

Initial measurement

When a financial asset or financial liability is recognised initially, it is measured at its fair value plus transaction costs, in the case of a financial asset or financial liability not at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The entity recognises financial assets using trade date accounting.

Subsequent measurement

All financial assets and financial liabilities are measured after initial recognition using the following categories:

- Financial instruments at amortised cost

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Fair value measurement

Fair value is determined based on a quoted price in an active market, or by using a valuation technique if there is no active market.

The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, an entity calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

Amortised cost is calculated by using the effective interest rate method

Where fair value cannot be reliably determined, financial instruments are measured at cost

Presentation of Annual Financial Statements continued...

Reclassifications
The entity does not reclassify a financial instrument while it is issued or held unless it is a combined instrument that is required to be measured at fair value, or an investment in a residual interest that meets the requirements for reclassification.

Where the entity cannot reliably measure the fair value of an embedded derivative that has been separated from a host contract that is a financial instrument at a subsequent reporting date, it measures the combined instrument at fair value. This requires a reclassification of the instrument from amortised cost or cost to fair value.

If fair value can no longer be measured reliably for an investment in a residual interest measured at fair value, the entity reclassifies the investment from fair value to cost. The carrying amount at the date that fair value is no longer available becomes the cost.

If a reliable measure becomes available for an investment in a residual interest for which a measure was previously not available, and the instrument would have been required to be measured at fair value, the entity reclassifies the instrument from cost to fair value.

Gains and losses
A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Offsetting financial instruments
Interest, dividends or similar distributions, losses and gains relating to a financial instrument or a component that is a financial liability are recognised as revenue or expense in surplus or deficit. Distributions to holders of residual interests are recognised by the entity directly in net assets. Transaction costs incurred on residual interests are accounted for as a deduction from net assets.

Financial assets and liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

Where a transfer of financial assets do not qualify for derecognition, the transferred asset and the associated liability are not offset.

Derecognition
Financial assets
The entity derecognises financial assets using trade date accounting.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when it is transferred and the transfer qualifies for derecognition.

Presentation of Annual Financial Statements continued...

Where, despite having retained some significant risks and rewards of ownership of the financial asset, control of financial assets are transferred and the other party has the practical ability to sell the asset 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, the entity:
- derecognises the asset; and
- recognises separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

If the entity transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognises either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognise the new financial asset, financial liability or servicing liability at fair value.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

If a transfer does not result in derecognition because the entity has retained substantially all the risks and rewards of ownership of the transferred asset, the entity continue to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the entity recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

Financial liabilities

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

Presentation of Annual Financial Statements continued...

Impairment of financial assets

At the end of each reporting period an assessment is made to determine whether there is any objective evidence that a financial asset or group of financial assets is impaired. If any such evidence exists, the extent of the impairment is determined.

Impairment losses in financial assets carried at amortised cost are recognised in surplus or deficit. 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 credit losses that have not been incurred) discounted at the financial asset’s original effective interest rate. The carrying amount of the asset is reduced directly or through the use of an allowance account.

Reversals of impairment losses are recognised in surplus or deficit. Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

Receivables are classified as debt instruments and loan commitments at amortised cost.

Other financial assets

Other financial assets are recognised initially at fair value plus transaction costs except where the asset will subsequently be measured at fair value.

Where other financial assets relate to shares that are publicly traded, or where fair values can be measured reliably without undue cost or effort, these assets are subsequently measured at fair value with the changes in fair value being recognised in surplus or deficit. Other investments are subsequently measured at cost less impairment.

Debt instruments are subsequently stated at amortised cost. Interest income is recognised on the basis of the effective interest method and is included in finance income.

Commitments to receive a loan that meet the conditions in paragraph 11.8(c) are measured at cost less impairment.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially recorded at fair value and subsequently carried at amortised cost.

Cash and cash equivalents includes cash on hand, demand deposits and other short-term highly liquid investments with original maturities of three months or less. Bank overdrafts are shown in current liabilities on the statement of financial position.

Trade and other payables

Trade payables are initially measured at fair value plus direct transaction costs, and are subsequently measured at amortised cost, using the effective interest rate method.

Presentation of Annual Financial Statements continued...

Trade payables are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

Other financial liabilities
Other financial liabilities are recognised initially at the transaction price, including transaction costs except where the liability will subsequently be measured at fair value.

Where the fair value of other financial liabilities can be measured reliably without undue cost or effort, these liabilities are subsequently measured at fair value with the changes in fair value being recognised in surplus or deficit.

Debt instruments are subsequently stated at amortised cost. Interest expense is recognised on the basis of the effective interest method and is included in finance costs.

Other financial liabilities are classified as current liabilities unless the local municipality has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

1.7 Inventories

Definition
Inventories are assets:
- in the form of materials or supplies to be consumed in the production process;
- in the form of materials or supplies to be consumed or distributed in the rendering of services;
- held for sale or distribution in the ordinary course of operations; or
- in the process of production for sale or distribution.

Recognition
Inventories are recognised as an asset when
- it is probable that future economic benefits or service potential associated with the item will flow to the entity; and
- the cost of the inventories can be measured reliably.

Measurement
Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value at the date of the 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 entity incurs to acquire the asset on the reporting date.

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

In instances where inventories purchased on deferred settlement terms contain a financing element, that element is recognised as an interest expense over the period of the financing.

Presentation of Annual Financial Statements continued...

The cost of finished goods and work in progress comprises packaging costs, raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity).

Tax expense (tax income) is the aggregate amount included in the determination of surplus or deficit for the period in respect of current tax and deferred tax.

Current tax is the amount of income taxes payable (recoverable) in respect of the taxable surplus (tax deficit) for a period.

Deferred tax liabilities are the amounts of income taxes payable in future periods in respect of taxable temporary differences.

Deferred tax assets are the amounts of income taxes recoverable in future periods in respect of:
- deductible temporary differences;
- the carry forward of unused tax losses; and
- the carry forward of unused tax credits.

1.8 Leases

Definition
A lease is an agreement whereby the lessor conveys to the lessee in return for a payment or series of payments the right to use an asset for an agreed period of time. A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset. Title may or may not eventually be transferred. An operating lease is a lease other than a finance lease.

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

For arrangements entered into prior to 1 January 2005, the date of inception is deemed to be 1 January 2005, in accordance with the transitional requirements of GRAP 3.

Assets held under a finance lease are recognised in the statements of financial position and presented as a receivable at an amount equal to the net investment in the lease.

The recognition of finance revenue is based on a pattern reflecting a constant periodic rate of return on the lessor's net investment in the finance lease.

Where assets are manufactured or sold under a dealership the selling surplus or deficit is recognised in the period in accordance with the policy for outright sales. Where low rates of interest are quoted, selling surplus is restricted to that which would apply if a market rate of interest was charged. Costs incurred in connection with negotiating and arranging the lease are recognised as an expense when the selling surplus is recognised.

Operating leases as lessor
Assets subject to operating leases are included in the statements of financial position according to the nature of the asset.

Lease revenue from operating leases is recognised in income on a straight-line basis over the lease term, unless another systematic basis is more representative of the time pattern in which use benefit derived from the leased asset is diminished.

Presentation of Annual Financial Statements continued...

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

The depreciation policy for depreciable leased assets is in accordance with the policy set out for property, plant and equipment and intangible assets (whichever is applicable).

Operating leases as lessee
Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term unless another systematic basis is more representative of the pattern of the benefit obtained.

The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.9 Provisions and contingencies

A provision is a liability of uncertain timing or amount. A liability is a present obligation of the entity arising from past events, the settlement of which is expected to result in an outflow from the entity of resources embodying economic benefits or service potential.

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; or
- 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 or service potential will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset 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 provision is recognised when:
- there is a present obligation (legal or constructive) as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the end of the reporting period. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate (or rates) shall be a pre-tax rate (or rates) that reflect(s) current market assessments of the time value of money and the risks specific to the liability. The discount rate(s) shall not reflect risks for which future cash flow estimates have been adjusted.

Future events that may affect the amount required to settle an obligation shall be 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 be taken into account in measuring a provision.

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

Presentation of Annual Financial Statements continued...

In the statement of financial performance, the expense relating to a provision is presented net of the amount recognised for a reimbursement.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. 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 reversed.

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

Provisions are not recognised for deficits from future operating activities.

The present obligation (net of recoveries) under an onerous contract is recognised and measured as a provision.

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

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

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

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

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

Contingent assets and liabilities are not recognised, but details are disclosed in the notes to the annual financial statements.

1.10 Revenue from exchange transactions

Definition

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

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

Presentation of Annual Financial Statements continued...

Revenue from exchange transactions consists primarily of services charges, rentals, interest received and other services rendered.

When considering the probability of the future economic benefits that will flow to the entity, consideration is given to the requirements as outlined in IGRAP 1.

Measurement

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

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.

Sale of goods

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

- the entity has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the entity 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 entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

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

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

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

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

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

Rendering of services consist out of solid waste, sanitation, sewerage and water services.

Interest

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity, and
- the amount of the revenue can be measured reliably.

Presentation of Annual Financial Statements continued...

Rental income

Leases revenue from operating leases shall be recognised as revenue on a straight-line basis over the lease term in accordance with the accounting policy on Leases.

Revenue arising from the use by others of entity assets yielding rental income is recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity; and
- the amount of the revenue can be measured reliably.

1.11 Revenue from Non-Exchange Transactions

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

Revenue from non-exchange transactions consists primarily of grants from National - and Provincial Government, Property rates and Fines revenue.

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

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

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

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

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

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

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

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

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

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

Presentation of Annual Financial Statements continued...

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

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

When considering the probability of the future economic benefits that will flow to the entity, consideration is given to the requirements as outlined in IGRAP 1.

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

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

Taxes
The entity recognises an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met.

Resources arising from taxes satisfy the definition of an asset when the entity controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources. Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured. The degree of probability attached to the inflow of resources is determined on the basis of evidence available at the time of initial recognition, which includes, but is not limited to, disclosure of the taxable event by the taxpayer.

The entity analyses the taxation laws to determine what the taxable events are for the various taxes levied.

The taxable event for property tax is the passing of the date on which the tax is levied, or the period for which the tax is levied, if the tax is levied on a periodic basis.

Taxation revenue is determined at a gross amount. It is not reduced for expenses paid through the tax system.

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

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

Debt forgiveness and assumption of liabilities
The entity recognise revenue in respect of debt forgiveness when the former debt no longer meets the definition of a liability or satisfies the criteria for recognition as a liability, provided that the debt forgiveness does not satisfy the definition of a contribution from owners.

Revenue arising from debt forgiveness is measured at the carrying amount of debt forgiven.

Presentation of Annual Financial Statements continued...

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

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

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

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

The portion of the loan that is repayable, along with any interest payments, is an exchange transaction and is accounted for in accordance with the Standard of GRAP on Financial Instruments. The off-market portion of the loan is a non-exchange transaction. The off-market portion of the loan that is recognised as non-exchange revenue is calculated as the difference between the proceeds received from the loan, and the present value of the contractual cash flows of the loan, discounted using a market related rate of interest.

The recognition of revenue is determined by the nature of any conditions that exist in the loan agreement that may give rise to a liability. Where a liability exists the cash flow statement recognises revenue as and when it satisfies the conditions of the loan agreement.

Conditional grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the entity has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

1.12 Employee benefits

Short-term employee benefits

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:
- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset (see, for example, the Standards of GRAP on Inventories, Property, Plant and Equipment, Intangible Assets and Heritage Assets).

Short-term compensated absences
The entity recognises the expected cost of short-term employee benefits in the form of compensated absences as follows:
- in the case of accumulating compensated absences, when the employees render service that increases their entitlement to future compensated absences; and
- in the case of non-accumulating compensated absences, when the absences occur.

The entity measures the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

Accounting Policies

Presentation of Annual Financial Statements continued...

Bonus, incentive and performance related payments

The expected cost of profit-sharing and bonus payments are recognised when there is a present legal or constructive obligation to make such payments as a result of past events, and a reliable estimate of the obligation can be made. A present obligation exists when there is no realistic alternative but to make the payments.

Defined contribution plans

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

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

- as a liability (accrued expense), after deducting any contribution already paid. Where the contribution already paid exceeds the contribution due for service before the end of the reporting period, the excess is recognised as an asset (prepaid expense) to the extent that the prepayment will lead to a reduction in future payments or a cash refund.
- as an expense, except where the amount is allowed as an inclusion in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted.

Defined benefit plans

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

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

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

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

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

The amount determined above may be negative (an asset). The entity shall measure the resulting asset at the lower of:

- the amount determined above
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits shall be discounted.

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

Accounting Policies

Presentation of Annual Financial Statements continued...

The entity recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:
- current service cost
- interest cost
- the expected return on any plan assets and on any reimbursement rights
- actuarial gains and losses
- past service cost
- the effect of any curtailments or settlements
- the effect of applying the limit

The entity uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost.

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost,the entity attributes benefit to periods of service under the plan’s benefit formula. However, if an employee’s service in later years will lead to a materially higher level of benefit than in earlier years, an entity shall attribute benefit on a straight-line basis from:
- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Actuarial assumptions are unbiased and mutually compatible.

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

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

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

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

In measuring its defined benefit liability, the entity recognises actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

In measuring its defined benefit liability, the entity, recognises past service cost as an expense in the reporting period in which the plan is amended.

Accounting Policies

Presentation of Annual Financial Statements continued...

When, and only when, it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, an entity recognises its right to reimbursement as a separate asset. The entity measures the asset at fair value. In all other respects, the entity treats that asset in the same way as plan assets. In the statement of financial performance, the expense relating to a defined benefit plan is presented net of the amount recognised for a reimbursement.

The entity recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:
- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

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

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

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

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

Termination benefits
The entity recognises termination benefits as a liability and an expense when, and only when, the entity is demonstrably committed to either:
- terminate the employment of an employee or group of employees before the normal retirement date; or
- provide termination benefits as a result of an offer made in order to encourage voluntary redundancy

The entity is demonstrably committed to a termination when, and only when, the entity has a detailed formal plan for the termination and is without realistic possibility of withdrawal. The detailed plan includes, as a minimum:
- the location, function, and approximate number of employees whose services are to be terminated;
- the termination benefits for each job classification or function; and
- the time at which the plan will be implemented. Implementation begins as soon as possible and the period of time to complete implementation is such that material changes to the plan are not likely.

Where termination benefits fall due more than 12 months after the reporting date, they are discounted.

Presentation of Annual Financial Statements continued...

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

1.13 Government grants

Government grants are assistance by government in the form of transfers of resources to an entity in return for past or future compliance with certain conditions relating to the operating activities of the local municipality. They exclude those forms of government assistance which cannot reasonably have a value placed upon them and transactions with government which cannot be distinguished from the normal trading transactions of the local municipality.

Government grants, including non-monetary grants at fair value, are not recognised until there is reasonable assurance that:
- the entity will comply with the conditions attaching to them; and
- the grants will be received.

Government grants are recognised in surplus or deficit on a systematic basis over the periods in which the related costs for which the grants are intended to compensate are expensed.

A government grant that becomes receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the local municipality with no future related costs are recognised in surplus or deficit of the period in which it becomes receivable.

Government grants related to assets, including non-monetary grants at fair value are presented in the statement of financial position either by setting up the grant as deferred income or by deducting the grant in arriving at the carrying amount of the asset.

1.14 Related parties

A related party is a person or 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. As a minimum, the following are regarded as related parties of the reporting entity:
- A person or a close member of that person's family is related to a reporting entity if that person:
  - has control or joint control of the reporting entity;
  - has significant influence over the reporting entity; or
  - is a member of the management of the entity or its controlling entity.
- An entity is related to the reporting entity if any of the following conditions apply:
  - The entity and the reporting entity are members 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 a group 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 reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity;
  - The entity is controlled or jointly controlled by a person identified as a related party;
  - A person identified as having control or joint control over the reporting entity has significant influence over the entity or is a member of the management of the entity (or its controlling entity).
  - The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the controlling entity of the reporting entity;

Presentation of Annual Financial Statements continued...

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

1.15 Impairment of non-financial assets other than inventories

Assets that are subject to depreciation or amortisation are assessed at each reporting date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit to which the asset has been allocated) is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

1.16 Events after the reporting date

Events after the 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 entity will adjust the amounts recognised in the financial statements to reflect adjusting events after the reporting date.

The entity will not adjust the amounts recognised in its financial statements to reflect non-adjusting events after the reporting date.

If non-adjusting events after the reporting date are material, the entity discloses the nature and an estimate of the financial effect or a statement that such an estimate cannot be made.

1.17 Fruitless and wasteful expenditure

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

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

1.18 Irregular expenditure

Irregular expenditure means expenditure, other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including the Public Finance Management Act, 1999 (Act No. 1 of 1999), the State Tender Board Act, 1968, or any regulations made in terms of that Act, or any provincial legislation providing for procurement procedures in that provincial government. Irregular expenditure excludes unauthorised expenditure.

Irregular expenditure is accounted for as expenditure in the statement of financial performance and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

Presentation of Annual Financial Statements continued...

1.19 Segment reporting

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.

The basis for identification and aggregation of reporting segments and relevant financial information per segment is reported in the notes to the financial statements.

The amount of each segment item reported is the measure reported to management for the purposes of making decisions about allocating resources to the segment and assessing its performance.

Presentation of Annual Financial Statements continued...

1.19 New and revised standards affecting amounts and disclosures reported in the financial statements

GRAP 25 (as revised): Employee Benefits

The Board issued the Standard of GRAP on Employee Benefits (GRAP 25) in November 2009. GRAP 25 was based on the International Public Sector Accounting Standard on Employee Benefits (IPSAS 25) effective at that time.

However, GRAP 25 was modified in some respects where the Board decided the requirements of the International Accounting Standard on Employee Benefits (IAS® 19) were more appropriate. Specifically, the Board:
Eliminated the corridor method and required recognition of actuarial gains and losses in full in the year that they arise.

Required the recognition of past service costs in the year that a plan is amended, rather than on the basis of whether they are vested or unvested.

Since 2009, the International Accounting Standards Board® has made several changes to IAS 19, including changes to the recognition of certain benefits, and where these changes are recognised. The IPSASB made similar changes to its standard and as a result of the extent of changes, issued IPSAS 39 on Employee Benefits to replace IPSAS 25 in 2016. When the Board consulted locally on the proposed amendments to IPSAS 25 in 2016, stakeholders welcomed the amendments to align IPSAS 25 to IAS 19 and supported the changes that resulted in IPSAS 39

Key amendments to GRAP 25

The Board agreed to align GRAP 25 with IPSAS 39, but that local issues and the local environment need to be considered. As a result of this decision, there are areas where GRAP 25 departs from the requirements of IPSAS 39.

The Board’s decisions to depart are explained in the basis for conclusions.

The amendments to GRAP 25 are extensive and mostly affect the accounting for defined benefit plans. A new renumbered Standard of GRAP (e.g. GRAP 39) will not be issued, but rather a new version of the current GRAP 25.

The effective date of these revisions have not yet been set.

The entity expects to adopt the revisions for the first time when the Minister sets the effective date for the revisions.

The adoption of this revisions is not expected to impact on the results of the entity, but may result in more disclosure than is currently provided in the financial statements.

iGRAP 7 (as revised): Limit on defined benefit asset, minimum funding requirements and their interaction

Background

The Board issued the Standard of GRAP on Employee Benefits (GRAP 25) in November 2009. GRAP 25 was based on the International Public Sector Accounting Standard on Employee Benefits (IPSAS 25) effective at that time. However, GRAP 25 was modified in some respects where the Board decided the requirements of the International Accounting Standard on Employee Benefits (IAS® 19) were more appropriate. Specifically, the Board: Eliminated the corridor method and required recognition of actuarial gains and losses in full in the year that they arise.

Required the recognition of past service costs in the year that a plan is amended, rather than on the basis of whether they are vested or unvested.
Since 2009, the International Accounting Standards Board® has made several changes to IAS 19, including changes to the recognition of certain benefits, and where these changes are recognised.

The IPSASB made similar changesto its standard and as a result of the extent of changes, issued IPSAS 39 on Employee Benefits to replace IPSAS 25 in 2016.

When the Board consulted locally on the proposed amendments to IPSAS 25 in 2016, stakeholders welcomed the amendments to align IPSAS 25 to IAS 19 and supported the changes that resulted in IPSAS 39.

The effective date of these revisions have not yet been set.
The entity expects to adopt the revisions for the first time when the Minister sets the effective date for the revisions.

The adoption of this revisions is not expected to impact on the results of the entity, but may result in more disclosure than is currently provided in the financial statements.

Presentation of Annual Financial Statements continued...

Guideline: Guideline on the Application of Materiality to Financial Statements
The objective of this guideline: The objective of this Guideline is to provide guidance that will assist entities to apply

The concept of materiality when preparing financial statements in accordance with Standards of GRAP. The Guideline aims to assist entities in achieving the overall financial reporting objective. The Guideline outlines a process that may be considered by entities when applying materiality to the preparation of financial statements. The process was
developed based on concepts outlined in Discussion Paper 9 on Materiality – Reducing Complexity and Improving

Reporting, while also clarifying existing principles from the Conceptual Framework for General Purpose Financial

Reporting and other relevant Standards of GRAP. The Guideline includes examples and case studies to illustrate how an entity may apply the principles in the Guideline, based on specific facts presented.

It covers: Definition and characteristics of materiality, Role of materiality in the financial statements, Identifying the users of financial statements and their information needs, Assessing whether information is material, Applying materiality in preparing the financial statements, and Appendixes with References to the Conceptual Framework for

General Purpose Financial Reporting and the Standards of GRAP & References to pronouncements used in the

Guideline.
The guideline is encouraged to be used by entities.
The entity expects to adopt the guideline for the first time when the Minister sets the effective date for it. The adoption of this guideline is not expected to impact on the results of the entity, but may result in more or less disclosure than is currently provided in the financial statements.

Presentation of Annual Financial Statements continued...

iGRAP 21: The Effect of Past Decisions on Materiality

Background

The Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors (GRAP 3) applies to The selection of accounting policies. Entities apply the accounting policies set out in the Standards of GRAP, except when the effect of applying them is immaterial. This means that entities could apply alternative accounting treatments to immaterial items, transactions or events (hereafter called “items”).

The Board received questions from entities asking whether past decisions to not apply the Standards of GRAP to immaterial items effect future reporting periods. Entities observed that when they applied alternative accounting treatments to items in previous reporting periods, they kept historical records on an ongoing basis of the affected items. This was done so that they could assess whether applying these alternative treatments meant that the financial statements became materially “misstated” over time. If the effect was considered material, retrospective adjustments were often made.

This Interpretation explains the nature of past materiality decisions and their potential effect on current and subsequent reporting periods.

iGRAP 21 addresses the following two issues:

Do past decisions about materiality affect subsequent reporting periods?

Is applying an alternative accounting treatment a departure from the Standards of GRAP or an error?
The effective date of these interpretation is 01 April 2023.

The entity expects to adopt the interpretation for the first time in the 2022/2023 financial statements.
The adoption of this interpretation is not expected to impact on the results of the entity, but may result in more disclosure than is currently provided in the financial statements.

GRAP 2020: Improvements to the standards of GRAP 2020

Every three years, the Accounting Standards Board undertakes periodic revisions of the Standards of GRAP, in line with best practice internationally among standard setters.
Improvements to Standards of GRAP are aimed at aligning the Standards of GRAP with international best practice, To maintain the quality and to improve the relevance of the Standards of GRAP.
Amendments include,

GRAP 5 – Borrowing Costs

For general borrowings, borrowing costs eligible for capitalisation determined by applying a capitalisation rate.

Clarify that borrowings made specifically for purposes of obtaining a qualifying asset are excluded until substantially all the activities necessary to prepare asset for intended use or sale are complete

GRAP 13 – Leases

Operating leases & Sale and leaseback transactions are currently assessed for impairment in accordance with GRAP 26
Clarify that these arrangements may also be assessed in accordance with GRAP 21

GRAP 16 – Investment Property

Clarify that GRAP 21 may be applied to assess investment property for impairment Include heading
“Classification of property as investment property” (par 6 and 7) & delete existing headings
Investment property under construction (within scope of GRAP 16)
Added heading “Guidance on initially measuring self-constructed investment property at fair value”

Added clarification that investment property is measured at fair value at earliest of: commotion of construction or development; or when fair value becomes reliably measurable

Clarify requirements on transfers to and from Investment property
Change in use involves an assessment on whether:
property meets, or ceases to meet definition of investment property and
evidence exists that a change in use has occurred

GRAP 17 – Property, Plant and Equipment

Accounting Policies

Presentation of Annual Financial Statements continued...

Land has an unlimited useful life and cannot be consumed through its use
Delete example indicating that quarries and land used for landfill may be depreciated in certain instances

GRAP 20 – Related Party Disclosures

Clarify that entity, or any member of a group of which it is part, providing management services to reporting entity (or controlling entity of reporting entity) is a related party
Disclose amounts incurred by the entity for the provision of management services that are provided by a separate management entity If an entity obtains management services from another entity ("the management entity") the entity is not required to management entity's employees or those charged with governance of the entity in accordance with legislation, in instances where they are required to perform such functions
Management services are services where employees of management entity perform functions as "management" as defined
GRAP 24 – Presentation of Budget Information in Financial Statements
Terminology amended

Primary financial statements amended to "financial statements" or "face of the financial statements

GRAP 31 – Intangible Assets

Extend requirement to consider whether reassessing useful life of intangible asset as finite rather as indefinite indicates that asset may be impaired
Both under cost model or revaluation model

GRAP 32 – Service Concession Arrangements: Grantor

Clarify disclosure requirement for service concession assets
Disclose carrying amount of each material service concession asset recognised at the reporting date

GRAP 37 – Joint Arrangements

Application guidance clarified
When party obtains joint control in a joint operation where activity of joint operation constitutes a function (GRAP 105 or GRAP 106), previous held interest in joint operation is not remeasured

Presentation of Annual Financial Statements continued...

GRAP 106 – Transfer of Functions Between Entities Not Under Common Control
When party obtains control of joint operation and entity had rights to assets, or obligations to liabilities before acquisition date, it comprises an acquisition received in stages
Apply the requirements for an acquisition achieved in stages, including remeasuring previously held interest in joint operation:

Directive 7 – The Application of Deemed Cost
Clarify that bearer plants within scope of Directive
The effective date of these improvements is 01 April 2023.
The entity expects to adopt the improvements for the first time in the 2022/2023 financial statements.
The adoption of this improvements is not expected to impact on the results of the entity, but may result in more disclosure than is currently provided in the financial statements.

GRAP 1 (amended): Presentation of Financial Statements

Accounting Policies

Presentation of Annual Financial Statements continued...

Amendments to this Standard of GRAP, are primarily drawn from the IASB's Amendments to IAS 1.
Summary of amendments are:

Materiality and aggregation

The amendments clarify that:
information should not be obscured by aggregating or by providing immaterial information;
materiality considerations apply to all parts of the financial statements; and
even when a Standard of GRAP requires a specific disclosure, materiality considerations apply.

Statement of financial position and statement of financial performance
The amendments clarify that the list of line items to be presented in these statements can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements.

Notes structure
The amendments add examples of possible ways of ordering the notes to clarify that understandability and comparability should be considered when determining the order of the notes and to demonstrate that the notes need not be presented in the order listed in GRAP 1.

Disclosure of accounting policies
Remove guidance and examples with regards to the identification of significant accounting policies that were perceived as being potentially unhelpful.

An entity applies judgement based on past experience and current facts and circumstances
The effective date of this amendment is for years beginning on or after 01 April 2025.
The entity expects to adopt the amendment for the first time in the 2024/2025 financial statements.

The adoption of this amendment is not expected to impact on the results of the entity, but may result in more disclosure than is currently provided in the financial statements.

It is unlikely that the will have a material impact on the municipality's annual financial statements.

Standards and interpretations not yet effective or relevant
The following standards and interpretations have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2022 or later periods but are not relevant to its operations:

Guideline: Guideline on Accounting for Landfill Sites
The objective of this guideline: The Constitution of South Africa, 1996 (Act No. 108 of 1996) (the constitution), gives local government the executive authority over the functions of cleaning, refuse removal, refuse dumps and solid waste disposal. Even though waste disposal activities are mainly undertaken by municipalities, other public sector entities may also be involved in these activities from time to time. Concerns were raised about the inconsistent accounting practices for landfill sites and the related rehabilitation provision where entities undertake waste disposal activities. The objective of the Guideline is therefore to provide guidance to entities that manage and operate landfill sites. The guidance will improve comparability and provide the necessary information to the users of the financial statements to hold entities accountable and for decision making. The principles from the relevant Standards of GRAP are applied in accounting for the landfill site and the related rehabilitation provision. Where appropriate, the Guideline also illustrates the accounting for the land in a landfill, the landfill site asset and the related rehabilitation provision.

It covers: Overview of the legislative requirements that govern landfill sites, Accounting for land, Accounting for the landfill site asset, Accounting for the provision for rehabilitation, Closure, End-use and monitoring, Other considerations, and Annexures with Terminology & References to pronouncements used in the Guideline.

The municipality does not envisage the adoption of the guideline until such time as it becomes applicable to the municipality's operations.

GRAP 110 (as amended 2016): Living and Non-living Resources

Presentation of Annual Financial Statements continued...

The objective of this Standard is to prescribe the:

recognition, measurement, presentation and disclosure requirements for living resources; and disclosure requirements for non-living resources
It furthermore covers Definitions, Recognition, Measurement, Depreciation, Impairment, Compensation for impairment, Transfers, Derecognition, Disclosure, Transitional provisions and Effective date.

The subsequent amendments to the Standard of GRAP on Living and Non-living Resources resulted from editorial changes to the original text and inconsistencies in measurement requirements in GRAP 23 and other asset-related

Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IPSAS 17 on Property, Plant and Equipment (IPSAS 17) as a result of the IPSASB's Improvements to IPSASs 2014 issued in January 2015 and Improvements to IPSASs 2015 issued in March 2016.

2. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

2.1 Critical accounting estimates and assumptions

The local municipality makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

2.1.1 Fair value of accounts receivable and payable

Add details as required (refer to GRAP 104 on Financial Instruments), e.g. The entity assesses its trade receivables and loans and other receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the entity makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

2.1.2 Impairment testing

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

2.1.3 Useful lives and residual values

2.1.4 Estimation of the amount for provisions such as provision for rehabilitation of landfill sites

Add details as required (refer to GRAP 19 on Provisions, Contingent Liabilities and Contingent Assets), e.g. Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note XX - Provisions. Provisions are measured using management's best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to the present value where the effect is material.

3. Property, plant and equipment

3.1 Balances at year end and movements for the year

	Land	Buildings	Infrastructure assets	Community assets	Landfill site asset	Other assets	Total
Reconciliation for the year ended 30 June 2025							
Balance at 1 July 2024							
At cost	21,493,760	2,409,871	243,519,755	13,513,025	3,434,997	13,143,268	**297,514,676**
Accumulated depreciation and impairment	-	(918,709)	(40,213,222)	(3,983,801)	(2,234,293)	(6,137,838)	**(53,487,863)**
Net book value	**21,493,760**	**1,491,162**	**203,306,533**	**9,529,224**	**1,200,704**	**7,005,430**	**244,026,813**
Movements for the year ended 30 June 2025							
Additions from acquisitions	-	-	-	-	-	270,610	**270,610**
Additions through assets under construction	-	-	2,321,609	-	-	-	**2,321,609**
Depreciation	-	(55,307)	(5,536,495)	(638,883)	(95,589)	(718,101)	**(7,044,376)**
Impairment loss recognised in surplus or deficit	-	(6,501)	(3,873,388)	(864,154)	(83,089)	(265,244)	**(5,092,376)**
Other movements	-	-	-	-	-	-	**-**
Change in landfill closure provision	-	-	-	-	278,899	-	**278,899**
Property, plant and equipment at end of year	**21,493,760**	**1,429,353**	**196,218,259**	**8,026,187**	**1,300,925**	**6,292,696**	**234,761,180**
Closing balance at 30 June 2025							
At cost	21,493,760	2,409,871	245,841,768	13,513,025	3,713,896	13,412,745	**300,385,065**
Accumulated depreciation and impairment	-	(980,518)	(49,744,952)	(5,486,838)	(2,290,396)	(7,121,181)	**(65,623,885)**
Net book value	**21,493,760**	**1,429,353**	**196,096,816**	**8,026,187**	**1,423,500**	**6,291,564**	**234,761,180**

Reconciliation for the year ended 30 June 2024	Land	Buildings	Infrastructure assets	Community assets	Landfill site asset	Other assets	Total

Property, plant and equipment continued...

Reconciliation for the year ended 30 June 2024

Balance at 1 July 2023							
At cost	21,493,760	2,409,871	227,586,319	2,363,214	3,387,362	13,115,449	**270,355,975**
Accumulated depreciation and impairment	-	(854,088)	(35,437,012)	(897,837)	(2,163,646)	(5,383,925)	**(44,736,508)**
Net book value	**21,493,760**	**1,555,783**	**192,149,307**	**1,465,377**	**1,223,716**	**7,731,524**	**225,619,467**
Movements for the year ended 30 June 2024							
Additions through assets under construction	-	-	15,933,434	8,471,913	47,635	-	**24,452,982**
Depreciation	-	(64,621)	(4,776,208)	(408,066)	(70,647)	(753,912)	**(6,073,454)**
Disposals	-	-	-	-	-	-	**-**
Property, plant and equipment at end of year	**21,493,760**	**1,491,162**	**203,306,533**	**9,529,224**	**1,200,704**	**7,005,430**	**244,026,812**
Closing balance at 30 June 2024							
At cost	21,493,760	2,409,871	243,519,755	13,513,025	3,434,997	13,143,268	**297,514,676**
Accumulated depreciation and impairment	-	(918,709)	(40,213,222)	(3,983,801)	(2,234,293)	(6,137,838)	**(53,487,863)**
Net book value	**21,493,760**	**1,491,162**	**203,306,533**	**9,529,224**	**1,200,704**	**7,005,430**	**244,026,813**

Pledged as security

No items of Property, Plant and Equipment has been pledged as security

Property, plant and equipment continued...

3.2 Repairs and maintenance

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

	R	R
Equipment	3,661,736	-
Other Assets	919,774	-
Buildings and Facilities	259,944	-
	4,841,453	-

Reconciliation of Work in progress

2025

	Included within Buildings	**Included within Community Assets**	**Included within Infrastructure**	**Total**
Opening balance		-	38,019,912	38,019,912
Additions/capital expenditure	-	-	2,321,609	2,321,609
Transfers to completed projects	-	-	(24,355,461)	(24,355,461)
Other movements	-	-	-	-
	-	**-**	**15,986,060**	**15,986,060**

Maintenance of property, plant and Equipment

Preventative and corrective Maintenance

Equipment	3,661,736	-
Other Structures and Facilities	919,774	-
Building and Facilities	259,944	-
	4,841,453	**-**

4. Investment property

Balances at year end and movements for the year

Reconciliation for the year				
At cost	16,047,300	16,047,300		
Accumulated depreciation	(214,603)	(201,661)		
Depreciation	(12,947)	(12,941)	-	-
Decrease resulting from a transfer of functions between entities under common control or a merger	-	-		
Investment property at end of year	**15,819,750**	**15,832,698**		
Closing balance at end of year				
At cost within fair value model	-	-		
At cost	16,047,300	16,047,300		
Accumulated depreciation	(227,550)	(214,603)		
Net book value at 30 June 2025	**15,819,750**	**15,832,697**		

Notes to the Financial Statements

Figures in R	2025	2024 Restated

5. Intangible assets

5.1 Reconciliation of changes in intangible assets

	Computer software	Total
Reconciliation for the year ended 30 June 2025		
Balance at 1 July 2024		
At cost	53,483	**53,483**
Accumulated amortisation	(45,737)	**(45,737)**
Net book value	**7,746**	**7,746**
Movements for the year ended 30 June 2025		
Amortisation	(3,873)	**(3,873)**
Intangible assets at 30 June 2025	**3,873**	**3,873**
Closing balance at 30 June 2025		
At cost	53,486	**53,486**
Accumulated amortisation	(49,613)	**(49,613)**
Net book value	**3,873**	**3,873**
Reconciliation for the year ended 30 June 2024		
Balance at 1 July 2023		
At cost	53,483	**53,483**
Accumulated amortisation	(41,867)	**(41,867)**
Net book value	**11,616**	**11,616**
Movements for the year ended 30 June 2024		
Amortisation	(3,870)	**(3,870)**
Intangible assets at 30 June 2024	**7,746**	**7,746**
Closing balance at 30 June 2024		
At cost	53,483	**53,483**
Accumulated amortisation	(45,737)	**(45,737)**
Net book value	**7,746**	**7,746**

5.2 Amortisation and impairment losses

	2025	2024 Restated
Other expenses		
Computer software	3,873	3,870
	3,873	**3,870**

Figures in R	2025	2024 Restated

6. Biological assets

Reconciliation of changes in biological assets

	Bearer - Biological asset	Total
Reconciliation for the year ended 30 June 2025		
Balance at 1 July 2024		
At cost	66,422	**66,422**
Accumulated depreciation	-	**-**
Net book value	**66,422**	**66,422**
Movements for the year ended 30 June 2025		
Additions	1,396	1,396
Disposals	(21,534)	(21,534)
Biological assets at end of period	**46,284**	**46,284**
Closing balance at 30 June 2025		
At cost	46,288	**46,288**
Accumulated depreciation	-	**-**
Net book value at 30 June 2025	**46,288**	**46,288**
Reconciliation for the year ended 30 June 2024		
Balance at 1 July 2023		
At cost	66,422	**66,422**
Accumulated depreciation	-	**-**
Net book value	**66,422**	**66,422**
Movements for the year ended 30 June 2024		
Additions	3,232	3,232
Biological assets at end of period	**66,422**	**66,422**
Closing balance at 30 June 2024		
At cost	66,422	**66,422**
Accumulated depreciation	-	**-**
Net book value at 30 June 2024	**66,422**	**66,422**
Immature	66,422	66,422

Notes to the Financial Statements

Figures in R	2025	2024 Restated

7. Heritage assets

Balances at year end and movements for the year
Reconciliation for the year ended 30 June 2025

Balance at 1 July 2024		
Gross carrying amount	14,900	**14,900**
Net carrying amount	**14,900**	**14,900**
Closing balance at 30 June 2025		
Gross carrying amount	14,900	**14,900**
Net carrying amount	**14,900**	**14,900**

Pledged as security
No intangible assets are pledged as security for any financial liability at year end.

Deemed cost
Deemed cost was determined using depreciated replacement cost

8. Non current receivable from exchange

Eskom Deposit	893,250	-
	893,250	**-**

9. Inventories

Inventories comprise:

Consumables and material	333,227	378,552
Water	25,501	24,063
	358,728	**402,615**

The municipality recognised only purification costs in respect to non-purchased purified water inventory
No inventories were pledged as security for liabilities

Water Inventory

	25,500	24,062
Balance as previously reported	24,062	22,713
Tarrif adjustment -gain on water inventory	1,438	1,350
Gain on water inventory	3,301,120	1,456,963
Water department direct expenditure on water inventory	965,939	2,617,682
Water consumed from water inventory	(4,267,059)	(4,074,646)
Total Inventory	**358,727**	**402,614**

Notes to the Financial Statements

Figures in R	2025	2024 Restated

10. Operating lease asset

Operating lease asset	17,999	17,999
	17,999	**17,999**

The municipality recognises rental income on the straight-line basis over the lease term. This results in an equal impact in the financial performance in the reporting period regardless of the cashflows. Differences between the straight-line amounts and the cash flow amounts are recognised in the financial position as lease assets or lease liabilities.

Notes to the Financial Statements

Figures in R	2025	2024 Restated

11. Receivables from non Exchange Transactions

Gross balance	25,332,537	15,549,520
Impairment	(3,929,913)	(10,914,476)
	21,402,624	**4,635,044**

Age Analysis

Rates		
Current (0 - 30 days)	1,060,000	1,060,815
31 - 60 days	635,000	61,170
61 - 90 days	99,000	74,099
91 days+	15,743,129	14,353,437
	17,537,129	15,549,521
Less Impairment	(3,929,913)	(10,914,476)
	13,607,216	**4,635,045**
Consumer		
Current (0 - 30 days)	319,477	710,844
31 - 60 days	303,714	41,116
61 - 90 days	267,739	53,857
91 days+	6,754,836	10,214,278
	7,645,766	11,020,095
Less Impairment	(2,887,458)	(7,845,563)
	4,758,308	**3,174,532**
Industrial /Commercial		
Current (0 - 30 days)	125,085	330,176
31 - 60 days	68,133	17,776
61 - 90 days	67,820	18,042
91 days+	1,765,023	2,275,271
	2,026,061	2,641,265
Less Impairment	(474,385)	(1,789,590)
	1,551,676	**851,675**
National and provincial government		
Current (0 - 30 days)	221,331	19,795
31 - 60 days	62,416	2,278
61 - 90 days	98,154	2,200
91 days+	1,671,592	1,863,887
	2,053,494	1,888,160
Less Impairment	(568,070)	(1,279,323)
	1,485,424	**608,837**

Notes to the Financial Statements

Figures in R	2025	2024 Restated

12. Other Receivables from exchange transactions

Over Under Banking	(926,411)	1,404,817
Interest earned receivable	2,871,148	-
Prepaid electricity	37,445	-
	1,982,182	**1,404,817**

13. Receivables from Exchange Transactions

Notes to the Financial Statements

Receivables from Exchange Transactions continued...

Figures in R	2025	2024 Restated
Gross Balances		
Electricity	14,282,884	4,010,229
Water	13,889,425	11,515,485
Sundry	2,577,691	2,311,649
Waste Management	9,321,234	7,387,176
Waste Water Management	8,145,143	6,021,749
	48,216,377	**31,246,288**
Less : Allowance for Impairment		
Electricity	(1,015,635)	(2,179,562)
Water	(4,328,047)	(5,466,861)
Sundry	(787,328)	(1,650,012)
Waste Management	(2,933,186)	(3,929,216)
Waste Water Management	(1,946,156)	(2,574,958)
	(11,010,352)	**(15,800,609)**
Net Balance		
Electricity	13,267,249	1,830,667
Water	9,561,378	6,048,624
Sundry	1,790,363	661,637
Waste Management	6,388,048	3,457,960
Waste Water Management	6,198,987	3,446,791
	37,206,025	**15,445,679**
Electricity		
Current (0 - 30 days)	2,122,247	1,137,561
31 - 60 days	359,061	113,685
61 - 90 days	1,528,532	169,343
91 days+	10,290,545	2,589,640
	14,300,385	4,010,229
Less Impairment	(1,015,635)	(2,179,562)
	13,284,750	**1,830,667**
Water		
Current (0 - 30 days)	1,964,704	1,389,931
31 - 60 days	256,518	308,248
61 - 90 days	433,010	339,145
91 days+	11,235,193	9,478,162
	13,889,425	11,515,486
Less Impairment	(4,328,047)	(5,466,861)
	9,561,378	6,048,625

Notes to the Financial Statements

Receivables from Exchange Transactions continued...

Figures in R	2025	2024 Restated
Sewerage		
Current (0 - 30 days)	425,046	761,406
31 - 60 days	160,987	160,641
61 - 90 days	246,529	169,174
91 days+	7,312,581	4,930,528
	8,145,143	6,021,749
Less Impairment	(1,946,156)	(2,574,958)
	6,198,987	3,446,791
Refuse		
Current (0 - 30 days)	323,887	888,214
31 - 60 days	279,129	177,283
61 - 90 days	271,232	195,644
91 days+	8,446,985	6,126,034
	9,321,233	7,387,175
Less Impairment	(2,933,186)	(3,929,216)
	6,388,047	3,457,959
Sundry		
Current (0 - 30 days)	393,066	2,111,199
31 - 60 days	66,948	3,276
61 - 90 days	41,841	25,848
91 days+	2,075,836	171,326
	2,577,691	2,311,649
Less Impairment	(787,328)	(1,650,012)
	1,790,363	661,637

Summary of debtors by customer classification

Figures in R	2025	2024 Restated
Consumers		
Current (0 - 30 days)	3,029,147	6,061,448
31 - 60 days	754,973	719,210
61 - 90 days	2,162,932	850,113
91 days+	37,085,650	20,850,618
	43,032,702	28,481,389
Less Impairment	(9,823,120)	(14,402,289)
	33,209,582	14,079,100
Industrial/ Commercial		
Current (0 - 30 days)	443,099	258,431
31 - 60 days	573,396	28,681
61 - 90 days	145,699	32,057
91 days+	1,680,506	2,020,262
	2,842,700	2,339,431
Less Impairment	(648,948)	(1,183,174)
	2,193,752	1,156,258

Notes to the Financial Statements

Figures in R	2025	2024 Restated

Receivables from Exchange Transactions continued...

National and Provincial Government		
Current (0 - 30 days)	323,196	102,425
31 - 60 days	235,049	15,067
61 - 90 days	212,465	16,817
91 days+	1,587,189	291,159
	2,357,899	425,468
Less Impairment	(538,284)	(215,146)
	1,819,615	210,321

Total		
Current (0 - 30 days)	3,795,442	6,422,495
31 - 60 days	1,563,419	763,149
61 - 90 days	2,521,096	899,178
91 days+	40,353,919	23,162,038
	48,233,876	31,246,860
Less Impairment	(11,010,352)	(15,800,609)
	37,223,524	**15,446,251**

Reconciliation of allowance for impairment		
Balance at beginning of the year	(15,800,609)	(15,596,923)
Contributions to allowance		(363,650)
Debt impairment written off against allowance	4,790,257	159,964
	(11,010,352)	**(15,800,609)**

14. Cash and Cash Equivalents

Cash and Cash Equivalents continued...

Cash and cash equivalents	37,457,925	41,720,595
Total cash	**37,457,925**	**41,720,595**
Total cash and cash equivalents included in current assets	**37,457,925**	**41,720,595**

Call investment deposits consist out of the following accounts:

Account number / description	**Bank statement balances**		**Cashbook balance**	
	30 June 2025	**30 June 2024**	**30 June 2025**	**30 June 2024**
ABSA Primary Bank Account - 4050 475 166	927,663	807,664	927,663	807,664
Standard Ban- Investment Account - 32 Day Notice 088 705 536-003	11,347,812	11,347,812	11,347,812	11,347,812
Standard Bank - Investment Account - 32 Day Notice 088 705 536-002	184,441	184,411	184,441	184,441
ABSA Bank - Call Accounts 20-7477-9380	-	627,245	-	627,245
ABSA Bank- Call Accounts 92-1221 -8064	4,235,463	18,894,365	4,235,463	18,894,572
ABSA Bank - Call Accounts 92-8504-7305	283,629	1,403,492	283,629	1,403,492
ABSA Bank - Call Accounts 92-8617-3395	19,813,805	8,455,370	19,813,805	8,455,370
ABSA Bank - Call Accounts 93-9133-1688	664,905	-	664,905	-
	37,457,719	**41,720,358**	**37,457,719**	**41,720,595**

Figures in R	2025	2024 Restated

Cash and Cash Equivalents continued...

Detail of cash and cash equivalent balances

Bank balances		
Current Accounts	37,457,925	41,720,595
Total	**37,457,925**	**41,720,595**

15. Statutory Receivables

Statutory VAT consist of the following:		
Statutory Receivables VAT	8,641,411	6,363,858

VAT is payable on the cash basis. VAT is paid over to SARS only once payment is received from debtor

Figures in R	2025	2024 Restated

16. Defined benefit plan assets and liabilities

16.1 Defined benefit plan - Retirement benefit obligation

Post Retirement Health Care Benefits

The municipality makes monthly contributions for health care arrangements to the following medical aid schemes:
LA Health
Hosmed

The Post Retirement Benefit Plan is a defined benefit plan, of which the members are made up as follows:

In-service Members	7	7
In-service non-members	52	-
Continuation members	12	12
	71	**19**

The liability in respect of past services has been estimated to be as follows:		
In-service members	262,000	331,000
In-service non-members	946,000	-
Continuation members (e.g Retirees, Widows, Orphans)	8,154,000	9,184,000
	9,362,000	**9,515,000**

The Current-service Cost for the ensuring year is estimated at R93 000 and the Interest Cost for the year is estimated to the R967 000

Key financial assumption used:

Discount rate	10.70%	11.60%
CPI (Consumer Price Inflation)	4.70%	5.70%
Medical aid contribution inflation rate	6.50%	7.27%
Net Effective Discount Rate	3.90%	4.10%

Discount Rate

GRAP25 stipulates that the choice of this rate should be derived from government bond yield sconsistent 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 termpayments, and the discount rate for longe rmaturities should be estimated by extrapolating current market rates along the yield curve.

Consequently, a discount rate of 11.6% per annum has been used. The corresponding index-linked yield at this term is 4.7%.These rates do not reflect any adjustment for taxation. These rates were deduced from the interest rate data obtaine from the Johannesburg Stock Exchange after the market close on 30 June 2025.

Figures in R	2025	2024 Restated

Defined benefit plan assets and liabilities continued...

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 DBO, which in turn depends on the yields). The DBO's duration has been estimated to be 7.25 years.

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 utilisation patterns). Any assumption regarding future medical scheme contribution increases is therefore subjective.

A medical aid contribution inflation rate of 6.5% 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 4.7% 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+9.5%)/(1+5.3%))-1. The CPI inflation assumption of 4.7% per annum was obtained from the differential between market yields on index linked bonds consistent with the estimated term of the DBO (5.3%) and those of fixed interest bonds (9.5%) 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

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

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.

Family Profile
It has been assumed that female spouses will be five years younger than their male counterparts. Actual subsidised spouse dependants were used and the potential for remarriage was ignored.

SENSITIVITY ANALYSIS
Introduction
The results presented in Section 6 are based on a number of assumptions. The extent to which the actual DBO faced in the future by the Municipality differs from these results will depend on the extent to which actual experience differs from the assumptions made.
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 Results

The DBO at this valuation was recalculated to show the effect of
a one percentage point increase and decrease in the assumed rate of health care cost inflation;
a one percentage point increase and decrease in the discount rate;
a one-year age increase and decrease in the assumed rates of post-employment mortality;
a one-year decrease in the assumed average retirement age; and
a decrease of ten percentage points in the assumed proportion of in-service members that remains members at retirement.

Notes to the Financial Statements

Figures in R	2025	2024 Restated

Defined benefit plan assets and liabilities continued...

Assumption	Change	Eligible Employee	Continuation	Total DBO	% Change
Central assumptions		1.208	8.154	9.362	0
Medical aid contribution inflation rate	+1%	1.466	8.958	10.451	12%
	-1%	1.004	7.438	8.442	-10%
Discount rate	+1%	1.013	7.469	8.482	-9%
	-1%	1.457	8.959	10.416	11%
Post-employment mortality	+1 yr	1.178	7.922	9.100	-3%
	-1 yr	1.239	8.385	9.624	3%
Average retirement age	-1 yr	1.339	**8.154**	9.493	1%
Membership continuation	10%	1.047	**8.154**	9.201	-2%

Net expense recognised in the statement of financial performance.

	2025	2024 Restated
Services cost	42,000	56,000
Finance cost	1,063,000	991,000
Actuarial (gains) losses	(584,730)	488,988
Benefit Vesting	(673,270)	(624,988)
	(153,000)	**911,000**

Long Services Award

The Municipality offers employees LSA for every five years of service completed, from ten years of service to 45 years of service, inclusive

	2025	2024 Restated
As at year end the following number of employees were eligible for Long Service Bonuses	52	59

The Current-service for the ensuring year is estimated to be R90 000 whereas the Interest Cost for the next year is estimated to be 83 000

	2025	2024 Restated
Number of eligible employees	59	59
Average annual earnings	205,765	205,765
Average age	46.4	46.4
Average past service	4,435	4,435

Key financial assumption used:

	2025	2024 Restated
Discount rate	9.70%	10.97%
General Salary Inflation	3.80%	6.14%
CPI (Consumer Price Inflation)	4.80%	5.14%
Net Effective Discount Rate applied to salary-related Long Services Bonuses	**4.70%**	**4.55%**

Notes to the Financial Statements

Figures in R	2025	2024 Restated

Defined benefit plan assets and liabilities continued...

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 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 9.70% per annum has been used. The corresponding index-linked yield is 5.03%. 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.

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 4.80% per annum was obtained from the differential between market yields on index-linked bonds (5.03%) consistent with the estimated term of the DBO and those of nominal bonds (10.68%) with a risk premium adjustment for the uncertainty implicit in guaranteeing real increases (0.50%). Therefore, expected CPI inflation is determined as ((1+10.68%-0.50%)/(1+5.03%))-1.

Thus, a general earnings inflation rate of 3.8% per annum over the expected term of the DBO has been assumed, which is 1.00% higher than the estimate of CPI inflation over the same term. This assumption reflects a net discount rate of 4.51%.

It was assumed that the next general earnings increase will take place on 1 July 2025.

	2025	2024 Restated
Current service cost	87,000	87,000
Interest cost	89,000	97,000
Actuarial (gains) losses	16,785	(98,428)
Benefits Vesting	(126,785)	(90,571)
	66,000	**(4,999)**

16.1.1 The amounts recognised in the balance sheet are determined as follows:

	2025	2024 Restated
Present value of funded obligations	10,304,000	10,391,000
Liability in the balance sheet	**10,304,000**	**10,391,000**
Included in current assets	-	-
Included in non-current liabilities	(9,517,000)	(9,523,000)
included in current liabilities	(787,000)	(868,000)
	(10,304,000)	**(10,391,000)**

Notes to the Financial Statements

Figures in R	2025	2024 Restated

17. Provisions

Details of other provisions

Provisions, Decommissioning, Restorations and Similar Liabilities

Landfill Sites

Balance 1 July	7,343,179	6,718,244
Additions		
Unwinding of discounted interest	537,674	777,475
Reduction		
Due to remeasurement of the provision	(1,800,151)	(152,540)
	6,080,702	7,343,179

Trade payables are initially measured at fair value plus direct transaction costs, and are subsequently measured at amortised cost, using the effective interest rate method.

Trade payables are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

18. Consumer Deposits

Water, electricity and other	401,175	388,187

19. Payables from exchange transactions

Trade payables	1,983,127	13,457,636
Payments Received in advance	1,299,485	559,604
Accrued bonus	1,242,302	1,220,284
Sundry creditors	(1,689,898)	987,196
Accrued leave pay	1,622,587	1,441,617
Agency fees	1,483	1,483
Unallocated deposits	13,140,496	-
Retentions	262,578	1,398,425
Total payables from exchange transactions	**17,862,160**	**19,066,245**

20. Trade and other Payables from Non-Exchange Transactions

Trade and other Payables from Non-Exchange Transactions	(161,228)	2,088,528
	(161,228)	**2,088,528**

21. Unspent conditional grants and receipts

Figures in R	2025	2024 Restated

Unspent conditional grants and receipts continued...

Unspent conditional grants and receipts comprise the following balances

INEP	1,450,774	307,697
Youth development	(93,632)	(93,632)
MIG	(5,797,577)	937,427
Sanitation sewerage	(184,441)	(184,441)
Land development	(87,671)	(87,671)
Transfer fees sub economic	(198,545)	(198,545)
Electricity Shietfontein	(50,130)	(50,130)
Paving Projects	(33,883)	(33,883)
Job Creation De Built	(1,307,330)	(55,330)
Civil Defence	(21,461)	(21,461)
CMIP Kwaggafolk	(868)	(868)
Water services plan	(4,681)	(4,681)
CMIP Saalpoort project 301	(5,139)	(5,139)
Lotto Carnavorn	(2,599)	(2,599)
Lotto Vosburg	(45,900)	(45,900)
Cleaning Project Vosburg	(36,654)	(36,654)
Vat Retention	(16,999)	(16,999)
	(6,436,736)	**407,191**

22. Service Charges

Electricity	19,894,718	17,726,642
Water	8,927,694	5,988,801
Waste Management	6,330,748	3,996,337
Waste water management	6,297,977	3,505,859
Revenue foregone	(9,022,954)	(6,987,562)
	32,428,183	**24,230,077**

23. Rental Income

Rental from fixed assets	134,831	160,477
	134,831	**160,477**

24. Interest Earned Investments

Short Term Investments and Call Accounts	2,900,075	5,082,299
	2,900,075	**5,082,299**

25. Licences and permits

Licences and permits	-	18,587
Motor vehicle registration	4,896	12,777
	4,896	**31,364**

Notes to the Financial Statements

Figures in R	2025	2024 Restated

26. Other Income

Building Plan Approval	-	2,460
Cemetery and burial	19,458	22,681
Clearance certificate	37,262	4,185
Encroachment fee	-	29
Photocopies and fax	10,052	173,579
Valuation services	-	180
Tender Documents	38,609	-
Borrow pit excavation fees	157,638	-
Stone and gravel	2,500	-
Removal of restrictions	880	-
	266,399	**203,114**

27. Operational Revenue

Administrative Handling Fees	405	-
Commission of Insurance	-	40,625
Skills Development Levy Refund	-	15,919
Cash surplus - Post retirement funds	251,847	-
Insurance Refund	236,152	-
	488,404	**56,544**

28. Property Rates

Residential	5,911,032	6,300,491
Commercial	4,632,292	(861,881)
State	1,621,617	7,184,804
Revenue foregone	(1,440,915)	(1,789,546)
	10,724,026	**10,833,868**

Valuations

Residential	304,632,000	237,270,000
Commercial	123,647,000	39,628,000
State	138,529,000	145,206,000
Small holdings and farms	2,342,403,000	2,241,771,000
Municipal	106,187,000	29,161,000
	3,015,398,000	**2,693,036,000**

Valuations on land and buildings are performed every 5 years. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

Notes to the Financial Statements

Figures in R		2025	2024 Restated

29. Government grants and subsidies

Operating grants

Equitable share		37,608,000	35,728,000
Financial Management grant	-	2,612,500	2,850,000
Library		1,306,000	1,252,000
EPWP		1,200,000	666,000
Municipal infrastructure Grant (MIG)		429,100	1,688,823
Water Services Infrastructure Grant		-	768,531
Integrated National Electrification Programme		-	701,192

Capital grants

Municipal Infrastructure Grant (MIG)	1,815,383	11,258,823
Financial Management grant	187,500	-
INEP	854,466	4,674,611
	46,012,949	**59,587,980**

Included in above are the following grants and subsidies received

Unconditional grants received	37,608,000	35,728,000
Conditional grants received	8,404,950	23,859,980
	46,012,950	**59,587,980**
Conditional		
Expanded Public Works Programme Grant	1,200,000	666,000
Water Services Infrastructure Grant	-	768,531
Local Government Financial Management Grant	2,800,000	2,850,000
Municipal Disaster Recovery - Library	1,306,000	1,252,000
Municipal Infrastructure Grant	2,244,483	12,947,646
Integrated National Electrification Programme	854,466	5,375,803
	8,404,950	**23,859,980**

Total Government Grants and Subsidies		
Government Grants and Subsides - Capital	2,857,350	15,933,434
Government Grants and Subsides - Operating	43,155,600	43,654,546
	46,012,950.	**59,587,980.**

Equitable Share

DoRA Allocation	37,608,000	35,728,000
Grants received	30,691,000	35,728,000
Transfer to equitable share	6,917,000	-
Conditions Met-Transfers to Revenue - Operating	(37,608,000)	(35,728,000)
	-	**-**

FMG

Notes to the Financial Statements

Figures in R	2025	2024 Restated
Government grants and subsidies continued...		
Balance unspent at beginning of the year		
Current year receipt	2,800,000.	2,850,000.
Conditions met - transfer to revenue operating	(2,612,500.)	
Conditions met - transfer to revenue capital	(187,500.)	(2,850,000.)
Surrendered	-	-

MIG

Balance unspent at beginning of the year	(937,427.)	5,591,219
Current year receipt	14,571,000.	6,419,000
Transferred to accumulated surplus	(763,041.)	-
Conditions met - transfer to revenue- operating	(429,100.)	-
Transferred to revenue	(4,828,472.)	
Conditions met transfer to revenue- Capital	(1,815,383.)	(12,947,646)
	5,797,577	**(937,427)**

EPWP

Balance unspent at beginning of the year		
Current year receipt	1,200,000	666,000
Conditions met - transfer to revenue	(1,200,000)	(666,000)
Surrendered	-	-

INEP

Balance unspent at beginning of the year	(307,695)	5,068,108
Current year receipt	4,386,000	-
Conditions met - transfer to revenue	(854,466)	(5,375,803)
Transferred to Equitable share	(4,674,611)	-
	(1,450,772)	**(307,695)**

Department of Cultural Affairs & Sport: Library Services - Replacement

Balance unspent at beginning of the year		
Current year receipt	1,306,000	1,252,000.
Conditions met - transfer to revenue	(1,306,000)	(1,252,000.)
Surrendered	-	
	-	-

The grant will be used for water infrastructure development in the Kareeberg area.

Job Creation De Bult

Notes to the Financial Statements

Figures in R	2025	2024 Restated
Government grants and subsidies continued...		
Balance unspent at beginning of the year	55,330.	55,330
Current year receipt	-	-
Conditions met - transfer to revenue	-	-
Surrendered	-	-
	55,330	**55,330**

The grant will be used for job creation in the Kareeberg area. (Carnarvon)

Regional Bulk Infrastructure Grant - RBIG (DWAF)

Opening balance	-	16,234,528
Interest received	-	-
Grants received	-	-
Conditions met Inventory	-	-
Transfer to/from equitable share	-	(16,234,528)
	-	**-**

Land Development

Balance unspent at beginning of the year	87,671.	87,671.
Current year receipt	-	-
Conditions met - transfer to revenue	-	-
Surrendered	-	-
	87,671	**87,671**

The grant will be used for a land development plan in the Kareeberg area.

Civil Defence

Balance unspent at beginning of the year	21,461.	21,461.
Current year receipt	-	-
Conditions met - transfer to revenue	-	-
Surrendered	-	-
	21,461	**21,461**

The grant will be used for civil defence in the Kareeberg area.

CMIP Kwaggakolk (VAT)

Balance unspent at beginning of the year	868.	868.
Current year receipt	-	-
Conditions met - transfer to revenue	-	-
Surrendered	-	-
	868	**868**

Sanitation - sewerage

Notes to the Financial Statements

Government grants and subsidies continued...

Figures in R	2025	2024 Restated
Balance unspent at beginning of the year	184,441.	184,441.
Current year receipt	-	-
Conditions met - transfer to revenue	-	-
Surrendered	-	-
	184,441	**184,441**

Electricity Schietfontein

Balance unspent at beginning of the year	50,130.	50,130.
Current year receipt	-	-
Conditions met - transfer to revenue	-	-
Surrendered	-	-
	50,130	**50,130**

The grant will be used for electricity infrastructure development in the Kareeberg area. (Schietfontein)

Water Service Plan

Balance unspent at beginning of the year	4,681.	4,681.
Current year receipt	-	-
Conditions met - transfer to revenue	-	-
Surrendered	-	-
	4,681	**4,681**

The grant will be used for a water service plan in the Kareeberg area.

CMIP - Saaipoort project 301

Balance unspent at beginning of the year	5,139.	5,139.
Current year receipt	-	-
Conditions met - transfer to revenue	-	-
Surrendered	-	-
	5,139	**5,139**

The grant will be used for a bore hole water project in the Kareeberg area. (Carnarvon)

Paving projects

Balance unspent at beginning of the year	33,833.	33,833.
Current year receipt	-	-
Conditions met - transfer to revenue	-	-
Surrendered	-	-
	33,833	**33,833**

Notes to the Financial Statements

Figures in R	2025	2024 Restated

Government grants and subsidies continued...

Lotto Carnarvon

Balance unspent at beginning of the year	2,599.	2,599.
Current year receipt	-	-
Conditions met - transfer to revenue	-	-
Surrendered	-	-
	2,599	**2,599**

The grant will be used for Lotto projects in the Kareeberg area. (Sport equipment)

Lotto Vosburg

Balance unspent at beginning of the year	45,900.	45,900.
Current year receipt	-	-
Conditions met - transfer to revenue	-	-
Surrendered	-	-
	45,900	**45,900**

Transfer Fees Sub-Economic

Balance unspent at beginning of the year	198,545.	198,545.
Current year receipt	-	-
Conditions met - transfer to revenue	-	-
Surrendered	-	-
	198,545	**198,545**

The grant will be used for Lotto projects in the Kareeberg area. (Equipment)

Cleaning Project Vosburg

Balance unspent at beginning of the year	36,654.	36,654.
Current year receipt	-	-
Conditions met - transfer to revenue	-	-
Surrendered	-	-
	36,654	**36,654**

The grant will be used for a cleaning project in the Kareeberg area.

VAT - Retention

Opening balance	16,999	16,999
Current year receipt	-	-
Conditions met - transfer to revenue	-	-
	16,999	**16,999**

Notes to the Financial Statements

Figures in R	2025	2024 Restated

Government grants and subsidies continued...

Youth Development

Balance unspent at beginning of the year	93,632.	93,632.
Current year receipt	-	-
Conditions met - transfer to revenue	-	-
Surrendered	-	-
	93,632	**93,632**

The grant will be used for maintenance in the Kareeberg area.

TOTAL GRANTS

Opening Balance	(407,189)	28,500,319
Grants Received	61,871,000	46,915,000
Transfer to accumulated surplus	(5,437,652)	-
Transfer to/ from equitable shares	(4,828,471)	(16,234,528)
Conditions met - Operating	(43,155,600)	(43,654,546)
Conditions met - Capital	(2,857,350)	(15,933,434)
	5,184,738	**(407,189)**
Receivables for government grants	1,450,775	1,245,122
Conditions still to be met	**6,635,513**	**837,933**

Figures in R	2025	2024 Restated

30. Remuneration of Councilors

Remuneration of councillors	5,236,644	5,126,307

2025

Remuneration paid to Councilors can be summarised as follows:

	Annual Remunerations	Telephone Allowance	Travel Allowances	Total
Mayor R.C.G. Jikella	945,181	47,004	8,094	1,000,280
Speaker M.J. MacZali	732,858	47,004	8,858	788,720
Mpac P. Charlies	312,662	47,004	63,921	423,587
Chief whip J.S. Newath	323,787	47,004	63,962	434,753
Exco Member T. Van Tonder	379,203	47,004	2,042	428,249
Exco Member E. Hoorn	393,624	47,004	4,085	444,712
Councillor Mr J. Nyl	232,977	47,004	62,520	342,501
Councillor - A.J. Kamies	292,602	47,004	1,200	340,806
Councillor W.F. Links	231,282	47,004	62,250	340,536
Councillor J.H. Vermeulen	292,602	47,004	1,200	340,806
Councillor W.D. Horne	301,369	47,004	3,322	351,695
	4,438,146.	**517,044.**	**281,454.**	**5,236,644.**

2024

	Annual Remunerations	Telephone Allowance	Travel Allowances	Total
Mayor/ councillor /Speaker M.J. MacZali	453,229	44,719	76,295	574,243
Speaker-Replaced S.D. Malgas	169,867	29,651	40,880	240,398
Councillor/ Mayor/ Exco member E. Hoorn	579,107	44,719	18,819	642,645
Councillor/Speaker W.D. Horne	477,211	44,719	106,667	628,596
Exco Member/Mayor R.C.G. Jikella	651,467	44,719	22,464	718,650
Councillor/MPAC Chair P. Charlies	249,999	44,719	61,320	356,038
Councillor A.J. Kamies	286,401	44,719	-	331,120
Councillor/Exco Councillor J.S. Newath	255,222	44,719	65,949	365,890
Mpac chair/Councillor J. Nyl	356,506	44,719	61,320	462,545
Councillor W.F. Links	225,081	44,719	61,320	331,120
Councillor J.H. Vermeulen	286,401	44,719	-	331,120
Exco member T. Van Tonder	128,873	15,068	-	143,941
	4,119,363.	**491,909.**	**515,034.**	**5,126,306.**

Included in the current year remuneration of councillors is backpay for previous 2 years approved and gazetted in the current year as follows:

Cell Phone allowance Back pay	34,302
Travel Allowances backpay	122,381
Total	156,683

Figures in R	2025	2024 Restated

31. Contracted Services

Consultant and Professional Services	3,955,447	2,470,540
Contractors	4,560,876	9,715,065
Outsourced Services	436,498	198,382
	8,952,821	**12,383,987**
Less: Contracted services allocated to water inventory	(402,597)	(1,163,285)
	8,550,224	**11,220,702**

Consultant and Professional Services

Accounting and Auditing	2,600,992	1,792,943
Business and Financial Management	118,723	-
Medical examinations	-	1,252
Research and Advisory	-	2,720
Laboratory		
Water	160,978	265,302
Legal Costs		
Legal advice and litigation	1,074,754	408,323
	3,955,447	**2,470,540**

Contractors

Maintenance of Buildings and facilities	259,944	711,010
Maintenance of Equipment	2,979,923	7,014,027
Maintenance of Unspecified assets	918,412	826,743
	4,158,279	**8,551,780**

Outsourced Services

Catering services	85,027	100,518
Post mortem	13,882	2,228
Internal Auditors	337,589	95,636
	436,498	**198,382**

Notes to the Financial Statements

Figures in R	2025	2024 Restated

32. General Expenses

Advertising	74,798	66,993
Bank Charges	70,903	80,896
Communication	775,285	879,043
External Audit Fees	4,048,327	5,158,833
Indigent relief	1,615,442	1,842,246
Insurance Underwriting	911,598	1,061,654
Licences	245,658	170,451
Municipal Services	1,401,499	2,406,057
Uniform and protective clothing	24,648	268,012
Travel and Subsistence	1,613,022	1,378,354
Inventory Consumed - Materials and supplies	1,277,807	2,411,994
Levies paid - Water resources management	-	69,961
Professional bodies, membership and subscription	480,545	475,000
Ward Committees	215,102	91,500
Workmen's Compensation fund	-	640,540
Fines and penalties	-	164,488
Other expenses	87,899	9,251
	12,842,533	**17,175,273**
Less: General Expenses allocated to water inventory	(4,921)	(782,454)
	12,837,612	**16,392,819**

Notes to the Financial Statements

Figures in R	2025	2024 Restated

33. Employee related Costs

Basic	14,708,044	15,381,602
Bonus	994,581	382,262
Medical aid - company contributions	242,132	302,349
UIF	156,556	570,088
SDL	181,514	403,707
Leave pay provision	385,190	680,746
Bargaining council contributions	8,592	7,944
Pension	2,039,970	1,694,077
Travel and motor car and other allowances	432,409	350,439
Cellphone allowances	413,745	206,464
Overtime payments	1,487,465	1,741,654
Long service awards	33,841	915,132
Housing benefits and allowances	198,047	104,600
Standby allowances	410,416	381,479
	21,692,503	**23,122,544**
Less: Employee Cost allocated to water inventory	(558,421)	(671,949)
Total Employee Related Cost	**21,134,082**	**22,450,595**

Remuneration of Municipal manager - Municipal Manager Mr M.F. Manuel

Annual remuneration	871,200	1,135,671
Travel Allowances	197,808	131,872
Cellphone Allowance	72,000	48,000
Annual Bonus	72,600	-
Medical Aid	-	3,966
Contributions to UIF and Other Benefits	11,646	21,182
	1,225,254	**1,340,691**

Remuneration of Chief Financial officer - Mr W. de Bruin

Annual Remuneration	786,496	789,087
Travel Allowance	93,732	87,661
Rural Allowance	88,023	88,026
Cellphone Allowance	30,000	30,000
Leave Pay	-	47,718
Contributions to UIF and Other Benefits	10,366	57,731
	1,008,616	**1,100,224**

Remuneration of technical services director -Mr. N.J. van Zyl

Notes to the Financial Statements

Figures in R	2025	2024 Restated

Employee related Costs continued...

Annual Remuneration	-	1,135,671
Travel Allowance	-	247,511
Cellphone allowance	-	30,000
Annual Bonus	-	94,639
Pension Fund	-	204,421
Medical Aid	-	60,084
Leave Encashment	218,049	95,396
Contributions to UIF, Medical and Pension Funds and Other Benefits	-	19,398
	218,049	**1,887,120**

Remuneration of Acting Municipal Manager - Mongwe

Annual Remuneration	-	232,460
Contributions to UIF and Other Benefits	-	2,856
	-	**235,316**

34. Debt Impairment

Debt impairment reversal	12,047,909	-
	12,047,909	**-**

35. Depreciation

Property Plant and Equipment	7,043,656	6,073,454
Investment Property	12,941	12,941
Intangible assets	3,873	**3,870**
	7,060,471	**6,090,265**

Notes to the Financial Statements

Figures in R	2025	2024 Restated

36. Cash flows from operating activities

Surplus for the year	26,613,353	13,437,402
Adjustments for:		
Depreciation	7,060,471	6,090,265
Actuarial gain	567,945	390,560
Landfill assets	(2,079,050)	(200,207)
Impairment of PPE	4,848,812	(3,232)
Debt Impairment gain	12,047,909	-
Movement in provisions	(1,262,477)	624,935
Opening balance	7,343,179	6,718,244
Closing balance	6,080,702	7,343,179
Movement in trade and other receivables (including vat receivable):	(29,608,024)	(6,893,372)
Opening balance	54,564,483	29,889,344
Closing balance	84,172,507	36,782,716
Movement in inventory	43,887	(1,350)
Opening balance	402,615	401,265
	358,728	402,615
Movement in trade and other payables (including vat and income tax payable):	(4,193,722)	14,427,768
Opening balance	20,595,169	6,167,402
Closing balance	16,401,447	20,595,170
Movement in prepayments	(739,881)	(345,022)
Opening balance	559,604	214,582
Closing balance	1,299,485	559,604
	(10,346,711)	27,478,082

37. Impairment gain/(loss) on fixed assets

Property, Plant and Equipment	(4,848,812)	3,232
	(4,848,812)	**3,232**

38. Actuarial Gains/Loss

Actuarial gain / (loss)	(567,945)	390,499
	(567,945)	**390,499**

Notes to the Financial Statements

Figures in R	2025	2024 Restated

39. **Commitments**

Authorised capital expenditure

Already contracted for but not contracted for		
Property plant and equipment	3,955,983	1,734,591
Total Commitment	3,955,983	1,734,591

40. Fruitless and Wasteful Expenditure

Opening balance as previously reported	3,914,720	1,629,564
Opening balance as restated	3,914,720	1,629,564
Add: Expenditure identified - current	154,752	2,285,156
Less: Approved/condoned/authorised by council	(1,629,564)	
Closing balance	2,439,908	3,914,720

Details of fruitless and wasteful expenditure

Additional costs- AFS	-	588,800
Additional costs- AFS- Planning AG	-	333,051
AG additional cost due to not reply to findings	-	935,754
Food for accident victims	-	5,674
Grocery	-	1,999
Settlement manager	-	134,000
Travel cost	-	71,743
SARS Fines	-	214,135
Penalty and interest	33,610	-
Payroll and Human resources	12,174	-
SARS Penalty	46,946	-
SARS Interest	16,226	-
Interest charges	3,390	-
Eskom Interest	38,558	
Travel and subsistence allowance	3,848	
	154,752	2,285,156

41. Deviations

Disclosures in terms of the Municipal Supply Chain Management Regulations - Promulgated by Government Gazette 27636 dated 30 May 2005.

Regulation 36(2) - Details of deviations approved by the Accounting Officer in terms of Regulation 36(1)(a) and (b) Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in accounting officer and includes a note to the annual financial statements.

2025

	Less than R30 000	Between 30 000 and 100 000	100 000 upwards	Total
Sole Provider	2,669	-	145,480	148,149
Emergency	15,599	78,092	-	93,691
Other	16,440	60,954	-	77,394
	34,708	139,046	145,480	319,234

2024

	Less than R30 000	Between 30 000 and 100 000	100 000 upwards	Total
Sole Provider	16,966	400,428	274,284	691,678
Emergency	2,620	33,051	-	35,671
Other	88,788	213,755	406,413	708,956
	108,373	647,234	680,697	1,436,304

31. Events after the reporting date

No events or circumstances arising after the reporting date have come to the attention of management that would require adjustments to or disclosure in the financial statements.

42. Irregular Expenditure

	2025	2024 Restated
Opening balance as previously reported	22,335,914	8,273,777
Opening balance as restated	22,335,914	8,273,777
Add: Expenditure identified - current	2,359,903	14,062,137
Less: Approved/condoned/authorised by council	(8,273,777)	-
Closing Balance	**16,422,040**	**22,335,914**

Notes to the Financial Statements

Figures in R	2025	2024 Restated

43. Contingent assets

Willem De Bruin/Kareeberg Municipality Bill of costs	68,000	
Sarah Dorothea Malgas/Kareeberg Municipality	258,000	

Mr De Bruin submitted an urgent application in the Northern Cape High Court to interdict the Kareeberg Municipality from proceedings against him. He withdrew the application as per documents dated 22/03/2024. The Legal Attorneys , Messers Kramer Weihmann Inc. for the 2nd Respondent, Kareeberg Municipality, submitted a Memorandum of fees and costs for payment by Mr De Bruin as per the NOTICE OF REMOVAL FROM URGENT MOTION ROLL dated 22 March 2024.

Mrs Sarah Dorothea Malgas was a Councillor of the Municipaility. She was removed by council in 20224. Since she was aggrieved by this removal, she applied for an urgent court Interdict against the decision of the Municipality. She however, withdrew the urgent application and the defendant's attorneys drew up a bill of costs against her.

44. Distribution losses

Electricity	8,114,797	7,227,281
KWh purchased (units)	(7,239,379)	(5,199,660)
	875,418	**2,027,621**
Loss in %	11%	28%
Average cost per unit	2.35	2.53
Losses in rand	**2,061,475**	**5,139,756**

Electricity losses for the financial year is 11 % (2024: 28 %). The electricity losses for the current year is 875 418. KWh (2024: 2 027 620,78 KWh). The rand value of electricity losses for the current financial year is R2 061475,43 (2024: R5 139 755,61)

Water

Water (m3) purchased/from borehole	491,031	496,908
Water (m3) sold to customers	(448,408)	(351,304)
	42,623	**145,604**
Loss in %	9%	29%
Average cost per unit	8.69	8.2
Losses in rand	**373,105**	**1,193,953**

Water losses for the financial year is 9% (2024: 29%). The water losses for the current year is 42 623m3 (2024: 145 604 m3). The rand value of water losses for the current financial year is R373 105 (2024: R1 193 953)

Notes to the Financial Statements

Figures in R	2025	2024 Restated

45. Agency Services

Agent in arrangement with Provincial Department of Transport

Kareeberg Municipality is the Agent in the Principal-Agent arrangement with the Provincial Department of Transport,and collects licencing fees on behalf of the Provincial Department of Transport.
The amount retained is recorded as Income from Agency Services in the Statement of Financial Performance.
The municipality can retain a portion of the fees collected and the net amount is due to the Provincial Department
The amounts due to the Provincial Department at year end is included in the balances reported as Payables from Exchange Transactions in the Statement of Financial Position.

	2025	2024 Restated
Total agency funds received	304,664	-
	(70,001)	-
Agency services recognised	(57,521)	-
Vehicle registration fees recognised	(5,564)	-
licences and permits recognised	(1,534)	-
Output VAT recognised	(5,381)	-
	234,663	**-**

46. Unauthorised Expenditure

	2025	2024 Restated
Opening balance as previously reported	17,456,122	1,427,999
	17,456,122	1,427,999
Add : Expenditure identified current	-	16,028,123
Less: Approved/condoned/authorised by council	(1,427,999)	-
Closing Balance	**16,028,123**	**17,456,122**

Unauthorised Expenditure Current Year- Operational:

Expenditure by Vote	Budgeted Amount	Actual Expenditure as per GL	Variance	2025 Unauthorised
Vote 1 - Executive and Council	13,426,000	12,907,040	12,907,040	-
Vote 2 - Budget and Treasury	21,999,000	18,167,059	18,167,059	-
Vote 3 - Corporate Services	7,475,000	3,552,533	3,552,533	-
Vote 4 - TECHNICAL SERVICES	57,103,000	41,284,478	41,284,478	-
	100,003,000.00	**75,911,110.00**	**75,911,110.00**	**-**

Unauthorised Expenditure Current Year- Capital:

Expenditure by Vote	Budgeted Amount	Actual Expenditure as per GL	Variance	2025 Unauthorised
Vote 2 - Budget and Treasury	450,000	277,265	277,265	-
Vote 4 - TECHNICAL SERVICES	18,968,000	2,669,849	2,669,849	-
	19,418,000.00	**2,947,114.00**	**2,947,114.00**	**-**

Figures in R	2025	2024 Restated

47. Finance Cost

Landfill rehabilitation	537,674	777,475
Employee benefits	1,152,000	497,630
Trade and other payables	-	40
	1,689,674	**1,275,145**

48. Budget variances

Revenue

Interest Earned

Management of the municipality did not take into account the fluctuation in the interest rates for the 2024/2025 financial year end made by the Reserve Bank.

Agency Services

The projection was made on the basis that, for the preceding financial period, the municipality had witnessed an increase in the number of occasions held which meant that revenue would have to be increased. The municipality, encountered a decline in terms of hall rentals for the 2022 financial period, thus decrease in the income from rental of facilities.

Rental from Fixed Assets

The municipality's projectiosn for Rental were optomistic in nature. The municipality did not collect as much revenue as anticipated from rental for the 2024/2025 financial year end, the municipality, encountered a decline in terms of rentals for the 2024/25 financial period, thus decrease in the income from rental of facilities.

Service Charges

The municipality had seen an increase in the service charges, as a result of increases of tarriffs and and an improved collections in the 2024-25 financial period

Licenses and Permits

The municipality made an overprojection on licences and permits. There was a decrease for a need of licence and permits from the community.

Sale of goods and services

Municipality projections were reletively low for sales of goods and servivces, which resulted in a vast variance between the actual vs the budgeted amounts for sales of goods and services.

Operational Revenue

Municipality projections were not alighned with the needs of the municipality, resulting in the sharp variance. The budgeting of operational revenue will be aligned in a more realistic manner in 2025/2026.

Property Rates

There was a slight variance from actual vs budgeted due to the improved revenue collection by the municipality.

Fines, Penalties and Forfeits

Municipality projections were reletively low for fines and penalties, which resulted in a vast variance between the actual vs the budgeted amounts for fines and penalties. The municipality had seen an increase as a result of increased fines collected.

Budget variances continued...

Government grants & Subsidies

The variance is as a result of the municipality receiving additional funding that the municipality obtained from equitable shares.

Expenditure

Employee Benefit costs

The following reasons attributed mainly to the decrease in personnel costs:

- the projections on the budget had accounted for vacant positions which were not filled during the financial year.
- the calculation was also based on possible determination of Section 56 remuneration which did not materialise.
- Resignations, retirement of employees, end of contracts of employees

Remuneration of Councillors

The budget was based on an inflation increase in the remuneration of councillors, however, no increase was received by means of determination of upper limits, thus a saving in the actual remuneration of councillors.

Bulk Purchases

The line item was over budgeted. There was an decrease in bulk purchases from ESKOM for 2024/25.

Depreciation

The depreciation was underbudgeted as the projections from the budget did not take into account the additions from PPE for the 2024/25 period.

Finance Charges

The budget was underfunded, and the did not take into account the increases of finance costs from provisions.

Inventory consumed

The budget for bulk purchases was not in line with the actual spent. The budget was not correctly accounted for as it was under budgeted. This was due to weak budgeting processes which will be rectified in the next financial year.

General Expenses

The underspending is as a result of a portion of equitable which was withheld as the municipality used conditional grants to defray operating expenses, thus the municipality had less money to spend. Furthermore, the municipality implemented cost cutting measures during the year as the cash flow position of the municipality is still in a dire situation which resulted in an underspending for the year.

Statement of Financial Position

Current Assets

Budget variances continued...

Inventories

There were less stock on hand in comparison with the budgeted figure as more stock items used and water stock were appropriately accounted for.

Call investment deposits

The line was incorrectly budget for. The budget figure is a negative balance, thus the material difference noted with the actual balance as per AFS. This was due to weak budgeting processes which will be rectified in the next financial year.

VAT receivable

No provision was made in the budget for this line item. This was due to weak budgeting processes which will be rectified in e next financial year.

Cash and cash equivalents

The budget was not accurately set. Incorrect base for the budget was used, thus the material difference identified. This was due to weak budgeting processes which will be rectified in the next financial year.

Non-Current Assets

Investment Property

The budget was not accurately set. Incorrect base for the budget was used, thus the material difference identified. This was due to weak budgeting processes which will be rectified in the next financial year.

Property, plant and equipment

The increase can be attributed to the following factors:

- when the budget was set, the municipality did not project accurately the changes to the PPE which include additions to PPE.
- the changes to the PPE were identified by the AFS consultants, thus the changes identified by the consultants were not factored in during the budget process.

Figures in R	2025	2024 Restated

49. Going concern

We draw attention to the fact that at 30 June 2025, the municipality had an accumulated surplus of R 306 279 780 and that the municipality's total assets exceed total liabilities by R 306 279 780.

1	Third party deductions were overdue.
2	Capital expenditure is less than 10% of operating and capital expenditure.
3	Consumer debtors' days outstanding increased to 214 days (2024: 162 days), indicating a continued challenge in revenue collection. Includes date like this point it's for going concern.
4	Existing assets renewal and rehabilitation expenditure is less than 100% of total depreciation and impairment (%).
5	Electricity distribution losses electricity (technical and non-technical) have decreased to 11% (2024: 28%) and the water distribution losses has decreased to 9% from (2024: 11%).
6	The municipality's current liabilities exceed its current assets by (81 741 051) (2024: 47 986 838), indicating a current ratio that remains below the required norm of 1.5–2.
7	The municipality realised a surplus for the year of R26 613 353 2024: R13 437 402, indicating an improvement in financial performance and supporting a positive going-concern assessment.

Even though the above uncertainties exist regarding the municipality's ability to continue as a going concern, the annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that f

The ability of the municipality to continue as a going concern is dependant on a number of factors. The most significant of these is that the Accounting Officer continues to procure funding for the ongoing operations of the municipality.

Furthermore the municipality has embarked on implementing strategies which will strengthen its ability to continue as a going concern. The most significant of these is that the municipality is currently implementing a system to enhance revenue collection

The municipality still has the ability to levy rates and taxes and will continue to receive funding from government as evident from the Equitable Share allocation in terms of the Division of Revenue Act.

50. Bulk Purchases

	2025	2024 Restated
Electricity	18,504,147.	21,949,038.
Total Bulk Purchases	**18,504,147.**	**21,949,038.**

51. Prior period errors

The municipality corrected the following prior period errors retrospectively and restated the comparative amounts in terms of GRAP 3 - Accounting policies, Changes in Estimates and Errors.

Notes to the Financial Statements

Figures in R	2025	2024 Restated

Prior period errors continued...

51.1 Interest Earned - External Investments

During the 2024/2025 financial year, management realised that interest was not yet received in the 2024 financial year. Interest earned - External investment were overstated by R4 268 746 respectively, which relate to call accounts in the 2024 financial year.

Interest earned - external investments	4,268,476.
Account - interest receivables	(4,268,476.)

51.2 Availiability Charges - Services charges

During the 2024/2025 financial year, management realised that services was not classified according to the category of services charges and mSCOA in the 2024 financial year. Availiability Charges were overstated by R6 777 881 respectively, which relate to Services charges in the 2024 financial year. Furthermore revenue foregone is now disclosed separately.

The prior period errors were adjusted retrospectively. The effects of the errors on the individual line items in the financial statements are as follows:

Availiability Charges	(6,777,881.)
Electricity	6,402,367.
Water	5,963,206.
Waste Management	745,635.
Waste Water Management	654,235.
Revenue Foregone	(6,987,562.)

51.3 Contracted services

During the 2024/2025 financial year, management realised that expenditure was not classified according to the category of contracted services and mSCOA in the 2024 financial year. Contract services were overstated by R1 163 283 respectively, which relate to general expenses in the 2024 financial year.

The prior period errors were adjusted retrospectively. The effects of the errors on the individual line items in the financial statements are as follows:

Contracted services	870,314.
General Expenses	(870,314.)

Prior period errors continued...

51.4 Biological Assets

During the 2024/2025 financial year, management realised that expenditure was not classified according to the category of contracted services and mSCOA in the 2024 financial year. PPE were overstated by R63 190 respectively, which relate to Sundry Creditors in the 2024 financial year.

The prior period errors were adjusted retrospectively. The effects of the errors on the individual line items in the financial statements are as follows:

Property, Plant and Equipment	(66,422.)
Biological Assets	66,422.

51.5 Water Inventory

During the 2024/2025 financial year, management realised that inventory was not recognised as it occured and mSCOA in the 2024 financial year. Inventory were understated by R1 350 respectively, which relate to inventory contributions in the 2024 financial year.

The prior period errors were adjusted retrospectively. The effects of the errors on the individual line items in the financial statements are as follows:

Inventory	1,350.
Inventory consumed	(1,350.)

51.6 Employee related costs

During the 2024/2025 financial year, management realised that employee related costs was not classified according to the category of general expenses and mSCOA in the 2024 financial year. Employee related were understated by R163 955 respectively, which relate to Services charges in the 2024 financial year.

The prior period errors were adjusted retrospectively. The effects of the errors on the individual line items in the financial statements are as follows:

Employee related costs	(163,955.)
General expenses	163,955.

51.7 Bulk Purchases

During the 2024/2025 financial year, management realised that expenditure was not classified according to the category of contracted services and mSCOA in the 2024 financial year. Bulk purchases were overstated by R1 163 283 respectively, which relate to general expenses in the 2024 financial year.

The prior period errors were adjusted retrospectively. The effects of the errors on the individual line items in the financial statements are as follows:

Bulk Purchases	1,110,773.
General expenses	(1,110,773.)

Figures in R	2025	2024 Restated

Prior period errors continued...

51.8 General Expenses

During the 2024/2025 financial year, management realised that expenditure was not classified according to the category of expense and mSCOA in the 2024 financial year. General Expenses were overstated by R4 466 424.96 respectively, which relate to Sundry Creditors in the 2024 financial year.

Sundry Creditors		(4,466,425.)
General Expenses		4,466,425.

51.8.1 Transfers and subsidies-Indigent Households

During the 2024/2025 financial year, management realised that expenditure was not classified according to the category of general expenses and mSCOA in the 2024 financial year. Transfers and subsidies were overstated by R456 611 respectively, which relate to general expenses in the 2024 financial year.

The prior period errors were adjusted retrospectively. The effects of the errors on the individual line items in the financial statements are as follows:

Transfers and subsidies-Indigent Households		456,611.
General expenses		(456,611.)

51.9 Inventory consumed

During the 2024/2025 financial year, management realised that inventory consumed was not classified according to the category of general expenses and mSCOA in the 2024 financial year. Inventory consumed were overstated by R2 441 994 respectively, which relate to general expenses in the 2024 financial year.

The prior period errors were adjusted retrospectively. The effects of the errors on the individual line items in the financial statements are as follows:

Inventory consumed		2,441,994.
General expenses		(2,441,994.)

51.10 Water Inventory consumed

During the 2024/2025 financial year, management realised that Water inventory consumed was not classified according to the category of water inventory consumed and mSCOA in the 2024 financial year. General expenses were overstated by R4 074 646 respectively, which relate to general expenses in the 2024 financial year.

The prior period errors were adjusted retrospectively. The effects of the errors on the individual line items in the financial statements are as follows:

Water Inventory consumed		(4,074,646.)
General expenses		4,074,646.

Figures in R	2025	2024 Restated

Prior period errors continued...

51.11 Receivables from Exchange Transactions

During the 2024/2025 financial year, management realised that receivables from exchange transaction was not recognised as it occurred and mSCOA in the 2024 financial year. Receivables from Exchange Transactions was understated by R159 964 respectively. The effect of the errors on the individual line items in the financial statements are as follows:

Receivables from Exchange Transactions	159,964.
Receivables from Non-Exchange Transactions	(159,964.)

51.12 Other Receivables from exchange transactions

During the 2024/2025 financial year, management realised that receivables from exchange transaction was not recognised as it occurred and mSCOA in the 2024 financial year. Receivables from Exchange Transactions was understated by R722 250 respectively. The effect of the errors on the individual line items in the financial statements are as follows:

Increase in other receivables from exchange transactions	722,250.
Receivables from Exchange Transactions	(722,250.)

51.13 Unpaid Transfers and Subsidies

During the 2024/2025 financial year, management realised that receivables from exchange transaction was not recognised as it occurred and mSCOA in the 2024 financial year. Inventory were understated by R87 671 respectively, which relate to unpaid transfers and subsidies contributions in the 2024 financial year.

The prior period errors were adjusted retrospectively. The effects of the errors on the individual line items in the financial statements are as follows:

Land developments	87,671.
Unpaid Transfers and Subsidies	(87,671.)

51.14 VAT

During the 2024/2025 financial year, management realised that VAT receivables from SARS was not recognised as it occurred and mSCOA in the 2024 financial year. VAT receivables were understated by R3 309 000 respectively.

The prior period errors were adjusted retrospectively. The effects of the errors on the individual line items in the financial statements are as follows:

VAT Input	3,309,765.
Unallocated deposits	(3,309,765.)

Notes to the Financial Statements

Figures in R	2025	2024 Restated

Prior period errors continued...

51.15 Defined Benefit Obligation

During the 2024/2025 financial year, management realised that payables for bonuses was not presented and mSCOA in the 2024 financial year. were understated by R2 661 901 respectively.

The prior period errors were adjusted retrospectively. The effects of the errors on the individual line items in the financial statements are as follows:

Current employee benefits	2,661,901.
Payables from exchange transactions	(2,661,901.)

51.16 Cash and cash equivalent

During the 2024/2025 financial year, management realised that bank balance was not agreeing to the bank statement for the year 2024. Bank balances were understated by R4 070 428 respectively, which relate to all accounts in the 2024 financial year.

Differences between the bank statement closing balances and the closing balances for each bank account in the General Ledger were noted and identified. These differences were then corrected against the opening balances to adjust them correctly.

	Previously reported	Correction of error	Restated
ABSA Primary Bank Account - 4050 475 166	5,145,312	(4,337,648)	807,664
ABSA -32 Days	2,000,000	(2,000,000)	-
ABSA Bank - Call Accounts 20-7477-9380	614,858	12,387	627,245
ABSA Bank- Call Accounts 92-1224 -8064	16,865,481	2,028,884	18,894,365
ABSA Bank - Call Accounts 92-8504-7305	1,398,425	5,067	1,403,492
ABSA Bank - Call Accounts 92-8516-3395	93,632	8,361,738	8,455,370
StandardBan-InvestmentAccount-32DayNotice088705536	11,347,812	-	11,347,812
StandardBank-InvestmentAccount-32DayNotice088705536	184,441	-	184,441
	37,649,960	4,070,428	41,720,388

51.17 Trade and other Payables from Non-Exchange Transactions

During the 2024/2025 financial year, management realised that receivables from exchange transaction was not recognised as it occurred and mSCOA in the 2024 financial year. Trade and other payables were understated by R87 963 respectively, which relate to inventory unpaid transfers and subsidies in the 2024 financial year.

During the 2024/2025 financial year, management realised that retention was not recognised as it occurred and in the 2024 financial year. Retention were overstated by R1 201 978 respectively, which relate to retention for the year in the 2024 financial year.

The prior period errors were adjusted retrospectively. The effects of the errors on the individual line items in the financial statements are as follows:

Trade and other Payables from Non-Exchange Transactions	87,963.
Unpaid Transfers and Subsidies	(87,963.)
Payables from exchange transactions	1,201,978.
Trade and other Payables from Non-Exchange Transactions	(1,201,978.)

Notes to the Financial Statements

Figures in R	2025	2024 Restated

Prior period errors continued...

51.18 Payables from exchange transactions

During the 2024/2025 financial year, management realised that receivables from exchange transaction was not recognised as it occurred and mSCOA in the 2024 financial year. Trade and other payables were understated by R1 360 respectively, which relate to inventory contributions in the 2024 financial year.

The prior period errors were adjusted retrospectively. The effects of the errors on the individual line items in the financial statements are as follows:

Payables from exchange transactions	4,836,136.
Receivables from exchange transactions	(4,836,136.)

51.19

	Previously reported	Correction of error	Restated
Property rates	10,833,868	(234,866)	10,599,002
Availability Charges	6,777,881	(6,777,881.00)	-
Services Charges	17,452,196	6,777,881	24,230,077
Interest Earned - External Investments	9,350,775	(4,268,476)	5,082,299
Licences and permits - Exchange transaction	18,587	12,777	31,364
Licences and permits - Non-exchange transactions	12,777	(12,777)	-
Employee related costs	(22,453,589)	(649,429)	-23,103,018
General Expenses	(19,023,795)	5,640,976	-13,382,819
Transfers and subsidies-Indigent Households	(456,611)	456,611	-
Inventory consumed	(2,441,994)	2,441,994	-
Water Inventory consumed	-	(4,074,646)	-4,074,646
Water Inventory gain	-	1,456,958	1,456,958
Finance costs	(1,865,515)	1,490	-1,864,025
	-1,795,420	**770,612**	**-1,024,808**
Assets and liabilities			
Statutory Receivables from Non-Exchange Transactions	13,631,493	4,268,476	17,899,969
Payables from exchange transactions	18,643,021	158,116	18,801,137
Property. Plant and Equipment	244,093,235	(66,422)	244,026,813
Biological assets	-	66,422	66,422
Inventory	401,265	1,350	402,615
Statutory Receivables from Non-exchange Transactions	5,437,570	234,866	5,672,436
Unpaid Transfers and Subsidies	1,245,124	-	1,245,124
VAT receivable	3,054,093	3,309,765	6,363,858
Cash and Cash	37,649,960	4,070,428	41,720,388
Defined benefit Obligations	3,529,901	(2,661,901)	868,000
Accumulated surplus	(267,629,525)	(9,381,100)	-277,010,625
	60,056,137	-	60,056,137

Figures in R	2025	2024 Restated

52. Related parties

Key management and Coucilors and pay for services on the same terms and consitions as other ratepayer / resident

Services rendered to key management personnel occurred within supplier abd customer relationships on terms and conditions no more or less favourable from those which the municipality is reasonable to expect to have adopted with the individual persons in the same circumstances. These terms and conditions are within the normal operating parameters established by the municipality

The amounts outstanding are unsecured and will be settled in cash

The rates, service charges and other changes are in accordance with the approved tarriffs that were advertised to the public. No bad debt expenses have been recognised ub respect of amounts owed by related parties

Accounts in Arrears for the concillors

	2025	2024
	Outstanding more than 90 days	**Outstanding more than 90 days**
Councillor - W. Hoorn	46,288	42,162
Councillor - P. Charlies	39,238	-
Councillor - W. Links	27,290	6,237
Councillor - JH Vermelen	86,326	10,640
Councillor - R Jikeklla	1,528	13,454
Councillor - S. Newath	9,385	-
Councillor - E Hoom	-937	-
Councillor - MJ Maczali	-	3,374
Councillor - T Van Tonder	-	83,909
Councillor - J Nyl	-	51,901
	209,118.49	**211,676.33**

Senior managers

W. De Bruin	247,282	269,161
N.J. Van Zyl		6,528
	456,401	487,366

53. 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. The municipality's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance. The municipality uses derivative financial instruments to hedge certain risk exposures. Risk management is carried out by a central treasury department under policies approved by the accounting officer. Municipality treasury identifies, evaluates and hedges financial risks in close co-operation with the municipality's operating units. The accounting officer provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

Liquidity risk

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

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.

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

At 30 June 2025

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Payables from exchange transaction	17,862,160	-	-	-

At 30 June 2024

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Payables from exchange transaction	19,066,245	-	-	-

Notes to the Financial Statements

Figures in R	2025	2024 Restated

Risk management continued...

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 a 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.

Receivables are disclosed net after provisions are made for impairment and bad debts. Trade debtors comprise of a large number of ratepayers, dispersed across different sectors and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Credit risk pertaining to trade and other debtors is considered to be moderate due the diversified nature of debtors and immaterial nature of individual balances. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practice this is difficult to apply. In the case of debtors whose accounts become in arrears, Council endeavours to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

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

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

Financial instrument	2025	2024
Receivables from exchange transactions	21,402,624	4,635,044
Cash and Cash Equivalents	37,457,925	41,720,595

Interest rate risk

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

Foreign exchange risk

The municipality does not hedge foreign exchange fluctuations.

Price risk

The municipality is not exposed to price risk.

Post-tax surplus for the year would increase/decrease as a result of gains or losses on equity securities classified as at fair value through surplus or deficit. Other components of equity would increase/decrease as a result of gains or losses on equity securities classified as available-for-sale.

Notes to the Financial Statements

Financial Instruments disclosure

Categories of financial instruments

Figures in R		2025	2024 Restated
Financial Assets	Classification		
Receivables from exchange transactions			
Trade receivables from exchange transactions	Financial Instruments at amortised cost	-	4,635,044
Other receivables from exchange transactions	Financial Instruments at amortised cost	37,206,025	15,445,679
Cash and Cash Equivalent			
Bank balances	Finanacial Instruments at amortised cost	-	-
Call Investment Deposits	Finanacial Instruments at amortised cost	37,457,719	41,720,358
Summary of Financial Assets			
Finanacial Instruments at amortised cost	Trade receivables from exchange transcations	-	4,635,044
Trade receivables from exchange transcations	Other receivables from exchange transactions	37,206,025	15,445,679
Other receivables from exchange transactions	Bank balances	-	-
Cash and Cash Equivalent	Call Investment Deposits	37,457,719	41,720,358
		74,663,744	61,801,081
Total Financial Assets			
Financial Liabilities			
Trade and other payables from exchange transactions			
Retention	Finanacial Instruments at amortised cost	262,578	196,447
Trade payables	Finanacial Instruments at amortised cost	1,983,127	13,457,636
Customer deposit	Finanacial Instruments at amortised cost	401,175	388,187

Notes to the Financial Statements

Figures in R		2025	2024 Restated
Summary of Financial Liabilities			
Trade and other payables from exchange transactions	Retention	262,578	196,447
Trade and other payables from exchange transactions	Trade payables	1,983,127	13,457,636
Customer deposit	Customer deposit	401,175	388,187
		2,646,880	14,042,270

54. Additional disclosure in terms of Municipal Finance Management Act

	2025	2024
Audit Fees		
Opening Balance	163,919	-
Current year Audit Fees	4,680,164	5,329,775
Amount paid - current year	-4,659,972	-5,165,856
Amount paid - previous years	-163,919	-
	20,192	163,919

PAYE and UIF		
Opening Balance	-	-
Current year Payroll Deductions	3,813,550	4,007,887
Amount paid - current year	-3,813,550	-4,007,887
Amount paid - previous years		-
	-	-

Pension and Medical Aid Contributions		
Opening Balance		-
Current year Payroll Deductions	3,948,426.45	3,907,543.31
Amount paid - current year	(3,948,426.00)	(3,907,543.00)
Amount paid - previous years		-
	0	0

Contribution to SALGA		
Opening Balance	0	
Current year Council subscription	500,000	475,000
Early settlement discount	-25,000	-25,000
Amount paid - current year	-475,000	-475,000
Amount paid - previous years	-	-

55. Segment information

General information

Identification of segments

The municipality is organised and reports to management on the basis of six major functional segments. The segments are organised around the functions and these are Budget and Treasury, Planning and Development, Executive and Council, Community Services, Corporate Services, Technical Services.. Management uses these same segments for determining strategic objectives. Segments were aggregated for reporting purposes.

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

Description of Segments and Principal activites

Reportable Segment	**Principal activities and Operations**
	This segment consists of various departments with aligned objectives. It is responsible for providing residents, business and industry with clean, safe and reliable drinking water, treatment of waste water, distribution of electricity to residential to residential, commercial and industrial customers in Kareeberg and provide the link between Eskom and electricity consumers and also road maintenance.
Community Services	This segment consists of various departments with aligned objectives. It is responsible for community and social service, sport and recreation facilitie, crime prevention and traffic enforcement.
Executive and Council	This segment is responsible for all aspects of governance of municipality.
Budget and Treasury	This segment is responsible for all aspects fo financial administration of the municipality. Various transactions are managed and administered centrally.
Corporate Services	This segment deals with administration and human resources.
Financial Services	This segment deals with administration and finance services
Executive and council	This segment deals with administration and operational needs of the community.

Notes to the Financial Statements
Figures in R

Segment information continued...

2025

	Budget and Treasury	Community services	Corporate Services	Executive and council	Planning and Development	Total
Revenue						
Revenue from non-exchange transactions	51,669,621	19,458	1,990	-	5,052,838	56,743,907
Revenue from exchange transactions	32,519,436	-	-	-	3,698,456	36,217,892
Total segment revenue	84,189,057	19,458	1,990	-	8,751,294	92,961,799
Expenditure						
Depreciation and armotisation	(499,111)	-	-	-	(6,561,360)	(7,060,471)
Employee related cost	(6,689,133)	(201,266)	(2,863,298)	(5,236,644)	(11,223,702)	(26,214,043)
Other	(21,223,439)	(114,431)	(373,537)	(4,422,897)	(16,502,291)	(42,636,595)
Total segment expenditure	(28,411,684)	(315,698)	(3,236,835)	(9,659,541)	(34,287,353)	(75,911,110)
Other comprehensive income items	12,332,426	-	-	-	(2,769,762)	9,562,664
Total comprehensive expenditure						(66,348,446)
Total Municipality Segmental surplus						**26,613,353**

2024

	Budget and Treasury	Community services	Corporate Services	Executive and council	Planning and Development	Total
Revenue						
Revenue from exchange transactions	5,427,303	56,544	-	-	24,248,664	29,732,511
Revenue from non-exchange transactions	59,654,030	-	-	-	10,848,431	70,502,461
Total segment revenue	65,081,333	56,544	-	-	35,097,095	100,234,972

Notes to the Financial Statements

Figures in R

Expenditure						
Depreciation and armotisation	(591,536)	-	-	-	(5,498,729)	(6,090,265)
Employee related cost	(8,974,509)	(209,042)	(3,276,661)	(5,126,307)	(10,157,331)	(27,743,851)
Other	(26,644,427)	(284,386)	(1,228,320)	(8,783,371)	(16,616,888)	(53,557,392)
Total segment expenditure	(36,210,473)	(493,428)	(4,504,981)	(13,909,678)	(32,272,948)	(87,391,508)
Other comprehensive income	393,731	-	-	-	200,207	593,938
Total comprehensive expenditure						(86,797,570)
Total Municipality Segmental surplus						**13,437,402**

Figures in R	2025	2024 Restated

56. Subsequent events

The accounting officer is not aware of any matter or circumstances arising since the end of the financial year.