Thembelihle Local Municipality
(Registration number NC076)
Annual Financial Statements
for the year ended 30 June 2025

General Information

Nature of business and principal activities	Provision of municipal services in terms of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) and Municipal Systems Act, 2000 (Act No. 32 of 2000)
Mayoral committee	
Mayor	M Visser
	J Mkosana (Speaker)
Councillors	E van Niekerk (Chief WIP)
	D Jansen
	VS Dolopi (Corporate Services Chairperson)
	B Mpamba (MPAC Chairperson)
	PP van Niekerk
	TE Diena
	T Yola
	F Mans
	L Makenna (Technical Committee Chairperson)
Grading of local authority	2
Chief Finance Officer (CFO)	RG Babeotswejang
Accounting Officer	K Gaborone
Business address	Municipal Offices Church Street Hopetown 8750
Postal address	Private Bag X3 Hopetown 8750
Bankers	Standard Bank of South Africa
Auditors	Office of the Auditor-General (Northern Cape)
Registration number	NC076

Index

Abbreviations used:

COID	Compensation for Occupational Injuries and Diseases
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
IPSAS	International Public Sector Accounting Standards
MFMA	Municipal Finance Management Act
mSCOA	Municipal Standard Chart of Accounts

Accounting Officer's Responsibilities and Approval

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

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

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

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

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

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

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

The annual financial statements set out on pages 4 - 90, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2025 and were signed on its behalf by:

K Gaborone
Municipal Manager

Accounting Officer's Report

The accounting officer submits her report for the year ended 30 June 2025.

1. Review of activities

Main business and operations

The municipality is engaged in provision of municipal services in terms of the municipal finance management act, 2003 (act no. 56 of 2003) and municipal systems act, 2000 (act no. 32 of 2000) and operates principally in South Africa.

The operating results and state of affairs of the municipality are fully set out in the attached annual financial statements and do not in our opinion require any further comment.

2. Going concern

We draw attention to the fact that at 30 June 2025, the municipality had an accumulated surplus (deficit) of R 56,840,827 and that the municipality's total liabilities exceed its assets by R 56,840,827.

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.

3. Subsequent events

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

4. Accounting Officer

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

Name	Nationality
K Gaborone	RSA

5. Auditors

Office of the Auditor-General (Northern Cape) will continue in office for the next financial period.

The annual financial statements set out on page 4 - 83, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2025 and were signed on its behalf by:

K Gaborone
Municipal Manager

Statement of Financial Position as at 30 June 2025

Figures in Rand	Note(s)	2025	2024 Restated*
Assets			
Current Assets			
Inventories	3	78,924	52,774
Receivables from non-exchange transactions	4&5	3,567,736	9,881,673
Prepaid expenses		286,738	-
Receivables from exchange transactions	6	21,568,407	20,640,892
VAT receivable	7	30,028,221	24,951,941
Cash and cash equivalents	8	51,880	219,806
		55,581,906	**55,747,086**
Non-Current Assets			
Investment property	9	22,969,996	22,727,011
Property, plant and equipment	10	232,147,969	238,188,779
Intangible assets	11	83,049	42,621
		255,201,014	**260,958,411**
Total Assets		**310,782,920**	**316,705,497**
Liabilities			
Current Liabilities			
Other financial liabilities	12	2,181,651	1,448,242
Payables from exchange transactions	13	103,384,946	108,619,747
Employee benefit obligation	14	5,042,827	5,337,282
Unspent conditional grants and receipts	15	5,774,033	5,656,046
Provisions	16	912,753	912,753
Consumer deposits	17	842,570	815,817
		118,138,780	**122,789,887**
Non-Current Liabilities			
Other financial liabilities	12	1,286,410	1,817,487
Finance lease obligation	18	225,382	445,209
Employee benefit obligation	14	6,628,011	6,770,000
Provisions	16	3,377,224	4,563,766
Trade and other payables from exchange transactions	19	124,286,286	78,508,445
		135,803,313	**92,104,907**
Total Liabilities		**253,942,093**	**214,894,794**
Net Assets		**56,840,827**	**101,810,703**
Accumulated surplus		56,840,827	101,810,703
Total Net Assets		**56,840,827**	**101,810,703**

* See Note 61

Statement of Financial Performance

Figures in Rand	Note(s)	2025	2024 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	20	26,720,741	24,962,593
Sale of goods and rendering of services	21	178,019	137,440
Commission received	22	817,421	386,379
Interest received - exchange transactions	23	6,891,522	6,426,857
Rental of facilities and equipment	24	715,660	641,789
Operational revenue	25	1,318,877	2,175,356
Total revenue from exchange transactions		**36,642,240**	**34,730,414**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	26	8,101,334	7,467,322
Eskom Debt Relief	27	-	30,074,825
Electricity and water availability charges		219,156	198,674
Interest - Property rates	28	1,763,293	1,254,037
Transfer revenue			
Government grants and subsidies	29	49,473,301	52,889,611
Licences and permits	30	415,702	393,047
Donation in kind	31	3,258,331	3,941,857
Fines, penalties and forfeits	32	35,395	97,150
Total revenue from non-exchange transactions		**63,266,512**	**96,316,523**
Total revenue		**99,908,752**	**131,046,937**
Expenditure			
Audit fees	33	(5,128,313)	(4,058,654)
Professional and consulting fees	34	(10,310,404)	(9,015,673)
Employee related costs	35	(42,551,688)	(39,102,180)
Remuneration of councillors	36	(5,945,408)	(6,011,393)
Depreciation and amortisation	37	(11,417,100)	(11,882,497)
Finance costs	38	(18,062,891)	(18,094,665)
Inventory consumed	39	(1,876,681)	(3,808,857)
Bulk purchases	40	(19,435,051)	(17,233,486)
Provision for impairments adjustment	41	(8,077,094)	(16,027,898)
Repairs and maintenance	42	(1,613,968)	(651,933)
General Expenses	43	(8,652,822)	(5,676,597)
Bad debts written off	41	(14,796,617)	-
Total expenditure		**(147,868,037)**	**(131,563,833)**
Operating deficit		**(47,959,285)**	**(516,896)**
Loss on disposal of assets and liabilities	44	(1,136,224)	(62,849)
Fair value adjustments	45	450,391	(702,896)
Actuarial gains/losses	14	1,544,000	(34,585)
Reversal of impairments (Impairment loss)	46	2,131,242	(3,168,059)
		2,989,409	**(3,968,389)**
Deficit for the year		**(44,969,876)**	**(4,485,285)**

* See Note 61

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus / deficit	Total net assets
Opening balance as previously reported	116,088,519	116,088,519
Adjustments		
Correction of errors 61	(9,792,531)	(9,792,531)
Balance at 01 July 2023 as restated*	**106,295,988**	**106,295,988**
Changes in net assets		
Surplus for the year	(4,485,285)	(4,485,285)
Total changes	(4,485,285)	(4,485,285)
Restated* Balance at 01 July 2024	**101,810,703**	**101,810,703**
Changes in net assets		
Surplus for the year	(44,969,876)	(44,969,876)
Total changes	(44,969,876)	(44,969,876)
Balance at 30 June 2025	**56,840,827**	**56,840,827**

* See Note 61

Cash Flow Statement

Figures in Rand	Note(s)	2025	2024 Restated*
Cash flows from operating activities			
Receipts			
Property rates		14,415,271	8,142,261
Sale of goods and services		1,664,732	145,217,379
Grants		49,591,288	56,142,805
Interest income		8,654,815	6,426,857
		74,326,106	215,929,302
Payments			
Employee costs		(48,315,540)	(43,846,238)
Suppliers		(15,477,537)	(145,763,781)
Finance costs		(4,704,338)	(17,917,237)
		(68,497,415)	(207,527,256)
Net cash flows from operating activities	47	**5,828,691**	**8,402,046**
Cash flows from investing activities			
Purchase of property, plant and equipment	10	(5,720,172)	(12,129,225)
Proceeds from sale of property, plant and equipment	10	-	219
Purchase of other intangible assets	11	(59,995)	-
Net cash flows from investing activities		**(5,780,167)**	**(12,129,006)**
Cash flows from financing activities			
Finance lease payments		(216,450)	(331,521)
Net increase/(decrease) in cash and cash equivalents		**(167,926)**	**(4,058,481)**
Cash and cash equivalents at the beginning of the year		219,806	4,278,287
Cash and cash equivalents at the end of the year	8	**51,880**	**219,806**

* See Note 61

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	36,318,036	(600,462)	**35,717,574**	26,720,741	**(8,996,833)**	Note 59
Rental of facilities and equipment	1,119,564	(449,700)	**669,864**	715,660	**45,796**	Note 59
Sale of goods and rendering of services	372,588	(47,316)	**325,272**	178,019	**(147,253)**	Note 59
Commission received	2,730,792	(2,000,004)	**730,788**	817,421	**86,633**	Note 59
Operational revenue	2,020,968	163,872	**2,184,840**	1,318,877	**(865,963)**	Note 59
Interest received - exchange transactions	10,111,752	(731,064)	**9,380,688**	6,891,522	**(2,489,166)**	Note 59
Total revenue from exchange transactions	**52,673,700**	**(3,664,674)**	**49,009,026**	**36,642,240**	**(12,366,786)**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	16,033,044	(6,518,756)	**9,514,288**	8,101,334	**(1,412,954)**	Note 59
Interest, Dividends and Rent on Land	-	-	**-**	219,156	**219,156**	
Interest - Property rates	3,185,052	-	**3,185,052**	1,763,293	**(1,421,759)**	Note 59
Transfer revenue						
Government grants and subsidies	67,662,012	(18,034,068)	**49,627,944**	49,473,301	**(154,643)**	Note 59
Licences and permits	351,240	85,572	**436,812**	415,702	**(21,110)**	Note 59
Donation in kind	-	-	**-**	3,258,331	**3,258,331**	Note 59
Fines, penalties and forfeits	262,692	(200,004)	**62,688**	35,395	**(27,293)**	Note 59
Total revenue from non-exchange transactions	**87,494,040**	**(24,667,256)**	**62,826,784**	**63,266,512**	**439,728**	
Total revenue	**140,167,740**	**(28,331,930)**	**111,835,810**	**99,908,752**	**(11,927,058)**	
Expenditure						
Employee related costs	(40,200,300)	(3,480,684)	**(43,680,984)**	(42,551,688)	**1,129,296**	Note 59
Remuneration of councillors	(5,031,192)	(1,547,820)	**(6,579,012)**	(5,945,408)	**633,604**	Note 59
Inventory consumed	(11,015,340)	7,903,788	**(3,111,552)**	(1,876,681)	**1,234,871**	Note 59
Depreciation and amortisation	(10,836,004)	5,836,004	**(5,000,000)**	(11,417,100)	**(6,417,100)**	Note 59
Impairment loss	-	-	**-**	2,131,242	**2,131,242**	Note 59
Finance costs	(3,710,304)	(6,500,004)	**(10,210,308)**	(18,062,891)	**(7,852,583)**	Note 59
Debt Impairment	-	-	**-**	(8,077,094)	**(8,077,094)**	Note 59
Audit fees	(532,560)	-	**(532,560)**	(5,128,313)	**(4,595,753)**	Note 59
Professional and consulting fees	(8,247,987)	(2,371,161)	**(10,619,148)**	(10,310,404)	**308,744**	Note 59
Bulk purchases	(16,346,196)	(2,471,268)	**(18,817,464)**	(19,435,051)	**(617,587)**	Note 59
Repairs and maintenance	(3,784,671)	(1,108,293)	**(4,892,964)**	(1,613,968)	**3,278,996**	Note 59
General Expenses	(18,110,883)	7,287,951	**(10,822,932)**	(8,652,823)	**2,170,109**	Note 59
Bad debts written off	-	-	**-**	(14,796,616)	**(14,796,616)**	Note 59
Total expenditure	**(117,815,437)**	**3,548,513**	**(114,266,924)**	**(145,736,795)**	**(31,469,871)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Operating deficit	**22,352,303**	**(24,783,417)**	**(2,431,114)**	**(45,828,043)**	**(43,396,929)**	
Loss on disposal of assets and liabilities	1,930,932	-	**1,930,932**	(1,136,224)	**(3,067,156)**	Note 59
Fair value adjustments	-	-	**-**	450,391	**450,391**	Note 59
Actuarial gains/losses	-	-	**-**	1,544,000	**1,544,000**	
	1,930,932	**-**	**1,930,932**	**858,167**	**(1,072,765)**	
Surplus	**24,283,235**	**(24,783,417)**	**(500,182)**	**(44,969,876)**	**(44,469,694)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Inventories	2,220	-	**2,220**	78,924	**76,704**	Note 59
Receivables from non-exchange transactions	-	-	**-**	3,567,736	**3,567,736**	Note 59
VAT receivable	-	-	**-**	30,028,219	**30,028,219**	Note 59
Prepaid expenses	-	-	**-**	286,738	**286,738**	
Consumer debtors	3,753,612	-	**3,753,612**	21,568,407	**17,814,795**	Note 59
Cash and cash equivalents	8,335,476	-	**8,335,476**	51,880	**(8,283,596)**	Note 59
	12,091,308	**-**	**12,091,308**	**55,581,904**	**43,490,596**	
Non-Current Assets						
Investment property	23,147,652	-	**23,147,652**	22,969,996	**(177,656)**	Note 59
Property, plant and equipment	286,251,564	-	**286,251,564**	232,147,969	**(54,103,595)**	Note 59
Intangible assets	36,012	-	**36,012**	83,049	**47,037**	Note 59
	309,435,228	**-**	**309,435,228**	**255,201,014**	**(54,234,214)**	
Total Assets	**321,526,536**	**-**	**321,526,536**	**310,782,918**	**(10,743,618)**	
Liabilities						
Current Liabilities						
Other financial liabilities	-	-	**-**	2,181,651	**2,181,651**	Note 59
Payables from exchange transactions	148,518,996	(1,286,256)	**147,232,740**	103,384,946	**(43,847,794)**	Note 59
VAT payable	3,496,980	-	**3,496,980**	-	**(3,496,980)**	Note 58
Employee benefit obligation	-	-	**-**	5,042,827	**5,042,827**	Note 59
Unspent conditional grants and receipts	-	-	**-**	5,774,033	**5,774,033**	Note 59
Provisions	-	-	**-**	912,753	**912,753**	Note 59
Consumer deposits	782,520	-	**782,520**	842,570	**60,050**	Note 59
	152,798,496	**(1,286,256)**	**151,512,240**	**118,138,780**	**(33,373,460)**	
Non-Current Liabilities						
Other financial liabilities	1,189,776	1,286,244	**2,476,020**	1,286,410	**(1,189,610)**	Note 59
Finance lease obligation	-	-	**-**	225,382	**225,382**	Note 59
Employee benefit obligation	284,448	-	**284,448**	6,628,011	**6,343,563**	Note 59
Provisions	13,282,104	-	**13,282,104**	3,377,224	**(9,904,880)**	Note 59
Trade and other payables from exchange transactions	-	-	**-**	124,286,286	**124,286,286**	Note 59
	14,756,328	**1,286,244**	**16,042,572**	**135,803,313**	**119,760,741**	
Total Liabilities	**167,554,824**	**(12)**	**167,554,812**	**253,942,093**	**86,387,281**	
Net Assets	**153,971,712**	**12**	**153,971,724**	**56,840,825**	**(97,130,899)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Net Assets						
Reserves						
Accumulated surplus	153,971,712	12	**153,971,724**	56,840,827	**(97,130,897)**	Note 59

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Property rates	10,421,484	(4,368,444)	**6,053,040**	(10,312,587)	**(16,365,627)**	Note 59
Sale of goods and services	29,991,612	6,374,784	**36,366,396**	30,970,904	**(5,395,492)**	Note 59
Grants	67,151,208	(3,254,940)	**63,896,268**	56,142,805	**(7,753,463)**	Note 59
Interest income	10,112,000	2,078,212	**12,190,212**	-	**(12,190,212)**	Note 59
	117,676,304	**829,612**	**118,505,916**	**76,801,122**	**(41,704,794)**	
Payments						
Employee costs	(90,607,088)	(8,449,504)	**(99,056,592)**	(44,353,228)	**54,703,364**	Note 59
Suppliers	-	-	**-**	(19,012,646)	**(19,012,646)**	Note 59
Finance costs	(4,589,340)	(5,620,968)	**(10,210,308)**	-	**10,210,308**	Note 59
	(95,196,428)	**(14,070,472)**	**(109,266,900)**	**(63,365,874)**	**45,901,026**	
Net cash flows from operating activities	**22,479,876**	**(13,240,860)**	**9,239,016**	**13,435,248**	**4,196,232**	
Cash flows from investing activities						
Purchase of property, plant and equipment	(23,764,212)	-	**(23,764,212)**	-	**23,764,212**	Note 59
Cash flows from financing activities						
Repayment of other financial liabilities	(1,286,244)	1,286,244	**-**	-	**-**	Note 59
Net increase/(decrease) in cash and cash equivalents	(2,570,580)	(11,954,616)	**(14,525,196)**	13,435,248	**27,960,444**	Note 59
Cash and cash equivalents at the beginning of the year	6,874,956	-	**6,874,956**	-	**(6,874,956)**	Note 59
Cash and cash equivalents at the end of the year	**4,304,376**	**(11,954,616)**	**(7,650,240)**	**13,435,248**	**21,085,488**	

Significant Accounting Policies

1. Significant accounting policies

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

1.1 Basis of preparation

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

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

1.2 Presentation currency

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

1.3 Going concern assumption

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

1.4 Significant judgements and sources of estimation uncertainty

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

Trade receivables

The calculation in respect of the impairment of trade receivables is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per trade receivable per service.

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 16 - Provisions.

Useful lives of waste and water network and other assets

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

Post-retirement benefits

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

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

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

Significant Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty (continued)

Effective interest rate

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

1.5 Investment property

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

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

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

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

Fair value

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

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

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

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

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

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.

Property interests held under operating leases are classified and accounted for as investment property in the following circumstances:

When classification is difficult, the criteria used to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of operations, including the nature or type of properties classified as held for strategic purposes, are as follows:

The municipality separately discloses expenditure to repair and maintain investment property in the notes to the annual financial statements (see note 42).

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

Significant Accounting Policies

1.6 Property, plant and equipment

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

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

Property, plant and equipment is initially measured at cost on its acquisition date or in the case of assets acquired by grants or donations, deemed cost, being the fair value of the asset on initial recognition.

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

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

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

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

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

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

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

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

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

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

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

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

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

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

Item	Depreciation method	Average useful life
Land	Straight-line	Indefinite
Buildings	Straight-line	10 - 30 years

Significant Accounting Policies

1.6 Property, plant and equipment (continued)

Roads and streets	Straight-line	5 - 80 years
Storm Water	Straight-line	5 - 80 years
Electricity	Straight-line	10 - 60 years
Water	Straight-line	10 - 100 years
Sanitation	Straight-line	10 - 60 years
Waste Management	Straight-line	10 - 60 years
Other	Straight-line	30 years
Recreation Facilities	Straight-line	30 years
Community Facilities	Straight-line	15 - 30 years
Office equipment	Straight-line	5 - 15 years
Motor vehicles	Straight-line	5 - 15 years
Furniture and other Office equipment	Straight-line	5 - 15 years
Furniture and fittings	Straight-line	5 - 15 years
Plant and equipment	Straight-line	5 - 15 years
Computer equipment	Straight-line	5 - 15 years

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

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

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

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

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

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

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

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

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 42).

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

1.7 Site restoration and dismantling cost

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

Significant Accounting Policies

1.7 Site restoration and dismantling cost (continued)

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

1.8 Intangible assets

An asset is identifiable if it either:
- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:
- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

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

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

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

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

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

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

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

Significant Accounting Policies

1.8 Intangible assets (continued)

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

Internally generated goodwill is not recognised as an intangible asset.

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

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

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

Intangible assets are derecognised:
- 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 intangible assets is included in surplus or deficit when the asset is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

1.9 Financial instruments

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

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

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

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

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

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

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

Significant Accounting Policies

1.9 Financial instruments (continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

Significant Accounting Policies

1.9 Financial instruments (continued)

Classification

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

Class	Category
Cash and cash equivalents	Financial asset measured at amortised cost
Receivables from exchange transactions	Financial asset measured at amortised cost
Other receivables from exchange transactions	Financial asset measured at amortised cost

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

Class	Category
Other financial liabilities	Financial liability measured at amortised cost
Finance lease obligation	Financial liability measured at amortised cost
Payables from exchange transactions	Financial liability measured at amortised cost

Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The entity measures a financial asset and financial liability initially at its fair value [if subsequently measured at fair value].

The entity first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the entity analyses a concessionary loan into its component parts and accounts for each component separately. The entity accounts for that part of a concessionary loan that is:

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or

- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.

- Financial instruments at amortised cost.

- Financial instruments at cost.

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

Fair value measurement considerations

1.9 Financial instruments (continued)

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the entity establishes fair value by using a valuation technique. 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, a municipality 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.

Reclassification

The entity does not reclassify a financial instrument while it is issued or held unless it is:

- 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.

Impairment and uncollectibility of financial assets

The entity assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future 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. The amount of the loss is recognised in surplus or deficit.

Significant Accounting Policies

1.9 Financial instruments (continued)

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly OR by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Financial assets measured at cost:

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.

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;

- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or

- the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has

transferred control of the asset to another party 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. In this case, the entity :

- derecognise the asset; and

- recognise 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 recognise 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.

Significant Accounting Policies

1.9 Financial instruments (continued)

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 continues 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

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Dividends or similar distributions relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is 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. Income tax [where applicable] relating to distributions to holders of residual interests and to transaction costs incurred on residual interests are accounted for in accordance with the International Accounting Standard on Income Taxes.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity does not offset the transferred asset and the associated liability.

1.10 Statutory receivables

Identification

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

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

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

Significant Accounting Policies

1.10 Statutory receivables (continued)

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

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

Recognition

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

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

Subsequent measurement

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

Accrued interest

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

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

Other charges

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

Impairment losses

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

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

1.10 Statutory receivables (continued)

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

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

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

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

Derecognition

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

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

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

1.11 VAT receivables

Current tax assets and liabilities

The municipality is registered with South African Revenue Services (SARS) for VAT on the payment basis, in accordance with section 15(2) of the VAT Act, 1991 (Act no. 89 of 1991).

1.12 Leases

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

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

Significant Accounting Policies

1.12 Leases (continued)

Finance leases - lessee

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

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

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

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

Operating leases - lessor

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

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

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

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

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

Operating leases - lessee

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

1.13 Inventories

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

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

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

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

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

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

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

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

Significant Accounting Policies

1.13 Inventories (continued)

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

1.14 Cash and cash equivalents

Cash comprises cash on hand and demand deposits.

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

Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

Cash and cash equivalents comprise bank balances, cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less which are available on demand.

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

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

1.15 Impairment of cash-generating assets

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

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

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

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

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

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

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

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:
- the period of time over which an asset is expected to be used by the municipality; or
- the number of production or similar units expected to be obtained from the asset by the municipality.

1.16 Employee benefits

Identification

Employee benefits

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

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

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

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

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

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

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

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

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

Significant Accounting Policies

1.16 Employee benefits (continued)

Short-term employee benefits

Recognition and measurement

All short-term employee benefits

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

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cell phones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognise 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 recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

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

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

Post-employment benefits

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

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

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

1.16 Employee benefits (continued)

Post-employment benefits: Defined contribution plans

Recognition and measurement

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

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

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and

- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

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

1.16 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

Recognition and measurement

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

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

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting entity) that are held by an entity (a fund) that is legally separate from the reporting entity and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting entity's own creditors (even in liquidation), and cannot be returned to the reporting entity, unless either:

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

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

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

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

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

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The return on plan assets is interest, dividends or similar distributions and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

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

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

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

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

1.16 Employee benefits (continued)

- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

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

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

The entity recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

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

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

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

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

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

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

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

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

1.16 Employee benefits (continued)

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is [OR is not] presented as the net of the amount recognised for a reimbursement.

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

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

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

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

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

Other post-retirement obligations

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

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

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

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

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

- current service cost;

1.16 Employee benefits (continued)

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

Termination benefits

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

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

The entity is demonstrably committed to a termination when the entity has a detailed formal plan for the termination and is without realistic possibility of withdrawal. The detailed plan includes [as a minimum]:

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

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

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

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

1.17 Provisions and contingencies

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

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

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

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

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

Significant Accounting Policies

1.17 Provisions and contingencies (continued)

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

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

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

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

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 49.

Decommissioning, restoration and similar liability

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

If the related asset is measured using the cost model, the related depreciation, based on the estimated useful life of the landfill site is recognised immediately in surplus or deficit.

If the related asset is measured using the revaluation model:

- changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
  - a decrease in the liability is credited directly to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit; and
  - an increase in the liability is recognised in surplus or deficit, except that it is debited directly to revaluation surplus in net assets to the extent of any credit balance existing in the revaluation surplus in respect of that asset;

Unspent grants

Grants and transfers received or receivable are recognised as assets when the resources that have been transferred to the municipality meet the definition and criteria for recognition as assets.

A corresponding liability is recognised to the extent that the grant and transfer recognised as an asset, is subject to conditions that require that the municipality either consumes the future economic benefits or service potential of the asset as specified, or that in the event that the conditions are breached, the municipality returns such future economic benefits or service potential to the transferor. That corresponding liability is the unspent grant.

The liability is transferred to revenue when the conditions attached to the grants and transfers are met.
Grants and transfers that are not subject to any conditions are recognised as revenue when the assets are initially recognised.
Interest earned on the investment of grants and transfers received is treated in accordance with the stipulations set out in the agreement for the receipt of the grant and transfer invested.

1.18 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

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

Significant Accounting Policies

1.18 Commitments (continued)

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

1.19 Revenue from exchange transactions

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

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

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

Measurement

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

Sale of goods

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

Rendering of services

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

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

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

Service charges relating to electricity, water and sanitation are based on consumption. Meters are read and billed on a monthly basis and revenue is accounted for when invoiced. Estimated consumptions are made monthly when meters have not been read. The estimates of consumption are accounted for as revenue when invoiced. Adjustments to estimates of consumption are made in the invoicing period when meters have been read. These adjustments are accounted for as revenue or as a write back of revenue in the invoicing period. Revenue from the sale of electricity pre-paid meter cards are recognised at the point of sale. An adjustment for an unutilised portion is made at year end based on the average consumption history.

Interest, royalties and dividends

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

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

Significant Accounting Policies

1.19 Revenue from exchange transactions (continued)

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

Dividends or similar distributions are recognised, in surplus or deficit, when the municipality's right to receive payment has been established.

Income from agency services: Income from agency services are accounted for on a monthly basis once the income collected/retrieved on behalf of agents has been quantified. The income is accounted for in terms of the agency agreement.

Significant Accounting Policies

1.20 Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange.

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.

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.

Property rates are recognised, in surplus or deficit, when the municipality's right to receive payment has been established.

Conditional grants and receipts

Grants and transfers received or receivable are recognised as assets when the resources that have been transferred to the municipality meet the definition and criteria for recognition as assets.

A corresponding liability is recognised to the extent that the grant and transfer recognised as an asset, is subject to conditions that require that the municipality either consumes the future economic benefits or service potential of the asset as specified, or that in the event that the conditions are breached, the municipality returns such future economic benefits or service potential to the transferor.

The liability is transferred to revenue when the conditions attached to the grants and transfers are met.

Grants and transfers that are not subject to any conditions are recognised as revenue when the assets are initially recognised.

Interest earned on the investment of grants and transfers received is treated in accordance with the stipulations set out in the agreement for the receipt of the grant and transfer invested.

Interest, royalties, dividends and licenses and permits

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

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

- The amount of the revenue can be measured reliably.

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

Dividends or similar distributions are recognised, in surplus or deficit, when the municipality's right to receive payment has been established.

License and permits are recognised, in surplus or deficit, when the municipality's right to receive payment has been established.

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

Recognition

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

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

Fines

Significant Accounting Policies

1.20 Revenue from non-exchange transactions (continued)

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

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

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

Gifts and donations, including goods in-kind

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

1.21 Borrowing costs

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

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

1.22 Comparative figures

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

1.23 Unauthorised expenditure

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

All expenditure relating to unauthorised 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.

1.24 Fruitless and wasteful expenditure

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

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

1.25 Irregular expenditure

Irregular expenditure as defined in section 1 of the MFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -
(a) this Act; or
(b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
(c) any provincial legislation providing for procurement procedures in that provincial government.

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the MFMA requires the following (effective from 1 April 2008):

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

Significant Accounting Policies

1.25 Irregular expenditure (continued)

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

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

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

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

1.26 Segment information

A segment is an activity of an entity:

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

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

Measurement

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

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

1.27 Budget information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

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

1.27 Budget information (continued)

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

The approved budget covers the fiscal period from 01/07/2023 to 30/06/2024.

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

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

1.28 Related parties

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

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

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

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

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

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the provincial sphere of government are considered to be related parties.

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

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

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

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

1.29 Operating expenditure

Expenses encompasses losses as well as those expenses that arise on the course of the operating activities of the municipality.

Expenses take the form of an outflow of depletion of assets such as cash and cash equivalents, inventory, property, plant and equipment.

Losses represent decreases in economic benefits or service potential. Losses are recognised net of the related revenue to reflect the substance of the transaction.

Expenses are recognised 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.

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

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

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 104 (as revised): Financial Instruments	01 April 2025	Unlikely there will be a material impact

3. Inventories

	2025	2024
Consumables stores	76,227	50,837
Water	2,697	1,937
	78,924	**52,774**
Inventories recognised as an expense during the year	(2,003,183)	(3,808,857)

Inventory pledged as security

No inventories were pledged as security for liabilities.

4. Receivables from non-exchange transactions

	2025	2024
Fines	168,784	168,784
Consumer debtors - Rates	3,398,952	9,712,889
	3,567,736	**9,881,673**
Statutory receivables included in receivables from non-exchange transactions above are as follows:		
Fines	168,784	168,784
Consumer debtors - Rates	3,398,952	9,712,889
	3,567,736	**9,881,673**
Financial asset receivables included in receivables from non-exchange transactions above	**-**	**-**
Total receivables from non-exchange transactions	3,567,736	9,881,673

Statutory receivables general information

Transactions arising from statute

Property Rates
Property rates receivables are statutory receiavbles and arise from the property taxes levied on property owners, this is done in accordance to the Municipal Property Rates Act No 6 of 2004. Property rates receivables are dealt with using Thembelihle Local Municipality Customer Care, Credit Control and Revenue Policy.

Traffic fines
Traffic fines are statutory receivables and arise from fines issued due to traffic infringements committed by motorists, this is done in accordance with the Criminal Procedure Act No 501 of 1977.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

5. Consumer debtors disclosure

Gross balances		
Consumer debtors - Rates	21,721,378	19,951,312
Less: Allowance for impairment		
Consumer debtors - Rates	(18,322,426)	(10,238,423)
Net balance		
Consumer debtors - Rates	3,398,952	9,712,889
Rates		
Current (0 -30 days)	747,900	786,902
31 - 60 days	432,070	651,565
61 - 90 days	408,405	580,131
91 - 120 days	406,336	536,383
120+ days	19,726,667	17,396,331
Less: impairment	(18,322,426)	(10,238,423)
	3,398,952	**9,712,889**

6. Consumer debtors

Gross balances		
Electricity	12,955,354	12,644,312
Water	40,430,047	40,663,428
Waste management	18,506,146	18,354,212
Waste water management	31,575,053	31,474,379
Other arrears	3,969,690	4,368,577
Housing rental	2,267,674	2,107,619
Other receivables	762,433	762,433
	110,466,397	**110,374,960**
Less: Allowance for impairment		
Electricity	(7,690,062)	(7,088,421)
Water	(34,931,589)	(35,064,044)
Waste management	(15,840,058)	(15,528,917)
Waste water management	(26,822,825)	(26,456,642)
Other arrears	(3,587,421)	(4,137,472)
Housing rental	(26,035)	(1,458,572)
	(88,897,990)	**(89,734,068)**
Net balance		
Electricity	5,265,292	5,555,891
Water	5,498,458	5,599,384
Waste management	2,666,088	2,825,295
Waste water management	4,752,228	5,017,737
Other arrears	382,269	231,105
Housing rental	2,241,639	649,047
Other receivables	762,433	762,433
	21,568,407	**20,640,892**

Figures in Rand	2025	2024

6. Consumer debtors (continued)

Electricity		
Current (0 -30 days)	1,117,006	1,125,791
31 - 60 days	597,728	546,999
61 - 90 days	354,363	419,667
91 - 120 days	315,804	286,691
120+ days	10,570,452	10,265,164
Less: impairment	(7,690,061)	(7,088,421)
	5,265,292	**5,555,891**

Water		
Current (0 -30 days)	1,779,739	572,596
31 - 60 days	392,281	515,988
61 - 90 days	401,969	545,013
91 - 120 days	365,338	564,710
120+ days	37,490,720	38,465,121
Less: impairment	(34,931,589)	(35,064,044)
	5,498,458	**5,599,384**

Refuse		
Current (0 -30 days)	284,221	284,292
31 - 60 days	249,645	252,387
61 - 90 days	243,267	241,653
91 - 120 days	239,778	236,245
120+ days	17,489,235	17,339,635
Less: impairment	(15,840,058)	(15,528,917)
	2,666,088	**2,825,295**

Waste water		
Current (0 -30 days)	516,707	515,334
31 - 60 days	443,275	445,464
61 - 90 days	425,152	423,442
91 - 120 days	417,053	546,628
120+ days	29,772,866	20,961,661
Less: impairment	(26,822,825)	(17,874,792)
	4,752,228	**5,017,737**

Other arrears		
Current (0 -30 days)	523	3,317
31 - 60 days	-	10
61 - 90 days	-	298
91 - 120 days	-	20
120+ days	3,969,167	4,364,932
Less: impairment	(3,587,421)	(4,137,472)
	382,269	**231,105**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

6. Consumer debtors (continued)

Housing rental		
Current (0 -30 days)	32,082	43,038
31 - 60 days	7,799	14,271
61 - 90 days	107,441	7,799
91 - 120 days	13,799	7,799
120+ days	2,106,553	2,034,712
Less: impairment	(26,035)	(1,458,572)
	2,241,639	**649,047**

Other		
Current (0 -30 days)	762,433	762,433

Summary of debtors by customer classification

Total		
Current (0 -30 days)	110,466,397	110,374,960
	110,466,397	110,374,960
Less: Allowance for impairment	(88,897,990)	(89,734,068)
	21,568,407	**20,640,892**

Reconciliation of allowance for impairment		
Balance at beginning of the year	(89,734,068)	(67,914,902)
Contributions to allowance	836,078	(21,819,166)
	(88,897,990)	**(89,734,068)**

7. VAT receivable

VAT Receivable	30,028,221	24,951,941

Value-Added Tax
Value Added Tax is a South African consumption based tax levied on the service charges billed on consumer accounts. It is a statutory receivable that is levied in terms of the Value-Added Tax Act. 89 of 1991. The Value-Added Tax on consumer accounts is dealt with using the Thembelihle Local Municipality Customer Care, Credit Control and Revenue Policy.

8. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	1	1
Bank balances	42,402	214,805
Short-term deposits	9,477	5,000
	51,880	**219,806**

Cash and cash equivalents comprise cash held and short term deposits. The carrying amount of these assets approximates their fair value.

The municipality did not pledge any of its Cash and Cash Equivalents as collateral for its financial liabilities.

No restrictions have been imposed on the municipality in terms of the utilisation of its Cash and Cash Equivalents.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

8. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2025	30 June 2024	30 June 2023	30 June 2025	30 June 2024	30 June 2023
Standard Bank - 041 879 171	70,733	228,429	298,074	38,678	196,374	298,074
Standard Bank - 063 362 309	3,724	18,432	19,807	3,724	18,432	19,807
Standard Bank - 048 871 362	2,510	1,000	5,855	2,510	1,000	5,855
Standard Bank - 048 873 772 001	1,000	1,000	1,000	1,000	1,000	1,000
Standard Bank - 048 871 524 001	1,141	1,000	633,895	1,141	1,000	633,895
Standard Bank - 048 871 672 001	2,943	1,000	2,300,715	2,943	1,000	2,300,715
Standard Bank - 048 871 311 001	1,884	1,000	1,018,862	1,884	1,000	1,018,862
Total	**83,935**	**251,861**	**4,278,208**	**51,880**	**219,806**	**4,278,208**

9. Investment property

	2025			2024		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	22,969,996	-	22,969,996	22,727,011	-	22,727,011

Reconciliation of investment property - 2025

	Opening balance	Disposals	Reclassification	Fair value adjustments	Total
Investment property	22,727,011	(297,849)	90,443	450,391	22,969,996

Reconciliation of investment property - 2024

	Opening balance	Fair value adjustments	Total
Investment property	23,429,907	(702,896)	22,727,011

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

There is no Investment Property which is in the process of being constructed or developed.

There are no restrictions on the realisability of Investment Property or the remittance of revenue and proceeds of disposal.

There are no contractual obligation to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

Notes to the Annual Financial Statements

Figures in Rand

10. Property, plant and equipment

	2025			2024		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	1,656,571	-	1,656,571	1,656,571	-	1,656,571
Buildings	5,946,973	(5,024,970)	922,003	6,470,710	(5,497,527)	973,183
Infrastructure	336,624,163	(194,187,564)	142,436,599	338,085,716	(186,551,893)	151,533,823
Community	30,840,807	(25,177,991)	5,662,816	32,444,782	(26,621,514)	5,823,268
Other assets	6,085,470	(4,331,530)	1,753,940	6,661,282	(4,545,411)	2,115,871
Landfill asset	6,950,621	(6,664,374)	286,247	8,516,496	(6,335,301)	2,181,195
Work in progress	79,171,897	-	79,171,897	73,522,163	-	73,522,163
Leased assets	1,445,017	(1,187,121)	257,896	1,445,017	(1,062,312)	382,705
Total	**468,721,519**	**(236,573,550)**	**232,147,969**	**468,802,737**	**(230,613,958)**	**238,188,779**

Reconciliation of property, plant and equipment - 2025

	Opening balance	Additions	Disposals	Reclassification	Provision adjustment	Depreciation	Impairment loss	Impairment reversal	Total
Land	1,656,571	-	-	-	-	-	-	-	1,656,571
Buildings	973,183	-	-	(90,238)	-	(116,221)	(19)	155,298	922,003
Infrastructure	151,533,823	46,764	(705,657)	-	-	(10,059,760)	(120,398)	1,741,827	142,436,599
Community	5,823,268	-	(7,437)	(205)	-	(524,316)	(13,485)	384,991	5,662,816
Other property, plant and equipment	2,115,871	23,676	(125,280)	-	-	(243,375)	(16,952)	-	1,753,940
Landfill sites	2,181,195	-	-	-	(1,565,875)	(329,073)	-	-	286,247
WIP	73,522,163	5,649,734	-	-	-	-	-	-	79,171,897
Finance leased	382,705	-	-	-	-	(124,788)	(21)	-	257,896
	238,188,779	**5,720,174**	**(838,374)**	**(90,443)**	**(1,565,875)**	**(11,397,533)**	**(150,875)**	**2,282,116**	**232,147,969**

Notes to the Annual Financial Statements

Figures in Rand

10. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2024

	Opening balance	Additions	Disposals	Revaluations	Depreciation	Impairment loss	Total
Land	1,656,571	-	-	-	-	-	1,656,571
Buildings	1,300,411	-	-	-	(164,483)	(162,745)	973,183
Infrastructure	163,189,691	815,515	(32,088)	-	(10,075,139)	(2,364,156)	151,533,823
Community	6,253,720	-	-	-	(423,940)	(6,512)	5,823,268
Other property, plant and equipment	1,933,120	535,509	(15,963)	-	(306,212)	(30,583)	2,115,871
Landfill sites	3,836,739	-	-	(403,973)	(647,506)	(604,065)	2,181,195
WIP	62,797,287	10,724,876	-	-	-	-	73,522,163
Finance leased	620,095	17,043	(13,775)	-	(240,658)	-	382,705
	241,587,634	**12,092,943**	**(61,826)**	**(403,973)**	**(11,857,938)**	**(3,168,061)**	**238,188,779**

Projects taking longer to be completed

Property, plant and equipment in the process of being constructed or developed. Carrying value of property, plant and equipment that is taking a significantly longer period of time to complete than expected

Electrification of Goutrou and Hillside	22,612,870	22,612,870
Project under investigation		
Steynville outfall sewer line	13,072,428	13,072,428
The project has stalled due to budget cosntraints in the period under review		

Reconciliation of Work-in-Progress 2025

	Included within Infrastructure	Included within Community	Total
Opening balance	53,096,927	9,700,360	62,797,287
Additions/capital expenditure	10,724,876	-	10,724,876
	63,821,803	**9,700,360**	**73,522,163**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

10. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2024

	Included within Infrastructure	Included within Community	Total
Opening balance	63,821,803	9,700,360	73,522,163
Additions/capital expenditure	2,381,613	-	2,381,613
	66,203,416	**9,700,360**	**75,903,776**

Expenditure incurred to repair and maintain property, plant and equipment

Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance	2025	2024
Repairs and maintenance	(697,491)	(651,933)

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

Notes to the Annual Financial Statements

Figures in Rand

11. Intangible assets

	2025			2024		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	491,040	(407,991)	83,049	431,045	(388,424)	42,621

Reconciliation of intangible assets - 2025

	Opening balance	Additions	Amortisation	Total
Computer software, other	42,621	59,995	(19,567)	83,049

Reconciliation of intangible assets - 2024

	Opening balance	Disposals	Amortisation	Total
Computer software, other	67,382	(203)	(24,558)	42,621

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

12. Other financial liabilities

Designated at fair value		
DBSA loan	3,468,061	3,265,729

The municipality has a loan with DBSA. The loan started on 01/07/2014 for a period of 13.5 years. The loans bears interest redeemable every 3 months and is levied in a rate of 5.10% per year.

The municipality has defaulted on the repayments that were due in the 6 months causing the loan amount to increase by the interest levied, which amounted to R99,481.

Non-current liabilities		
Designated at fair value	1,286,410	1,817,487
Current liabilities		
Designated at fair value	2,181,651	1,448,242

13. Payables from exchange transactions

Trade payables	91,767,882	63,491,084
Advance payments	2,207,197	2,086,530
Eskom Debt Relief	-	33,923,576
Other payables	4,576,733	4,328,928
Retentions	4,472,711	4,592,008
VAT Payable	360,423	197,621
	103,384,946	**108,619,747**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

14. Employee benefit obligations

Defined benefit plans - General information

Post-employment medical aid benefit liability

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

Long service awards

The municipality operates an unfunded defined benefit liability for all its employees. Under the plan, a long service award is every 5 years of continuous service, from 5 to 45 years of service, inclusive. The provision is an estimate of the long service based on historical staff turnover. No other long service benefits are provided to employees.

The most recent actuarial valuation of the present value of the defined benefit obligation were carried out at 30 June 2025. The present value of the defined benefit obligation, and the related current and past service cost, were measured using the Projected Unit Credit Method.

Post retirement medical aid plan

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

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2025. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

14. Employee benefit obligations (continued)

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

Carrying value		
Present value of the defined benefit obligation-wholly unfunded	(6,628,011)	(7,322,010)
Accrued leave	(3,773,771)	(3,674,879)
Accrued bonus	(1,269,056)	(1,110,393)
	(11,670,838)	**(12,107,282)**
Non-current liabilities	(6,628,011)	(6,770,000)
Current liabilities	(5,042,827)	(5,337,282)
	(11,670,838)	**(12,107,282)**

Changes in the present value of the post-employment medical aid benefit obligation are as follows:

Opening balance	5,114,000	4,872,335
Net expense recognised in the statement of financial performance	(912,000)	241,665
	4,202,000	**5,114,000**

Net expense recognised in the statement of financial performance: Post-employment medical aid benefit liability

Current service cost	213,000	235,194
Benefits paid	(155,000)	(185,000)
Interest cost	707,000	605,670
Actuarial (gains) losses	(1,677,000)	(414,199)
	(912,000)	**241,665**

Changes in the present value of the long service award liability are as follows:

Opening balance	2,213,000	1,689,330
Net expense recognised in the statement of financial performance	218,000	523,670
	2,431,000	**2,213,000**

Changes in the fair value of plan assets are as follows:

Current service cost	192,000	158,238
Interest cost	219,000	170,648
Actuarial gains (losses)	133,000	448,784
Benefits paid	(326,000)	(254,000)
	218,000	**523,670**

Key assumptions used

Assumptions used at the reporting date:

Discount rate: Post-employment medical aid benefit liability	10.54 %	13.82 %
Discount rate: Long service award liability	9.57 %	10.94 %
Health care cost inflation rate	6.39 %	9.69 %
General salary inflation	5.32 %	6.65 %
Net discount rate: Post-employment medical aid benefit liability	3.90 %	3.90 %
Net discount rate: Long service award liability	4.04 %	4.03 %

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

14. Employee benefit obligations (continued)

Other assumptions

	One percentage point increase	One percentage point decrease
Effect on the aggregate of the service cost and interest cost		
The effect of a 1% movement in the assumed rate of post-employment health care benefit inflation is as follows:		
Effect on the aggregate of the current service cost and the interest cost	713,000	292,000
Effect on the defined benefit obligation	4,570,000	4,788,000
The effect of a 1% movement in the assumed rate of long service cost inflation is as follows:		
Effect on the aggregate of the current service cost and the interest cost	416,000	427,000
Effect on the defined benefit obligation	2,123,000	2,392,000

Calculation of actuarial gains and losses

Actuarial (gains)/losses – Obligation	(1,544,000)	(34,585)

15. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
National Government Grants	5,774,033	5,656,046

Movement during the year

Balance at the beginning of the year	5,656,046	2,402,851
Additions during the year	(49,355,314)	(50,275,050)
Income recognition during the year	49,473,301	53,528,245
	5,774,033	**5,656,046**

16. Provisions

Reconciliation of provisions - 2025

	Opening Balance	Utilised during the year	Change in discount factor	Total
Environmental rehabilitation	5,476,519	379,333	(1,565,875)	4,289,977

Reconciliation of provisions - 2024

	Opening Balance	Utilised during the year	Change in discount factor	Total
Environmental rehabilitation	5,369,086	511,406	(403,973)	5,476,519

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

16. Provisions (continued)

Non-current liabilities	3,377,224	4,563,766
Current liabilities	912,753	912,753
	4,289,977	**5,476,519**

Environmental rehabilitation provision

Accounting Standard GRAP19 defines the determination of the investment return assumption to be used as the rate that can be determined by reference to market yields (at the balance sheet date) on government bonds. The currency and term of the government bonds should be consistent with the currency and estimated term/life of the landfill site.

17. Consumer deposits

Opening balance	815,817	735,706
Connections/disconnections movement	26,753	80,111
	842,570	**815,817**

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

Consumer Deposits are paid by consumers on application for new water and electricity connections. The deposits are repaid when the water and electricity connections are terminated. In cases where consumers default on their accounts, the municipality can utilise the deposit as payment for the outstanding amount.

18. Finance lease obligation

Minimum lease payments due		
- within one year	238,838	260,551
- in second to fifth year inclusive	-	238,838
	238,838	499,389
less: future finance charges	(13,456)	(54,180)
Present value of minimum lease payments	**225,382**	**445,209**
Present value of minimum lease payments due		
- within one year	225,382	219,827
- in second to fifth year inclusive	-	225,382
	225,382	**445,209**

19. Trade and other payables from exchange transactions

Municipal Debt Relief from Eskom	124,286,286	112,432,021
Less: Current portion transferred to current trade payables from exchange transactions	-	(33,923,576)
Closing balance	**124,286,286**	**78,508,445**

Thembelihle Local Municipality was approved for debt relief during 2023/2024 financial year. The outstanding debt will be subject to write-off over 3 years.

The first year has passed and the municipality's compliance was at 51% in August 2025. The 51% is considered non-compliant and National Treasury did not recommend a third to be written off. Under the current circumstances of being non-compliant, it is unlikely that in the next 12 months the municipality will have a third of the debt written off. Therefore the entire liability is recognised as non-current liability.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

20. Service charges

Sale of electricity	16,139,225	15,100,573
Sale of refuse	1,992,429	1,946,747
Sanitation	3,765,115	3,685,427
Sale of water	4,823,972	4,229,846
	26,720,741	**24,962,593**

Sale of electricity	16,902,988	15,688,892
Revenue forgone	(763,763)	(573,449)
	16,139,225	**15,115,443**

Sale of refuse	2,622,654	2,492,281
Revenue forgone	(630,225)	(545,534)
	1,992,429	**1,946,747**

Sanitation	4,862,511	4,638,840
Revenue forgone	(1,097,396)	(953,413)
	3,765,115	**3,685,427**

Sale of water	5,388,253	4,687,196
Revenue forgone	(528,892)	(457,350)
	4,859,361	**4,229,846**

Revenue Forgone can be defined as any income that the Municipality is entitled by law to levy, but which has subsequently been forgone by way of rebate or remission.

21. Sale of goods and rendering services

Building plan approval	20,763	47,256
Camping fees	-	23,017
Cemetery and burial	12,608	11,824
Cleaning and removal	9,763	10,322
Management Fees	-	1,678
Photocopies	2,912	720
Tender documents	105,545	39,131
Valuation services	26,428	3,492
	178,019	**137,440**

22. Commission received

Agency fees	678,647	260,787
Third party	138,774	125,592
	817,421	**386,379**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

23. Interest received - exchange transactions

Interest revenue		
Electricity	652,514	520,060
Waste management	1,227,962	1,107,766
Waste water management	2,098,073	1,883,968
Water management	2,757,441	2,534,159
Bank	155,532	380,904
	6,891,522	**6,426,857**

24. Rental of facilities and equipment

Premises		
Venue	10,783	27,140
Premises	704,877	614,649
	715,660	**641,789**

25. Operational revenue

Administrative handling fees	1,340,341	1,188,391
Discount on early settlements	(40,859)	(208,867)
Staff recoveries	-	1,195,832
Collection Charges	19,395	-
Closing balance	**1,318,877**	**2,175,356**

26. Property rates

Rates received

Agricultural Property	1,912,658	2,032,647
Business and Commercial Property	1,075,698	963,385
Formal and Informal	-	2,307,602
Public Benefit Organisations	1,154,485	147,323
Residential Properties	3,736,183	3,364,908
Less: Income forgone	(2,852,697)	(2,307,602)
	5,026,327	6,508,263
State-owned Properties	3,075,007	959,059
	8,101,334	**7,467,322**

Valuations

Agricultural Property	3,223,104,000	3,308,513,000
Business and Commercial Property	76,900,000	76,299,000
Church	10,339,000	15,797,000
Government	126,380,000	53,175,000
Industrial Property	106,564,000	97,536,000
Residential Properties	286,368,800	260,120,300
	3,829,655,800	**3,811,440,300**

27. Eskom Debt Relief

Eskom Debt Relief	-	30,074,825

Thembelihle Local Municipality was approved for debt relief during 2023/2024 financial year. The interest written off on the outstanding debt is recognised as revenue from non-exchange transactions.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

28. Interest from non-exchange receivables

Interest - Property rates	1,763,293	1,254,037

29. Government grants and subsidies

Operating grants		
Equitable share	38,097,000	36,145,000
Finance Management Grant (FMG)	3,000,000	3,100,000
Expanded Public Works Programme Integrated Grant (EPWP)	978,349	-
Libraries, Archives and Museums	1,090,000	1,043,000
SETA allocation	19,287	32,806
	43,184,636	**40,320,806**
Capital grants		
Municipal Infrastructure Grant (MIG)	158,173	4,778,388
Water Sanitation Infrastructure Grant	4,363,672	7,790,417
Energy Efficiency and Demand Side Management (EEDSM)	1,766,820	-
	6,288,665	**12,568,805**
	49,473,301	**52,889,611**

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	11,376,301	17,520,895
Unconditional grants received	40,409,195	36,007,350
	51,785,496	**53,528,245**

FMG

Current-year receipts	(3,000,000)	(3,100,000)
Conditions met - transferred to revenue	3,000,000	3,100,000
	-	**-**

Conditions still to be met - remain liabilities (see note 15).

WSIG

Balance unspent at beginning of year	(749,583)	(104,859)
Current-year receipts	(6,029,000)	(8,540,000)
Conditions met - transferred to revenue	4,363,672	7,790,417
Transferred to Equitable share	749,583	104,859
	(1,665,328)	**(749,583)**

Conditions still to be met - remain liabilities (see note 15).

Libraries, archives and museums

Current-year receipts	(1,090,000)	(1,043,000)
Conditions met - transferred to revenue	1,090,000	1,043,000
	-	**-**

Conditions still to be met - remain liabilities (see note 15).

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

29. Government grants and subsidies (continued)

SETA allocations

Current-year receipts	(19,287)	(32,806)
Conditions met - transferred to revenue	19,287	32,806
	-	**-**

Conditions still to be met - remain liabilities (see note 15).

INEP

Balance unspent at beginning of year	-	(137,424)
Current-year receipts	-	137,424
	-	**-**

Conditions still to be met - remain liabilities (see note 15).

MIG

Balance unspent at beginning of year	(4,906,612)	(2,160,491)
Current-year receipts	(1,500,000)	(9,685,000)
Conditions met - transferred to revenue	158,173	4,778,388
Transferred to Equitable share	4,906,612	-
	-	2,160,491
	(1,341,827)	**(4,906,612)**

Conditions still to be met - remain liabilities (see note 15).

EEDSM

Current-year receipts	(2,000,000)	-
Conditions met - transferred to revenue	1,766,570	-
	(233,430)	**-**

Conditions still to be met - remain liabilities (see note 15).

Provide explanations of conditions still to be met and other relevant information.

30. Licences and permits

Licences and permits	415,702	393,047

31. Donation in kind

Donation	3,258,331	3,941,857

The municipality did receive any in-kind donations or assistance from National Treasury during the year under review.

32. Fines, penalties and forfeits

Fines, Penalties and Forfeits	35,395	97,150

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

33. Auditors' remuneration

Fees	5,128,313	4,058,654

34. Professional and consulting fees

Management fees	-	42,149
Consulting fees	10,310,404	8,973,524
	10,310,404	**9,015,673**

35. Employee related costs

Basic salaries and wages	28,247,207	26,642,397
Pension and UIF Contributions	4,587,588	4,117,290
Overtime payments	1,641,825	1,558,304
Cellphone allowances	389,300	315,757
Housing Allowances	37,160	24,501
Payments in lieu of leave	568,499	177,278
SDL	169,085	169,270
Commissions	-	1,216,398
Bonus	2,129,384	2,282,764
Medical aid - company contributions	1,595,813	1,346,398
Standby allowance	277,589	278,919
Long service awards	1,086,010	195,386
Bargain council	11,900	11,638
Travel, motor car, accommodation, subsistence and other allowances	1,561,258	381,600
Scarcity	60,669	130,058
Acting allowances	188,401	254,222
	42,551,688	**39,102,180**

Remuneration of the Acting Municipal Manager - Mr K.P Leserwane

Annual Remuneration	73,005	1,213,795
Allowances	11,091	92,352
	84,096	**1,306,147**

Remuneration of the Municipal Manager - Mrs K Gaborone

Annual Remuneration	552,117	-
Reimbursive allowance	39,544	-
Remote allowance	21,549	-
Other allowances	36,270	-
	649,480	**-**

Remuneration of the Chief Finance Officer Mr R. Shuping

Annual Remuneration	710,128	755,063
Car Allowance	-	60,000
Allowances	270,346	56,603
Leave payment	169,004	-
	1,149,478	**871,666**

Figures in Rand	2025	2024

35. Employee related costs (continued)

Remuneration of Acting Chief Finance Officer Mr L Khapha

Acting allowance	36,188	-

Remuneration of Head: Technical Services - Mr S. Marufu

Annual Remuneration	173,766	695,063
Car Allowance	30,000	120,000
Allowances	52,242	56,603
	256,008	**871,666**

Remuneration of Head: Corporate Services: Mr T Oliphant

Annual Remuneration	1,053,591	592,596
Car Allowance	30,000	60,000
Allowances	208,021	31,301
	1,291,612	**683,897**

36. Remuneration of councillors

Councillors	5,945,408	6,011,393

In-kind benefits

The Councillors occupying the positions of Mayor, Speaker and certain members of the Executive Committee of the municipality serve in a full-time capacity. They are provided with office accommodation and secretarial support at the expense of the municipal

37. Depreciation and amortisation

Property, plant and equipment	11,397,533	11,857,939
Intangible assets	19,567	24,558
	11,417,100	**11,882,497**

38. Finance costs

Trade and other payables	18,062,891	18,094,665

39. Inventory consumed

Inventory consumed	1,876,681	3,808,857

40. Bulk purchases

Electricity	19,435,051	17,233,486

41. Debt impairment

Debt impairment	8,077,094	16,027,898
Bad debts written off	14,796,616	-
	22,873,710	**16,027,898**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

42. Repairs and maintenance

Contractors		
Contracted services	1,613,968	651,933

43. General expenses

Achievements and awards	10,877	3,301
Advertising, Publicity and Marketing	251,464	288,497
Assets less than the Capitalisation Threshold	-	7,352
Bank charges	163,672	164,513
Commission paid	447,046	44,106
Courier and delivery services	2,762	40,549
Employee social benefits	270,850	96,300
Entertainment	120,347	52,260
External computer service	187,528	179,928
Fines and penalties	-	8,300
Freight charges	118,819	88,240
Honoraria (Voluntarily Workers)	(49,750)	3,499
Indigent relief	530,602	470,206
Insurance	903,960	571,547
Licences	51,024	50,997
Membership and subscriptions	512,401	578,654
Electricity	1,848,324	514,238
Operating leases	389,384	-
Printing, Publications and Books	44,631	69,207
Registration fees	24,234	10,000
Repayment of forfeited deposits	13,598	14,204
Samples and specimens	113,028	152,703
Telephone and fax	1,558,429	1,039,712
Travel and subsistence	202,101	282,786
Uniforms and protective clothing	151,925	18,216
Ward committees	260,000	237,100
Wet fuel	525,566	690,182
	8,652,822	**5,676,597**

44. Loss on disposal of assets and liabilities

Disposals	(1,136,224)	(62,849)

45. Fair value adjustments

Investment property (Fair value model)	450,391	(702,896)

46. Impairment loss

Impairments		
Property, plant and equipment	2,131,242	(3,168,059)

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

47. Cash generated from operations

Deficit	(44,969,876)	(4,485,285)
Adjustments for:		
Depreciation and amortisation	11,417,100	11,882,497
Gain on sale of assets and liabilities	1,136,224	62,849
Fair value adjustments	(450,391)	702,896
Impairment	(2,131,242)	3,168,059
Employee benefit obligations	-	1,301,920
Provisions	(1,980,444)	107,434
Non-cash flow additions / movement in property, plant and equipment	-	403,973
Net surplus / (deficit) directly recorded against accumulated surplus	-	(19,536)
Finance costs	12,432,553	177,666
Changes in working capital:		
Inventories	26,150	(39,723)
Receivables from exchange transactions	6,313,937	(6,943,881)
Receivables from exchange transactions	(927,515)	6,104,090
VAT receivables	(5,076,283)	(3,349,011)
Payables from exchange transactions	29,893,738	(3,975,985)
Prepaid expenses	117,987	3,253,194
Consumer deposits	26,753	50,889
	5,828,691	**8,402,046**

48. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Property, plant and equipment	22,094,002	8,132,965
Total capital commitments		
Already contracted for but not provided for	22,094,002	8,132,965

Authorised operational expenditure

Already contracted for but not provided for		
• Professional fees	3,778,371	6,746,792
Total operational commitments		
Already contracted for but not provided for	3,778,371	6,746,792

This committed expenditure relates to property and professional fees and will be financed by available bank facilities, retained surpluses, rights issue of shares, issue of debentures, mortgage facilities, existing cash resources, funds internally generated, etc.

49. Contingent liabilities/assets

There were no contingent assets identified during the prior and current year.

Figures in Rand	2025	2024

50. Related parties

Relationships	
Accounting Officer	Refer to accounting officers' report note 4
Members of key management	N Jaxa
	L Khapha
	S Marufu
	P Jafta
	R Shuping
	T Oliphant
	V Mpamba
	N Mgununde
	B Nobela
	B Mpamba
	VS Dolopi
	TE Diena
	T Yola
	J Mkosana
	P van Niekerk
	F Mans
	E van Niekerk
	R Jansen
	M Visser
	L Makenna
	D Jansen

Related party transactions

Rent paid to (received from) related parties		
S Marufu	(10,500)	(42,000)
B Mpamba	(42,000)	(42,000)
R Shuping	(21,000)	(42,000)
L Khapha	(21,000)	-
P Jafta	(42,000)	-

Above mentioned transactions relates to renting of municipal houses at R3 500 per month rent. The rent, together with the cost of municipal services is deducted monthly through payroll.

50. Related parties (continued)

Remuneration of management

Management class: Councillors

2025

Name	Fees for services as a member of management	Total
L Makenna	466,399	466,399
D Jansen	111,512	111,512
J Mkosana	1,034,625	1,034,625
E van Niekerk	436,461	436,461
R Jansen	234,182	234,182
VS Dolopi	542,638	542,638
B Mpamba	528,366	528,366
PP van Niekerk	335,904	335,904
TE Diena	378,158	378,158
TE Yola	467,434	467,434
F Mans	343,223	343,223
M Visser	1,066,506	1,066,506
	5,945,408	**5,945,408**

2024

Name	Fees for services as a member of management	Total
L Makenna	960,448	960,448
DA Jonas	30,121	30,121
J Mkosana	1,017,772	1,017,772
E van Niekerk	535,942	535,942
R Jansen	405,645	405,645
VS Dolopi	525,866	525,866
B Mpamba	559,870	559,870
PP van Niekerk	321,079	321,079
TE Diena	379,685	379,685
T Yola	336,781	336,781
F Mans	339,493	339,493
M Visser	598,691	598,691
	6,011,393	**6,011,393**

51. Risk management

Financial risk management

The activities of the municipality expose it to a variety of financial risks, including market risk (comprising fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The municipality’s overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality’s financial performance.

Foreign Exchange Currency Risk

The municipality does not engage in foreign currency transactions.

Price Risk

The municipality is not exposed to price risk.

Interest Rate Risk

As the municipality has significant interest-bearing liabilities, the entity's income and operating cash flows are substantially dependent on changes in market interest rates.

The municipality analyses its potential exposure to interest rate changes on a continuous basis. Different scenarios are simulated which include refinancing, renewal of current positions, alternative financing and hedging. Based on these scenarios, the entity calculates the impact that a change in interest rates will have on the surplus/deficit for the year. These scenarios are only simulated for liabilities which constitute the majority of interest bearing liabilities.

The municipality did not hedge against any interest rate risks during the current year.

The potential impact on the entity's surplus/(deficit) for the year due to changes in interest rates were as follow:

1%(2024 : 1%) Increase in interest rates

1%(2024 : 1%) Decrease in interest rates

Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying business, the treasury maintains flexibility in funding by maintaining availability under 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 entity's financial liabilities into relevant maturity groupings based on the remaining period at the financial year end 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.

2025

	Less than 1 year R	Between 1 and 5 years R	Between 5 and 10 years R	More than 10 years R
Long-term liabilities	3,468,061	-	-	-
Trade payables	91,767,882	-	-	-

Notes to the Annual Financial Statements

51. Risk management (continued)

2024

	Less than 1 year R	Between 1 and 5 years R	Between 5 and 10 years R	More than 10 years R
Long-term liabilities	3,265,729	-	-	-
Trade payables	63,491,084	-	-	-

Credit risk

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

Credit risk arises mainly of cash deposits, cash equivalents, trade and other receivables and unpaid conditional grants and subsidies.

Trade and other receivables are disclosed net after provisions are made for impairment and bad debts. Trade receivables 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 receivables is considered to be moderate due the diversified nature of receivables 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.

All rates and services are payable within 30 days from invoice date. Refer to note 5 and 6 for all balances outstanding longer than 30 days. These balances represent all debtors at year end which defaulted on their credit terms. Also refer to the note for balances included in receivables that were re-negotiated for the period under review.

No receivables are pledged as security for financial liabilities.

Due to short term nature of trade and other receivables the carrying value disclosed in note 9 and 10 of the financial statements is an approximation of its fair value. Interest on overdue balances are included at prime lending rate plus 1% where applicable.

The entity only deposits cash with major banks with high quality credit standing. No cash and cash equivalents were pledged as security for financial liabilities and no restrictions were placed on the use of any cash and cash equivalents for the period

under review. Although the credit risk pertaining to cash and cash equivalents are considered to be low, the maximum exposure are disclosed below.

The banks utilised by the municipality for current and non-current investments are all listed on the JSE (ABSA Bank Limited).

The credit quality of these institutions are evaluated based on their required SENS releases as well as other media reports.

Based on all public communications, the financial sustainability is evaluated to be of high quality and the credit risk pertaining to these institutions are considered to be low.

The risk pertaining to unpaid conditional grants and subsidies are considered to be very low. Amounts are receivable from national and provincial government and there are no expectation of counter party default.

Long-term Receivables and Other Debtors are individually evaluated annually at Balance Sheet date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

Figures in Rand	2025	2024

51. Risk management (continued)

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

Financial instrument	2025	2024
Receivables from exchange transactions	21,568,407	20,640,892
Receivables from non-exchange transactions	3,567,736	9,881,673
Cash and cash equivalents	51,880	219,806
VAT receivables	30,028,221	24,951,940

52. Going concern

We draw attention to the fact that at 30 June 2025, the municipality had an accumulated surplus (deficit) of R 56,840,827 and that the municipality's total assets exceed its liabilities by R 56,840,827.

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.

We further draw attention to the fact that at 31 December 2025 a material uncertainty exists regarding the ability of the municipality to continue as a going concern.

These factors are listed below:

- The provisions for rehabilitation of landfill sites and employee benefit provisions are not cash backed.

- Increase in payables from exchange transactions.

- The municipality experienced cash flow problems during the year, which resulted in major creditors not being paid timeously.
    - The municipality has a negative liquity ratio, which is means the municipality is not able to cover its short-term liabilities as they become due.
    - Employee-related cost and remuneration of councillors exceed 35% operating expenditure and is more than the equitable share recived by the municipality.
    - Unspent conditional grants exceed cash in the bank by almost 100%, which negatively impacts the following year when the money has to be returned for not meeting the conditions.
    - The municipality cannot spend as per the budget as the expenses and revenue do not align with expectations. Revenue is under collected and expenditure is budgted over what is available.

- There is no improvement in the liquidity of the municipality. The majority of the current liabilities are trade payables.

- The municipality is not able to repay suppliers on demand or within 30 days from date of service or goods received.

- There is a concern regarding the liquidity of the municipality.

- Defaulting on financial obligations
    - Debt/total borrowings exceed 45% of total operating revenue
    - Defaulting on the DBSA loan
    - Non-compliance with Eskom Debt Relief, which was meant to provide relief to overburdened municipalities.
    - Delay in returning unspent grants as the monies have to be withheld in instalments from equitable share.

- Net current liability as current laibilities exceed current assets, which increases reliance on long-term funding to finance operational expenses.

- Deterioration in assets used to generate revenue
    - Repairs and maintenance expenditure is less than 8% of operating expenditure, which leads to further deterioration of the assets used to generate revenue. Which reflects underspending on maintenance or capital porjects.
    - Distribution losses for water are 75% (2024: 78%) and for electricity are 42% (2024: 25%).
    - Existing assets renewal and rehabilitation expenditure is less than 40% of capital expenditure

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

52. Going concern (continued)

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 policy applicable to a going concern. This basis presumes that funds will be available to finance future operations.

The ability of the municipality to continue as a going concern is dependent on a number of factors.

These factors are listed below:

The municipality still has the ability to levy services and, rates and taxes.

The municipality will continue to receive funding from government evident from the equitable share and allocations as published in terms of the Division of Revenue Act (Act 1 of 2017).

53. Private public partnership

Council has not entered into any private public partnerships during the financial year.

54. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

	2025	2024
Opening balance	1,036,320	528,070
Current year subscription / fee	500,000	508,250
Amount paid - current year	(600,000)	-
	936,320	**1,036,320**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

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

Material losses through criminal conduct

Electricity	Lost units	Tariffs	Value
Unaccounted Electricity Losses for 2025	1,727,441	2.43	4,197,682
Unaccounted Electricity Losses for 2024	2,813,257	2.43	6,836,214

Electricity losses occur due to inter alia, technical and non-technical losses. Technical losses include inherent resistance of conductors, transformers and other electrical equipment, whilst Non-technical losses include the tampering of meters, incorrect ratio used on bulk meters, faulty meters and illegal connections.

	2025	2024
Volumes in kWh per year		
System input volume	6,946,795	6,640,835
Billed consumption	(5,219,354)	(3,827,578)
	1,727,441	**2,813,257**
Normal distribution loss	-	-
Percentage distribution loss	25.00 %	42.00 %

Water	Lost units	Tariffs	Value
Unaccounted Water Losses for 2025	1,821,446	8.82	16,093,651
Unaccounted Water Losses for 2024	1,674,790	8.81	14,754,890

Water losses occur due to inter alia, tampering of meters, incorrect ratio used on bulk meters, faulty meters and illegal connections.

	2025	2024
Volumes in KL per year		
System input volume	2,438,458	2,147,439
Billed consumption	(617,012)	(472,649)
	1,821,446	**1,674,790**
Normal distribution loss	-	-
Percentage distribution loss	75.00 %	78.00 %

Audit fees

	2025	2024
Opening balance	7,854,963	6,742,036
Current year subscription / fee	5,550,224	4,337,452
Credit notes	(3,258,331)	(3,941,857)
Amount paid - current	(1,150,000)	(193,931)
Interest	1,074,821	911,263
	10,071,677	**7,854,963**

PAYE and UIF

	2025	2024
Opening balance	-	1,276,427
Current year subscription / fee	8,013,342	6,363,774
Amount paid - current year	(7,565,342)	(8,079,119)
Amount paid - previous years	187,557	438,918
	635,557	**-**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

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

Pension and Medical Aid Deductions

	2025	2024
Opening balance	(4,759,948)	(195,123)
Current year subscription / fee	10,626,234	8,707,325
Amount paid - current year	(10,093,368)	(8,902,448)
Amount paid - previous years	-	(4,369,702)
	(4,227,082)	**(4,759,948)**

VAT

	2025	2024
VAT receivable	30,028,219	24,951,942

VAT output payables and VAT input receivables are shown in note 7.

VAT is payable on the receipt basis. Only once payment is received from the debtors is VAT paid over to SARS.

Councillors' arrear consumer accounts

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

30 June 2025	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
L Makenna	2,267	25,282	27,549
T Yola	5,635	141,751	147,386
SV Dolopi	3,928	84,376	88,304
F Mans	2,549	16,583	19,132
R Jansen	1,601	271	1,872
M Visser	4,722	64,552	69,274
	20,702	**332,815**	**353,517**

30 June 2024	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
L Makenna	4,966	18,187	23,153
T Yola	5,757	138,858	144,615
SV Dolopi	3,671	65,316	68,987
F Mans	2,270	9,411	11,681
J Mkosana	853	2,090	2,943
R Jansen	1,701	873	2,574
M Visser	3,407	39,116	42,523
	22,625	**273,851**	**296,476**

Non-compliance with the Municipal Finance Management Act

Chapter	Section	Description
8	64	Not all revenue management requirements were met as not all controls operated effective and efficiently throughout the year.
8	65	Not all expenditure management requirements were met as not all controls operated effective and efficiently throughout the year.
8	65	Due to financial constraints, not all invoices were paid within the legislative 30-days deadline.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

55. Deviation from supply chain management regulations

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

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

Emergency	759,979	383,636
Sole supplier	4,370	55,820
Exceptional	406,197	577,755
	1,170,546	**1,017,211**

56. Unauthorised expenditure

Opening balance as previously reported	265,608,269	210,861,978
Add: Unauthorised expenditure - current	2,282,642	49,090,245
Add: Unspent Grants	5,722,153	5,656,046
Closing balance	**273,613,064**	**265,608,269**

The municipality is in the process of investigation and recalculating the registers for occurence and completeness.

Unauthorised expenditure is only for operations, there was no unauthorised expenditure for capital expenditure.

57. Fruitless and wasteful expenditure

Opening balance as previously reported	62,891,694	53,572,655
Add: Fruitless and wasteful expenditure identified - current	5,587,372	9,084,234
Add: Fruitless and wasteful expenditure identified - prior period	-	234,805
Less: Amount written off - current	(26,759,068)	-
Closing balance	**41,719,998**	**62,891,694**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

57. Fruitless and wasteful expenditure (continued)

Details of fruitless and wasteful expenditure

	Disciplinary steps taken/criminal proceedings	2025	2024
Auditor General Interest Paid	None	1,074,820	911,264
Department of Water and Sanitation	None	75	87
Eskom Penalties and Interest Paid	None	4,294,835	7,536,985
OOS VRYSTAAT KAAP BEDRYF	None	1,282	558
SEBATA MUNICIPAL SOLUTIONS	None	-	545,381
Telkom	None	-	329
South African Revenue Services	None	3,518	88,340
Media 24	None	-	55,545
Other	None	1,187	690,363
Cape Joint Retirement Fund	None	727,316	586,705
		6,103,033	**10,415,557**

58. Irregular expenditure

	2025	2024
Opening balance as previously reported	195,338,042	192,876,285
Add: Irregular expenditure - current	807,659	1,327,498
Add: Irregular expenditure - prior period	-	1,134,259
Less: Amount written off - current	(24,570,198)	-
Closing balance	**171,575,503**	**195,338,042**

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

	Disciplinary steps taken/criminal proceedings	2025	2024
Opening balance	None	195,383,356	192,876,285
Non-compliance with SCM regulations	None	807,659	2,507,071
Amount condoned by council	None	(24,570,198)	-
		171,620,817	**195,383,356**

59. Budget differences

Material differences between budget and actual amounts

Material difference between the adjusted budget and actual amounts are deemed material if it differs with more than 15%. The following is reasons for the material differences identified:

Differences between budget and actual amounts basis of preparation and presentation

Statement of Financial Performance

Service charges: Management over budgeted for revenue from service charges. Based on the prior year amounts the current year revenue from service charges are in line. Management should consider using passed amounts to project for the current year.

Sale of goods and rendering of services: The municipality experienced a decrease in revenue from building plan approvals; no revenue was received for management fees and camping fees during the financial year.

Operational revenue: The municipality did not receive any operational revenue from staff recoveries for the year.

Interest received – exchange transactions: There was a decrease in interest levied for Waste management services during the year as well as interest from investments and bank**.**

Property Rates: The municipality experienced a decrease in property rates on agricultural and formal and informal properties during the financial year.

Interest received – Property Rates: Management over budgeted for revenue from interest received on property rates. Based on the prior year amounts the current year interest received – property rates are in line. Management should consider using passed amounts to project for the current year.

Government grants and subsidies: Management under budgeted for government grants and subsidies. More grants were received than budgeted for. This may be due to less grants withheld from the prior year.

Donations in kind: Management did not include donations in their budget. Management should consider using passed amounts to project for the current year as they received an donation in kind in the prior year as well.

Employee related costs: Management over budgeted for employee costs. No expenses were incurred for commissions during the year.

Inventory consumed: Less inventory was consumed compared to the prior year. Managements budgeted amount was in line with the prior year.

Depreciation and amortisation: : Management under budgeted for depreciation and amortisation. Management should consider using passed amounts to project for the current year as the prior year amounts are in line with the current year expenses for depreciation and amortization.

Impairment loss: Management did not include impairment losses in their budget. Management should consider using passed amounts to project for the current year as there was an impairment loss the prior year as well.

Fines, penalties and forfeits: The municipality issued less fines for offences than what was expected.

Finance cost: The difference between the budgeted and actual finance cost incurred may be due to timeous payments made on accounts payables. The finance cost also decreased from the previous financial year.

Debt impairment: Management did not include debt impairment in their budget. Management should consider using passed amounts to project for the current year as there was an debt impairment in the prior year as well.

Audit fees: Management under budgeted for audit fees during the year. Management should consider using passed amounts to project for the current year as the prior year expenditure was significantly higher than what was budgeted for in the current year.

Figures in Rand	2025	2024

59. Budget differences (continued)

Professional and consulting fees: Management over budgeted for professional and consulting fees during the year. Management should consider using passed amounts to project for the current year.
Loss on disposal of assets and liabilities: The variance is due to lost items and vandalism. The amount also increased significantly from the prior year, which was unexpected.

Repairs and maintenance: Management over budgeted for repairs and maintenance. Management should consider using passed amounts to project for the current year as the current year amount is in line with the prior year amounts.
General expenses: This variance is due to the financial and cash flow contraints that the municipality experienced in the current financial period.

Bad debts written off: There were no bad debts written off during the prior year. Management budgeted in line with the prior year. Consumer debt was written off during the current year.

Statement of Financial Position

Receivables from non-exchange transactions: Management did not budget for Receivables from non-exchange transactions. Management should consider using passed amounts to project for the current year
Inventories: This variance is due to an error on management's behalf as the budgeted amount should not have been this low.

VAT receivables: Management did not budget for VAT receivables. Management should consider using passed amounts to project for the current year. as the current year amount is in line with the prior year amounts.
Intangible assets: The variance is due to the software additions for the new employee's laptops, such as microsoft licenses.

Consumer debtors: Management did not budget for Receivables from exchange-exchange transactions. Management should consider using passed amounts to project for the current year. as the current year amount is in line with the prior year amounts.

Cash and cash equivalents: Management significantly over budgeted for cash and cash equivalents at year-end. Management should consider using passed amounts to project for the current year as the budgeted amount for cash and cash equivalents is also significantly higher than prior year amounts.

Property, Plant and equipment: Management significantly over budgeted for Property, Plant and equipment at year-end. Management should consider using passed amounts to project for the current year. Additions in PPE may be a result of less cash and cash equivalents available for purchases.

Other financial liabilities: Management did not budget for Other financial liabilities. Management should consider using passed amounts to project for the current year. as the current year amount is in line with the prior year amounts.

Payables from exchange transactions: Management over budgeted for Payables from exchange transactions. Management should consider using passed amounts to project for the current year. as the current year amount is in line with the prior year amounts.

Employee benefit obligation: Management did not budget for Employee benefit obligation. Management should consider using passed amounts to project for the current year. as the current year amount is in line with the prior year amounts.

Unspent conditional grants and receipts: Management did not budget for Unspent conditional grants and receipts. Management should consider using passed amounts to project for the current year. as the current year amount is in line with the prior year amounts.

Provisions: Management did not budget for Provisions. Management should consider using passed amounts to project for the current year. as the current year amount is in line with the prior year amounts.

Other financial liabilities: Management over budgeted for other financial liabilities. Management should consider using passed amounts to project for the current year. as the current year amount is in line with the prior year amounts.

Employee benefit obligations: Management under budgeted for employee benefit obligations. Management should consider using passed amounts to project for the current year. as the current year amount is in line with the prior year amounts.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

59. Budget differences (continued)

Payables from non-exchange transactions: Management over budgeted for Payables from non-exchange transactions. Management should consider using passed amounts to project for the current year. as the current year amount is in line with the prior year amounts.

Cash flow statement

Reasons for the differences has been disclosed under the statement of financial positions and the statement of financial performance.

60. Events after reporting period

The municipality have not identified any material non-adjusting events after the reporting date relating to the financial period then ended 30 June 2025.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

60. Events after reporting period (continued)

61. Prior period errors

Property rates income forgone corrected.

The correction of the error(s) results in adjustments as follows:

Statement of Financial Position		
Receivables from non-exchange transactions	-	(33,908)
Statement of financial performance		
Property rates	33,908	-

Correction of a mistake in supplier's retention correction

Statement of Financial Position		
Payables from exchange transactions	36,282	-
Property, plant and equipment	-	(36,282)
Statement of Financial Performance		

Adjustment of Department of safety and liaison to agree with statement

Statement of Financial Position		
Payables from exchange transactions	-	(5,994,780)
Accumulated surplus	5,994,780	-
Statement of financial performance		

Capitalisation of asset from work in progress to solid waste infrastructure

Statement of Financial Position		
Property, plant and equipment	-	(4,763,140)
Accumulated surplus	3,927,141	-
Statement of financial performance		
Impairment loss	604,065	-
Depreciation	231,934	-

Reversal of asset that were ennoroussly derecognised

Statement of Financial Position		
Other property, plant and equipment	-	(22,849)
Accumulated surplus	28,485	-
Statement of financial performance		
Depreciation	-	(6,456)
Loss on disposal of assets	820	-

Recognising assets that were omitted in the register and correction of assets that were ennoroussly derecognised

Statement of Financial Position		
Other property, plant and equipment	78,211	-
Accumulated surplus	-	(100,088)
Statement of financial performance		
Depreciation	21,877	-

Notes to the Annual Financial Statements

61. Prior period errors (continued)

Disclosure note adjusted:

Unauthorised expenditure	2024 Audited AFS	Adjustment	Restated 2024
Opening balance	210,861,978	-	210,861,978
Add: Unauthorised expenditure - current	44,957,508	4,132,737	49,090,245
Add: Unspent grants	5,656,046	-	5,656,046
Risk management			
Long-term liabilities	3,710,938	-	3,710,938
Trade and other payables	100,571,717	8,048,029	108,619,746
Fruitless and wasteful expenditure			
Add: Fruitless and wasteful expenditure identified - prior period	226,505	8,300	234,805
Irregular expenditure			
Add: Irregular expenditure - current	1,306,857	20,641	1,327,498

Disclosure note adjusted: councillor's accounts adjusted to zero were in arrears but for less than 90 days.

Councillors accounts in arrears for more than 90 days	2024 Audited AFS	Adjustment	Restated 2024
L Makenna	23,153	-	23,153
T Yola	144,615	-	144,615
SV Dolopi	68,987	-	68,987
F Mans	11,681	-	11,681
J Mkosana	2,943	-	2,943
T Diena	3,404	(3,404)	-
R Jansen	2,574	-	2,574
PP van Niekerk	2,114	(2,114)	-
M Visser	42,523	-	42,523
B Mpamba	2,705	(2,705)	-

Disclosure note adjusted: A contract previously included in the commitment register was terminated

Commitments	2024 Audited AFS	Adjustment	Restated 2024
Property, plant and equipment	15,476,613	(7,343,648)	8,132,965
Professional fees	6,746,792	-	6,746,792

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

62. Financial instruments disclosure

Categories of financial instruments

2025

Financial assets

	At amortised cost	Total
Receivables from exchange transactions	21,568,407	21,568,407
Cash and cash equivalents	51,880	51,880
	21,620,287	**21,620,287**

Financial liabilities

	At amortised cost	Total
Other financial liabilities	3,468,061	3,468,061
Payables from exchange transactions	91,767,882	91,767,882
Consumer deposits	842,570	842,570
	96,078,513	**96,078,513**

2024

Financial assets

	At amortised cost	Total
Receivables from exchange transactions	20,640,892	20,640,892
Cash and cash equivalents	219,806	219,806
	20,860,698	**20,860,698**

Financial liabilities

	At amortised cost	Total
Other financial liabilities	3,265,729	3,265,729
Payables from exchange transactions	63,491,084	63,491,084
Consumer deposits	815,817	815,817
	67,572,630	**67,572,630**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

63. Segment information

General information

Identification of segments

Refer below for the segments identified by the municipality. The segments were organised around the type of service delivered and the target market. 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.

Aggregated segments

The municipality's operations are in the Nothern Cape Province. Management has as per the GRAP standards decided to report on Thembelihle as a single geographical area.

Management is of the opinion that as per paragraph 32, the cost of developing geographical information would be excessive, secondly that due to the nature of the municipality, the geographical area, although two towns are demarcated as a single municipal area in the same province and district municipality and it would therefore not be in the interest of the users of the financial statements to develop geographical information for reporting.

Types of goods and/or services by segment

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

Reportable segment	Goods and/or services
Segment 1	Budget and Treasury
Segment 2	Corporate services
Segment 3	Electricity
Segment 4	Office of financial management
Segment 5	Community and social services
Segment 6	Road transport
Segment 7	Waste management
Segment 8	Waste water management
Segment 9	Water

Notes to the Annual Financial Statements

Figures in Rand

63. Segment information (continued)

Segment surplus or deficit, assets and liabilities

2025

	Budget and Treasury	Corporate services	Electricity	Office of financial management	Community and social services	Road transport	Waste management	Waste water management	Water	Total
Revenue										
Service charges	-	(1,541,420)	(17,916,640)	584,236	-	-	(1,783,752)	(3,765,115)	(2,517,206)	(26,939,897)
Sale of goods and rendering of services	3,960	(113,222)	-	(55,546)	-	-	(13,211)	-	-	(178,019)
Commission received	-	(817,421)	-	-	-	-	-	-	-	(817,421)
Interest received - outstanding debtors	-	(2,098,089)	(652,514)	(1,918,826)	-	-	(1,227,962)	-	(2,757,424)	(8,654,815)
Operational revenue	-	(11,464)	(12,342)	(1,295,071)	-	-	-	-	-	(1,318,877)
Rental of facilities and equipment	-	(715,660)	-	-	-	-	-	-	-	(715,660)
Government grants & subsidies	-	(1,109,287)	-	(43,021,993)	-	(978,349)	-	-	(4,363,672)	(49,473,301)
Licences and permits	-	(415,702)	-	-	-	-	-	-	-	(415,702)
Donation in kind	-	-	-	(3,258,331)	-	-	-	-	-	(3,258,331)
Fines, Penalties and Forfeits	-	(35,395)	-	-	-	-	-	-	-	(35,395)
Property rates	-	-	-	(8,101,334)	-	-	-	-	-	(8,101,334)
Total segment revenue	**3,960**	**(6,857,660)**	**(18,581,496)**	**(57,066,865)**	**-**	**(978,349)**	**(3,024,925)**	**(3,765,115)**	**(9,638,302)**	**(99,908,752)**
Entity's revenue										**99,908,752**

63. Segment information (continued)

	Budget and Treasury	Corporate services	Electricity	Office of financial management	Community and social services	Road transport	Waste management	Waste water management	Water	Total
Expenditure										
Audit fees	-	-	-	5,128,313	-	-	-	-	-	5,128,313
Professional and consulting fees	-	1,465,955	-	8,844,449	-	-	-	-	-	10,310,404
Employee related costs	-	14,366,175	1,343,910	10,775,719	-	5,061,653	3,148,482	614,289	7,241,460	42,551,688
Remuneration of councillors	-	-	-	5,945,408	-	-	-	-	-	5,945,408
Depreciation and amortisation	-	-	-	11,417,100	-	-	-	-	-	11,417,100
Finance costs	-	-	-	18,062,891	-	-	-	-	-	18,062,891
Loss on disposal of assets	-	-	-	1,136,224	-	-	-	-	-	1,136,224
Bulk purchases	-	-	19,435,051	-	-	-	-	-	-	19,435,051
Provision for impairments adjustment	-	-	-	22,873,711	-	-	-	-	-	22,873,711
Repairs and maintenance	-	-	11,731,730	(10,979,614)	18,620	(116,283)	-	-	959,515	1,613,968
General Expenses	29,344	1,016,432	2,478,325	4,184,691	-	418,207	22,866	160,913	342,044	8,652,822
Inventory consumed	-	81,650	813,160	-	-	-	-	-	981,871	1,876,681
Actuarial gains	-	-	-	(1,544,000)	-	-	-	-	-	(1,544,000)
Fair value adjustments	(450,391)	-	-	-	-	-	-	-	-	(450,391)
Impairment loss	(2,131,242)	-	-	-	-	-	-	-	-	(2,131,242)
Total segment expenditure	**(2,552,289)**	**16,930,212**	**35,802,176**	**75,844,892**	**18,620**	**5,363,577**	**3,171,348**	**775,202**	**9,524,890**	**144,878,628**
Total segmental surplus/(deficit)	**2,548,329**	**(10,072,552)**	**(17,220,680)**	**(18,778,027)**	**(18,620)**	**(4,385,228)**	**(146,423)**	**2,989,913**	**113,412**	**(44,969,876)**

Notes to the Annual Financial Statements

Figures in Rand

63. Segment information (continued)

	Budget and Treasury	Corporate services	Electricity	Office of financial management	Community and social services	Road transport	Waste management	Waste water management	Water	Total
Assets										
Inventories	50,837	-	-	2,697	25,390	-	-	-	-	78,924
Receivables from non-exchange transactions	5,003,595	-	-	(1,435,859)	-	-	-	-	-	3,567,736
Receivables from exchange transactions	5,708,153	-	-	15,860,254	-	-	-	-	-	21,568,407
VAT receivables	-	-	-	30,028,221	-	-	-	-	-	30,028,221
Cash and cash equivalents	(127,103,609)	-	-	127,155,489	-	-	-	-	-	51,880
Investment property	20,725,082	-	-	2,244,914	-	-	-	-	-	22,969,996
Property, plant and equipment	149,017,572	-	1,449,445	81,021,264	-	659,688	-	-	-	232,147,969
Intangible assets	(407,991)	-	-	491,040	-	-	-	-	-	83,049
Prepaid expenses	-	-	-	286,738	-	-	-	-	-	286,738
Total segment assets	**52,993,639**	**-**	**1,449,445**	**255,654,758**	**25,390**	**659,688**	**-**	**-**	**-**	**310,782,920**
Liabilities										
Other financial liabilities	(2,181,651)	-	-	(1,286,410)	-	-	-	-	-	(3,468,061)
Payables from exchange transactions	(61,630,291)	-	-	(41,754,655)	-	-	-	-	-	(103,384,946)
Employee benefit obligations	(12,466,744)	-	-	795,906	-	-	-	-	-	(11,670,838)
Unspent conditional grants	(83,853)	-	-	(5,690,180)	-	-	-	-	-	(5,774,033)
Provisions	-	-	-	(4,289,977)	-	-	-	-	-	(4,289,977)
Consumer deposits	-	-	-	(842,570)	-	-	-	-	-	(842,570)
Finance lease obligations	-	-	-	(225,382)	-	-	-	-	-	(225,382)
Trade and other payables from exchange transactions	-	-	-	(124,286,286)	-	-	-	-	-	(124,286,286)
Total segment liabilities	**(76,362,539)**	**-**	**-**	**(177,579,554)**	**-**	**-**	**-**	**-**	**-**	**(253,942,093)**

63. Segment information (continued)

2024

	Budget and Treasury	Corporate services	Electricity	Office of financial management	Planning and development	Road transport	Waste management	Waste water management	Water	Total
Revenue										
Service charges	-	4,356,076	1,630,983	9,198,295	-	2,129,273	1,748,347	3,685,426	2,412,867	25,161,267
Sale of goods and rendering of services	-	97,104	-	30,014	-	-	-	10,322	-	137,440
Commission received	-	386,379	-	-	-	-	-	-	-	386,379
Interest received - outstanding debtors	-	1,884,359	802,438	1,352,564	-	-	1,107,765	-	2,533,768	7,680,894
Operational revenue	-	14,955	-	2,160,401	-	-	-	-	-	2,175,356
Rental of facilities and equipment	-	37,620	-	604,169	-	-	-	-	-	641,789
Eskom Debt Relief	-	-	-	30,074,825	-	-	-	-	-	30,074,825
Government grants & subsidies	-	437,171	776,284	39,107,351	-	4,778,388	-	-	7,790,417	52,889,611
Licences and permits	-	393,047	-	-	-	-	-	-	-	393,047
Donation in kind	-	-	-	3,941,857	-	-	-	-	-	3,941,857
Fines, Penalties and Forfeits	97,150	-	-	-	-	-	-	-	-	97,150
Property rates	-	-	-	7,467,322	-	-	-	-	-	7,467,322
Total segment revenue	**97,150**	**7,606,711**	**3,209,705**	**93,936,798**	**-**	**6,907,661**	**2,856,112**	**3,695,748**	**12,737,052**	**131,046,937**
Entity's revenue										**131,046,937**

Notes to the Annual Financial Statements

Figures in Rand

63. Segment information (continued)

	Budget and Treasury	Corporate services	Electricity	Office of financial management	Planning and development	Road transport	Waste management	Waste water management	Water	Total
Expenditure										
Audit fees	-	-	-	4,058,654	-	-	-	-	-	4,058,654
Professional and consulting fees	-	1,692,532	-	7,323,141	-	-	-	-	-	9,015,673
Employee related costs	-	12,049,776	1,572,362	9,197,118	-	6,566,459	2,954,541	569,477	6,192,447	39,102,180
Remuneration of councillors	-	-	-	6,011,393	-	-	-	-	-	6,011,393
Depreciation and amortisation	-	-	11,857,940	24,557	-	-	-	-	-	11,882,497
Finance costs	-	-	-	18,094,665	-	-	-	-	-	18,094,665
Loss on disposal of assets	62,849	-	-	-	-	-	-	-	-	62,849
Bulk purchases	-	-	-	17,233,486	-	-	-	-	-	17,233,486
Provision for impairments adjustment	16,027,898	-	-	-	-	-	-	-	-	16,027,898
Repairs and maintenance	-	60,164	-	-	-	453,035	-	-	138,734	651,933
General Expenses	80,651	18,806	611,650	3,903,880	-	(178,881)	95,788	201,057	943,646	5,676,597
Inventory consumed	-	(31,093)	1,285,827	943,321	-	2,315	-	414,964	1,193,523	3,808,857
Actuarial gains	34,585	-	-	-	-	-	-	-	-	34,585
Fair value adjustments	-	-	-	-	702,896	-	-	-	-	702,896
Impairment loss	3,168,059	-	-	-	-	-	-	-	-	3,168,059
Total segment expenditure	**19,374,042**	**13,790,185**	**15,327,779**	**66,790,215**	**702,896**	**6,842,928**	**3,050,329**	**1,185,498**	**8,468,350**	**135,532,222**
Total segmental surplus/(deficit)	**(19,276,892)**	**(6,183,474)**	**(12,118,074)**	**27,146,583**	**(702,896)**	**64,733**	**(194,217)**	**2,510,250**	**4,268,702**	**(4,485,285)**

Notes to the Annual Financial Statements

Figures in Rand

63. Segment information (continued)

	Budget and Treasury	Corporate services	Electricity	Office of financial management	Planning and development	Road transport	Waste management	Waste water management	Water	Total
Assets										
Inventories	11,254	-	-	41,520	-	-	-	-	-	52,774
Receivables from non-exchange transactions	6,813,539	(469,090)	-	3,537,224	-	-	-	-	-	9,881,673
Receivables from exchange transactions	(2,759,360)	36,594,363	-	(11,763,398)	-	(1,430,713)	-	-	-	20,640,892
VAT receivables	-	-	-	24,951,940	-	-	-	-	-	24,951,940
Cash and cash equivalents	(120,561,232)	-	-	120,901,055	-	(120,017)	-	-	-	219,806
Investment property	21,832,167	-	-	894,844	-	-	-	-	-	22,727,011
Property, plant and equipment	145,202,491	-	-	82,056,893	-	10,929,395	-	-	-	238,188,779
Intangible assets	(388,423)	-	-	431,044	-	-	-	-	-	42,621
Total segment assets	**50,150,436**	**36,125,273**	**-**	**221,051,122**	**-**	**9,378,665**	**-**	**-**	**-**	**316,705,496**
Liabilities										
Other financial liabilities	-	-	-	(3,265,729)	-	-	-	-	-	(3,265,729)
Payables from exchange transactions	(27,880,205)	-	-	(80,739,541)	-	-	-	-	-	(108,619,746)
Employee benefit obligations	(13,747,954)	-	-	1,640,672	-	-	-	-	-	(12,107,282)
Unspent conditional grants	-	-	-	(5,656,046)	-	-	-	-	-	(5,656,046)
Provisions	-	-	-	(5,476,519)	-	-	-	-	-	(5,476,519)
Consumer deposits	-	-	-	(815,817)	-	-	-	-	-	(815,817)
Finance lease obligations	-	-	-	(445,209)	-	-	-	-	-	(445,209)
Trade and other payables from exchange transactions	-	-	-	(78,508,445)	-	-	-	-	-	(78,508,445)
Total segment liabilities	**(41,628,159)**	**-**	**-**	**(173,266,634)**	**-**	**-**	**-**	**-**	**-**	**(214,894,793)**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

64. Statutory receivables

In accordance with the principles of GRAP 108, Statutory receivables of the municipality are classified as follows:

Receivables from non-exchange transactions		
Rates	21,721,378	19,951,312
Fines	168,784	168,784
Total Statutory receivables (before provisions)	21,890,162	20,120,096
Less: Provision for debt impairment	(18,322,426)	(10,238,423)
Total Statutory receivables (after provisions)	**3,567,736**	**9,881,673**

Statutory receivables arises from the following legislation:

Taxes - Value added tax Act (No 89 of 1991)

Rates - Municipal Properties Rates Act (No 6 of 2004)

Fines - Criminal Procedures Act

Statutory receivables are initially measured at transaction value, and subsequently at cost.

Rates (Gross minus impairment)		
Current (0 -30 days)	747,900	786,902
31 - 60 days	432,070	651,565
61 - 90 days	408,405	580,131
91 - 120 days	406,336	536,383
121 - 365 days	19,726,667	17,545,115
Less: impairment	(18,322,426)	(10,218,423)
	3,398,952	**9,881,673**

Ageing of amounts past due but not impaired		
1 month past due	432,070	651,565
2+ months past due	2,966,882	9,230,108
	3,398,952	**9,881,673**

65. Change in estimate

Property, plant and equipment

In terms of GRAP 17, the useful lives of all assets were reviewed by management at year-end. The remaining useful life expectation of some of the asset items differed from previous estimates. This resulted in a revision of some of the previous estimates which were accounted for as a change in accounting estimate. The effect of this revision is a decrease in depreciation charges for the current period ended 30 June 2024:

Statement of Financial Position		
Buildings	19,238	(13,458)
Infrastructure	1,370,526	(1,416,423)
Community	95,988	196,927
Other assets	63,198	100,388
Solid waste	49,749	-
Leased assets	97,867	80,233
Intangible assets	10,186	9,133

Schedule of external loans as at 31 December 2024

	Loan Number	Redeemable	Balance at 30 June 2024 Rand	Interest during the period Rand	Redeemed written off during the period Rand	Balance at 30 June 2025 Rand	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
Development Bank of South Africa								
DBSA loan	61007287	31/12/2027	3,265,729	202,333	-	3,468,062	-	-
			3,265,729	**202,333**	**-**	**3,468,062**	**-**	**-**
Total external loans								
Development Bank of South Africa			3,265,729	202,333	-	3,468,062	-	-
			3,265,729	**202,333**	**-**	**3,468,062**	**-**	**-**