Tswaing Local Municipality
Annual Financial Statements
for the year ended 30 June 2025

General Information

Nature of business and principal activities	The provision of services (electricity, water, sanitation and refuse) to communities in a sustainable manner, to promote social and economic development; and to promote a safe and healthy environment.
Mayoral committee	
Executive Mayor	Hon Cllr NN Mahlangu (PR)
Speaker	Hon Cllr MS Letlakane (PR)
Chief Whip	Cllr NJ Molehabangwe (PR)
Executive Members	Cllr S Viljoen (PR)
	Cllr MA Molamuagae (PR)
	Cllr PM Mokoto (Ward 14)
MPAC Chairperson	Cllr JP Molatudi (Ward 10)
Councillors	Cllr TP Januarie (Ward 01)
	Cllr MV Mogodu (Ward 02)
	Cllr MM Moreo (Ward 03)
	Cllr NW Thwane (Ward 04)
	Cllr RL Tlhagale (Ward 05)
	Cllr TJ Sekgelo (Ward 06)
	Cllr NP Moleboge (Ward 07)
	Cllr GD Gaedie (Ward 08)
	Cllr SJ Kgatitswe (Ward 09)
	Cllr SK Moleleki (Ward 11)
	Cllr SM Williams (Ward 12)
	Cllr TM Sehemo (Ward 13)
	Cllr F Lobelo (PR)
	Cllr ME Molete (PR)
	Cllr LY Taaljardt (PR)
	Cllr JK Mangwejane (PR)
	Cllr C Visser (PR): Appointed May 2025
	Cllr ME Swartz (PR): Resigned April 2025
	Cllr MM Moruapheko (PR)
	Cllr KP Mathibe (PR)
	Cllr NR Baitsumedi (PR)
	Cllr E Pretorius (PR)
	Kgosi J Molete (Traditional Leader)
	Kgosi C Moshoette (Traditional Leader)
Grading of local authority	3
Accounting Officer	Mr S Maroga (Acting Municipal Manager)
Chief Financial Officer	Mr LJ Mogoemang
Registered office	Cnr. General Delarey and Government Street Delareyville 2770
Business address	Cnr. General Delarey and Government Street Delareyville 2770

General Information

Postal address	P O Box 24 Delareyville 2770
Bankers	First National Bank
Auditors	Auditor General South Africa

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

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

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 year then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and were given unrestricted access to all financial records and related data.

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

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

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

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

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

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements.

The annual financial statements set out on page 5 - 106, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2025.

Mr S. Maroga
Accounting Officer (Acting Municipal Manager)

Delareyville

Accounting Officer's Report

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

1. Review of activities

Main business and operations

Net deficit of the municipality was R 81 035 832 (2024: deficit R 35 497 572).

2. Going concern

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

3. Subsequent events

The accounting officer is not aware of any matter or circumstance arising since the end of the financial year, that may need to be adjusted for or disclosed in the Financial Statements.

4. Accounting Officers' interest in contracts

The accounting officer does not have any interest in any contract concerning Tswaing Local Municipality.

5. Accounting policies

The annual financial statements have been prepared in accordance with South African Standards of Generally Recognised Accounting Practice and the requirements of the Municipal Finance Management Act 2003 (Act N0. 56 of 2003) (MFMA) and the Division of Act South Africa (Act No 2 of 2013) (DoRA).

6. Accounting Officer

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

Name	Nationality	Appointment	Resignation
Mr S Maroga	South African	07 October 2024	
Mr B Phuthiyagae	South African	20 September 2024	06 October 2024
Mr FT Mabokela	South African	19 June 2024	19 September 2024

7. Corporate governance

General

The accounting officer is committed to business integrity, transparency and professionalism in all its activities. As part of this commitment, the accounting officer supports the highest standards of corporate governance and the ongoing development of best practice.

8. Bankers

The banker of Tswaing Local Municipality is First National Bank.

9. Auditors

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

10. Non compliance with applicable legislation

In terms of section 65 (2)(e) of the Municipal Finance Act (No. 56 of 2003), all money owing by the municipality be paid within 30 days of receiving the relevant invoice or statement. Due to cash flow constraints, the municipality, could not settle all money owing within the prescribed period.

Statement of Financial Position as at 30 June 2025

Figures in Rand	Note(s)	2025	2024 Restated*
Assets			
Current Assets			
Inventories	2	3 568 709	4 860 485
Receivables from exchange transactions	3	53 265 975	43 121 422
Receivables from non-exchange transactions	4	32 219 502	31 527 112
Trade and other receivables from exchange	5	56 349 585	40 357 093
Cash and cash equivalents	6	1 001 836	1 206 362
		146 405 607	**121 072 474**
Non-Current Assets			
Investment property	7	63 999 772	64 052 795
Property, plant and equipment	8	659 833 915	660 621 930
Heritage assets	9	953 000	953 000
Other financial assets	10	711 100	657 443
		725 497 787	**726 285 168**
Total Assets		**871 903 394**	**847 357 642**
Liabilities			
Current Liabilities			
Payables from exchange transactions	11	380 903 826	291 924 155
Consumer deposits	12	1 502 101	1 445 614
Employee benefit obligation	44	1 900 985	1 288 437
Unspent conditional grants and receipts	13	141 843	-
Provisions	14	2 825 551	2 519 838
		387 274 306	**297 178 044**
Non-Current Liabilities			
Employee benefit obligation	44	32 296 869	31 808 001
Provisions	14	52 253 432	46 888 737
Debt Relief	54	108 518 274	98 886 517
		193 068 575	**177 583 255**
Total Liabilities		**580 342 881**	**474 761 299**
Net Assets		**291 560 513**	**372 596 343**
Accumulated surplus		291 560 513	372 596 343

* See Note 48

Statement of Financial Performance

Figures in Rand	Note(s)	2025	2024 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	17	135 274 068	84 124 298
Rental of facilities and equipment		169 269	292 303
Licences and permits		4 418 284	3 959 240
Other income	18	426 874	280 029
Interest received - investment	19	1 163 074	681 717
Dividends received	19	30 919	28 020
Total revenue from exchange transactions		**141 482 488**	**89 365 607**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	20	32 638 563	35 350 289
Transfer revenue			
Government grants & subsidies	21	208 019 157	187 813 411
Sundry income		-	363 434
Donations	52	-	540 960
Fines		306 900	366 450
Debt Forgiven by Suppliers		1 918 842	22 429 258
Debt Waiver	54	-	25 707 324
Total revenue from non-exchange transactions		**242 883 462**	**272 571 126**
Total revenue	15	**384 365 950**	**361 936 733**
Expenditure			
Employee related costs	22	(115 139 068)	(108 101 442)
Remuneration of councillors	23	(12 125 771)	(12 225 676)
Depreciation and amortisation	24	(32 738 538)	(36 319 538)
Finance costs	25	(34 813 172)	(36 827 156)
Lease rentals on operating lease		(1 049 264)	(989 014)
Debt Impairment	26	(77 132 802)	(39 444 122)
Bad debts written off		(15 479)	(473 399)
Loss due to undeposited receipts	47	(114 933)	(412 191)
Bulk purchases	27	(71 575 013)	(61 897 289)
Contracted services	28	(53 821 837)	(33 934 206)
Fines and penalties	46	(1 656 355)	(1 167 621)
General Expenses	29	(62 215 732)	(63 434 651)
Total expenditure		**(462 397 964)**	**(395 226 305)**
Operating deficit	34	**(78 032 014)**	**(33 289 572)**
Loss on disposal of assets and liabilities		(3 018 433)	(1 195 917)
Fair value adjustments	30	53 657	153 424
Actuarial gains/losses	31	3 303 078	(811 636)
Impairment loss	32	(3 328 568)	(267 369)
Inventories losses/write-downs		(13 552)	(86 502)
		(3 003 818)	**(2 208 000)**
Deficit for the year		**(81 035 832)**	**(35 497 572)**

* See Note 48

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	428 877 165	428 877 165
Adjustments		
Prior year adjustments	(20 783 249)	(20 783 249)
Balance at 01 July 2023 as restated*	**408 093 916**	**408 093 916**
Changes in net assets		
Correction of errors	(1 501 068)	(1 501 068)
Deficit as previously reported	(33 996 505)	(33 996 505)
Total changes	(35 497 573)	(35 497 573)
Restated* Balance at 01 July 2024	**372 596 345**	**372 596 345**
Changes in net assets		
Deficit for the year	(81 035 832)	(81 035 832)
Total changes	(81 035 832)	(81 035 832)
Balance at 30 June 2025	**291 560 513**	**291 560 513**

Note(s)

* See Note 48

Cash Flow Statement

Figures in Rand	Note(s)	2025	2024 Restated*
Cash flows from operating activities			
Receipts			
Interest income		1 163 074	681 717
Dividends		30 919	28 020
Cash receipts from ratepayers, government & others		279 392 571	308 704 832
		280 586 564	309 414 569
Payments			
Interest paid		(2 901)	(2 152)
Cash paid to suppliers and employees		(241 955 359)	(263 118 490)
		(241 958 260)	(263 120 642)
Net cash flows from operating activities	35	**38 628 304**	**46 293 927**
Cash flows from investing activities			
Purchase of property, plant and equipment	8	(38 832 830)	(45 582 385)
Net increase/(decrease) in cash and cash equivalents		**(204 526)**	**711 542**
Cash and cash equivalents at the beginning of the year		1 206 362	494 820
Cash and cash equivalents at the end of the year	6	**1 001 836**	**1 206 362**

No cashflows from financing activities exist to be disclosed.

* See Note 48

Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2025

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference	Reference
Statement of Financial Performance							
Revenue							
Revenue from exchange transactions							
Service charges	93 095 147	69 016 974	**162 112 121**	135 274 068	**(26 838 053)**	-17%	N01
Rental of facilities and equipment	21 709	261 634	**283 343**	169 269	**(114 074)**	-40%	N02
Licences and permits	3 194 100	(178 837)	**3 015 263**	4 418 284	**1 403 021**	47%	N03
Other income	4 862 395	35 937	**4 898 332**	426 874	**(4 471 458)**	-91%	N04
Interest received - investment	657 535	715 181	**1 372 716**	1 163 074	**(209 642)**	-15%	N05
Dividends received	27 320	-	**27 320**	30 919	**3 599**	13%	N06
Total revenue from exchange transactions	**101 858 206**	**69 850 889**	**171 709 095**	**141 482 488**	**(30 226 607)**		
Revenue from non-exchange transactions							
Taxation revenue							
Property rates	48 295 642	(14 945 904)	**33 349 738**	32 638 563	**(711 175)**	-2%	
Transfer revenue							
Government grants & subsidies	208 161 000	-	**208 161 000**	208 019 157	**(141 843)**	0%	
Fines	700 000	(333 550)	**366 450**	306 900	**(59 550)**	-16%	N07
Debt forgiven by suppliers	-	-	-	1 918 842	**1 918 842**	100%	N08
Total revenue from non-exchange transactions	**257 156 642**	**(15 279 454)**	**241 877 188**	**242 883 462**	**1 006 274**		
Total revenue	**359 014 848**	**54 571 435**	**413 586 283**	**384 365 950**	**(29 220 333)**		
Expenditure							
Employee related costs	(97 793 212)	(752 185)	**(98 545 397)**	(115 139 068)	**(16 593 671)**	17%	N09
Remuneration of councillors	(13 442 262)	51 079	**(13 391 183)**	(12 125 771)	**1 265 412**	-9%	
Depreciation	(24 430 500)	(804 149)	**(25 234 649)**	(32 738 538)	**(7 503 889)**	30%	N10
Impairment loss	-	-	-	(3 328 568)	**(3 328 568)**	100%	N08
Finance costs	(17 662 502)	5 765 000	**(11 897 502)**	(34 813 172)	**(22 915 670)**	185%	N11
Lease rentals on operating lease	(1 185 342)	(192 395)	**(1 377 737)**	(1 049 264)	**328 473**	-24%	N12
Debt impairment	(59 384 640)	19 220 832	**(40 163 808)**	(77 132 802)	**(36 968 994)**	56%	N13
Bad debts written off	(8 000 000)	8 000 000	-	(15 479)	**(15 479)**	100%	N08
Loss on undeposited receipts	-	-	-	(114 933)	**(114 933)**	100%	N08
Bulk purchases	(58 199 377)	(8 500 000)	**(66 699 377)**	(71 575 013)	**(4 875 636)**	7%	
Contracted Services	(40 930 693)	(12 925 558)	**(53 856 251)**	(53 821 837)	**34 414**	0%	
Fines and penalties	-	-	-	(1 656 355)	**(1 656 355)**	100%	N14
General Expenses	(19 271 058)	(4 853 604)	**(24 124 662)**	(62 215 732)	**(38 091 070)**	158%	N15
Total expenditure	**(340 299 586)**	**5 009 020**	**(335 290 566)**	**(465 726 532)**	**(130 435 966)**		
Operating deficit	**18 715 262**	**59 580 455**	**78 295 717**	**(81 360 582)**	**(159 656 299)**		
Loss on disposal of assets and liabilities	-	-	-	(3 018 433)	**(3 018 433)**	100%	N08
Fair value adjustments	-	-	-	53 657	**53 657**	100%	N14
Actuarial gains/losses	-	-	-	3 303 078	**3 303 078**	100%	N14
Inventories losses/write-downs	-	-	-	(13 552)	**(13 552)**	100%	N08
	-	**-**	**-**	**324 750**	**324 750**		

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Deficit before taxation	**18 715 262**	**59 580 455**	**78 295 717**	**(81 035 832)**	**(159 331 549)**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**18 715 262**	**59 580 455**	**78 295 717**	**(81 035 832)**	**(159 331 549)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Inventories	4 363 000	(2 801 297)	**1 561 703**	3 568 709	**2 007 006**	129% N16
Receivables from exchange transactions	166 521	(309 195)	**(142 674)**	53 265 975	**53 408 649**	-37434% N17
Receivables from non-exchange transactions	65 289 827	(68 142 077)	**(2 852 250)**	32 219 502	**35 071 752**	-1273% N18
VAT receivable	(64 247 561)	67 306 823	**3 059 262**	-	**(3 059 262)**	-100% N19
Consumer debtors	59 481 334	4 678 800	**64 160 134**	56 349 585	**(7 810 549)**	
Cash and cash equivalents	5 454 000	378 166 481	**383 620 481**	1 001 836	**(382 618 645)**	-100% N18
	70 507 121	**378 899 535**	**449 406 656**	**146 405 607**	**(303 001 049)**	
Non-Current Assets						
Biological assets that form part of an agricultural activity	3 883 801	(6 321 608)	**(2 437 807)**	-	**2 437 807**	-100% N20
Investment property	62 585 819	(61 118 843)	**1 466 976**	63 999 772	**62 532 796**	4263% N18
Property, plant and equipment	847 238 790	(277 731 415)	**569 507 375**	659 833 915	**90 326 540**	16% N21
Heritage assets	953 000	(953 000)	**-**	953 000	**953 000**	100% N22
Other financial assets	504 019	(350 596)	**153 423**	711 100	**557 677**	363% N23
	915 165 429	**(346 475 462)**	**568 689 967**	**725 497 787**	**156 807 820**	
Total Assets	**985 672 550**	**32 424 073**	**1 018 096 623**	**871 903 394**	**(146 193 229)**	
Liabilities						
Current Liabilities						
Payables from exchange transactions	178 848 456	(251 028 440)	**(72 179 984)**	380 903 826	**453 083 810**	-601% N18
Consumer deposits	1 389 369	(1 336 324)	**53 045**	1 502 101	**1 449 056**	2732% N23
Employee benefit obligation	-	-	**-**	1 900 985	**1 900 985**	100% N14
Unspent conditional grants and receipts	-	-	**-**	141 843	**141 843**	100% N24
Provisions	-	-	**-**	2 825 551	**2 825 551**	100% N14
	180 237 825	**(252 364 764)**	**(72 126 939)**	**387 274 306**	**459 401 245**	
Non-Current Liabilities						
Employee benefit obligation	27 731 131	(21 422 556)	**6 308 575**	32 296 869	**25 988 294**	412% N23
Provisions	57 329 589	(46 232 586)	**11 097 003**	52 253 432	**41 156 429**	371% N23
Debt Relief	98 886 517	-	**98 886 517**	108 518 274	**9 631 757**	10% N25
	183 947 237	**(67 655 142)**	**116 292 095**	**193 068 575**	**76 776 480**	
Total Liabilities	**364 185 062**	**(320 019 906)**	**44 165 156**	**580 342 881**	**536 177 725**	
Net Assets	**621 487 488**	**352 443 979**	**973 931 467**	**291 560 513**	**(682 370 954)**	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	623 941 740	(355 195 654)	**268 746 086**	291 560 513	**22 814 427**	19% N18

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual		Reference
Cash Flow Statement							
Cash flows from operating activities							
Receipts							
Interest income	232 989	-	**232 989**	1 163 074	**930 085**	399%	N26
Dividends received	27 320	-	**27 320**	30 919	**3 599**	13%	N06
Cash receipts from ratepayers, government & others	409 013 346	-	**409 013 346**	278 371 232	**(130 642 114)**	-32%	N27
	409 273 655	**-**	**409 273 655**	**279 565 225**	**(129 708 430)**		
Payments							
Cash paid to suppliers and employees	(458 767 037)	-	**(458 767 037)**	(249 978 766)	**208 788 271**	-46%	N27
Finance costs	-	-	-	(2 901)	**(2 901)**	-100%	N45
	(458 767 037)	**-**	**(458 767 037)**	**(249 981 667)**	**208 785 370**		
Net cash flows from operating activities	**(49 493 382)**	**-**	**(49 493 382)**	**29 583 558**	**79 076 940**		
Cash flows from investing activities							
Purchase of property, plant and equipment	(43 845 000)	-	**(43 845 000)**	(39 419 841)	**4 425 159**	-10%	N28
Decrease (increase) in non-current receivables	-	(88 852)	**(88 852)**	-	**88 852**	-100%	N29
Decrease (increase) in non-current investments	(504 019)	350 596	**(153 423)**	-	**153 423**	-100%	N29
Net cash flows from investing activities	**(44 349 019)**	**261 744**	**(44 087 275)**	**(39 419 841)**	**4 667 434**		
Cash flows from financing activities							
Repayment of other financial liabilities	17 499 507	-	**17 499 507**	-	**(17 499 507)**	-100%	N29
Movement in debt relief	-	-	-	9 631 757	**9 631 757**	100%	N25
Increase (decrease) in consumer deposits	(1 389 369)	-	**(1 389 369)**	-	**1 389 369**	-100%	N29
Repayment of borrowing	(441 426)	-	**(441 426)**	-	**441 426**	-100%	N29
Net cash flows from financing activities	**16 110 138**	**-**	**16 110 138**	**9 631 757**	**(6 478 381)**		
Net increase/(decrease) in cash and cash equivalents	(77 732 263)	261 744	**(77 470 519)**	(204 526)	**77 265 993**		
Cash and cash equivalents at the end of the year	**(77 732 263)**	**261 744**	**(77 470 519)**	**(204 526)**	**77 265 993**		
Reconciliation							

Please refer to note 42 for explanations on the budget differences. Differences with +/- 10% variances have been explained. Explanations for the budget adjustments have been included in the budget adjustment report. This report has been presented to council and provincial treasury.

Accounting Policies

1. Presentation of Annual Financial Statements

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

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

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

These accounting policies are consistent with the previous period.

1.1 Presentation currency

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

1.2 Going concern assumption

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

1.3 Materiality

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

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

1.4 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 judgment is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgments include:

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

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

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

Fair value estimation

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

Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty (continued)

Impairment testing

The recoverable amounts of cash generating units and individual assets have been determined based on expected cashflows. Expected cash flows are calculated by multiplying the average collections ratio over a three-year period by the closing balance as per the debtor's ageing analysis.

Provision for doubtful debts

The Municipality has assessed that none of the debtors are individually significant as no individual debtor has a balance that exceeds twenty five percent of the total debtors' balance. As a result, all debtors are included in the same population (before splitting in groups) for the impairment calculation.

Debtors are grouped into three different categories based on their payment history

Group 1: Customers with no non-payments in the past (These would typically be customers that made payments every month over the twelve-month period. In addition, Group 1 includes government debtors which are assumed to be fully recoverable. "Excluded from the Impairment Provision Calculation".

Group 2: Customers with non-payments in the past but where some amounts were recovered (These would typically be customers that did not make payments every month over the twelve-month period.) "Included in the Impairment Provision Calculation and we only impair the balance the is older than 90 days".

Group 3: Customers who typically fail to pay on a month-on-month basis with very little probability of recovery of any of the outstanding amount (These would typically be those customers who never made a single payment during the twelve-month period.) "Included in the Impairment Provision Calculation and we only impair the full balance if it does not met Group 1 and 2 above".

Based on this information, the following impairment calculation is applied:

Group 1: Since the customers in Group 1 are either category government or made at least one or more payments during the financial year ended 30 June 2025, the amounts owing are considered to be fully recoverable. As a result, we do not provide for any balance due in the debtors age analysis; the expected cash flows are equal to the carrying amount.

Group 2: Since the customers in Group 2 are not category government or made at least one or more payments during the financial year ended 30 June 2025. The expected cash flows are calculated by multiplying the collections ratio over the past 3 financial years i.e. 36-month period by providing for the total due balance due that is more than 90 days old in the debtors age analysis: the closing balance as per the debtor's ageing analysis.

Group 3: Since the customers in Group 3 are not category government and have not made any payments during the financial year ended 30 June 2025. The expected cash flows are calculated by multiplying the collections ratio over the past 3 financial years i.e. 36-month period by providing for the total due balance due in the debtors age analysis, the closing balance as per the debtor's ageing analysis.

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 14 - Provisions.

1.4 Significant judgements and sources of estimation uncertainty (continued)

Post retirement benefits

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

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the medical 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 medical obligations are based on current market conditions. Additional information is disclosed in Note 44.

Allowance for doubtful debts

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

1.5 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.

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

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

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

Cost model

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

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

Item	Useful life
Property - land	indefinite
Property - buildings	20 years

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

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

Accounting Policies

1.5 Investment property (continued)

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

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

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.

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

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

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

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

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

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

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

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

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

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

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

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
Buildings	Straight line	50 years
Machinery and Equipment	Straight line	5 - 10 years
Furniture and fixtures	Straight line	5 - 12 years
Motor vehicles	Straight line	5 - 10 years
Office equipment	Straight line	5 - 10 years
Other Assets	Straight line	5 - 10 years
Computer equipment	Straight line	3 - 7 years
Infrastructure community	Straight line	5 - 100 years
Roads network infrastructure	Straight line	5 - 100 years

Accounting Policies

1.6 Property, plant and equipment (continued)

Storm water infrastructure	Straight line	5 - 100 years
Water supply infrastructure	Straight line	5 - 100 years
Electrical network infrastructure	Straight line	5 - 100 years
Sanitation network infrastructure	Straight line	5 - 100 years
Solid waste infrastructure	Straight line	5 - 100 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 8).

1.7 Heritage assets

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

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

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

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

The municipality separately discloses expenditure to repair and maintain heritage assets in the notes to the financial statements (see note 9).

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

Heritage assets are measured at cost.

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

1.7 Heritage assets (continued)

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

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

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

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

1.8 Financial instruments

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

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

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

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

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

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

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

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

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

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

1.8 Financial instruments (continued)

- 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.

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

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

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

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;
- combined instruments that are designated at fair value;

1.8 Financial instruments (continued)

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

Classification

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

Class	Category
Trade and Other Receivables	Financial asset measured at amortised cost
Trade and other receivables from exchange transactions	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost
Listed shares	Financial asset measured at fair value

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
Payables from exchange transactions	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at amortised cost
Unspent conditional grants	Financial liability measured at amortised cost

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

Listed shares are measured at fair value using market values at year end.

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, an 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

1.8 Financial instruments (continued)

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 assess 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.

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

1.8 Financial instruments (continued)

- 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.

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

Financial liabilities

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

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

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

1.8 Financial instruments (continued)

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.

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.

1.9 Statutory receivables

Identification

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

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

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

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

The transaction amount (for purposes of this Standard) 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.

Impairment losses

1.9 (continued)

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

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

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

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

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

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

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

Derecognition

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

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

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

1.10 Consumer deposits

Consumer deposits consist of deposits for opening a municipal account and rental deposits received from rental of municipal facilities. The deposits are payable when a customer account is closed or when the customers vacate the properties and are therefore accounted for as payables.

1.11 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.

1.11 Leases (continued)

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

Operating leases - lessor

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

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

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

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

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

Operating leases - lessee

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

1.12 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 first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

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

Accounting Policies

1.13 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 and deposits held at call with banks.

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.

1.14 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.

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

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

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

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

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

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

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

Impairment of non-cash-generating assets (continued)

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

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

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

Judgements made by management in applying the criteria to designate assets as non-cash-generating assets or cash-generating assets, are as follows:

[Specify judgements made]

1.15 Employee benefits

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

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.

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

Short-term employee benefits

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

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

When an employee has rendered service to the entity during a reporting period, the entity 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 measure 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.

1.15 Employee benefits (continued)

Post-employment benefits

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

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

Post-employment benefits: Defined contribution plans

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

When an employee has rendered service to the entity during a reporting period, the entity 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.

1.15 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

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

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the entity 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 measure the resulting asset at the lower of:

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

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

1.15 Employee benefits (continued)

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

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

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

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

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

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

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

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

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

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

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

1.15 Employee benefits (continued)

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

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

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

Other post retirement obligations

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

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

1.16 Provisions and contingencies

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

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

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

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.

1.16 Provisions and contingencies (continued)

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

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

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

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

Provisions are not recognised for future operating deficit.

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

A constructive obligation to restructure arises only when an entity:

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

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

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

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 37.

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.

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

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

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and

1.16 Provisions and contingencies (continued)

- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, an municipality recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

Levies

A levy is an outflow of resources embodying economic benefits that is imposed by governments on entities in accordance with legislation (i.e. laws and/or regulations), other than:

- those outflows of resources that are within the scope of other Standards, and
- fines or other penalties that are imposed for breaches of the legislation.

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

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

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

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

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

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

1.17 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

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

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

1.18 Revenue from exchange transactions

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

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

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

1.18 Revenue from exchange transactions (continued)

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.

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.

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.

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

1.19 Revenue from non-exchange transactions

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

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

1.19 Revenue from non-exchange transactions (continued)

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

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

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

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

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

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

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

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

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

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

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

Recognition

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

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

Measurement

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

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

1.19 Revenue from non-exchange transactions (continued)

Government grants and subsidies

Government grants are recognised as revenue when:

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

the amount of the revenue can be measured reliably, and

to the extent that there has been compliance with any restrictions associated with the grant.

Transfers

Apart from Services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

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

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

Debt forgiveness and assumption of liabilities

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

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

Fines

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

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

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

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.

1.20 Investment income

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

1.21 Borrowing costs

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

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

1.22 Accounting by principals and agents

Identification

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

Accounting Policies

1.22 Accounting by principals and agents (continued)

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

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

Identifying whether an entity is a principal or an agent

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

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

Binding arrangement

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

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

Assessing which entity benefits from the transactions with third parties

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

The municipality is an agent when, in relation to transactions with third parties, all three of the following criteria are present:

- It does not have the power to determine the significant terms and conditions of the transaction.
- It does not have the ability to use all, or substantially all, of the resources that result from the transaction for its own benefit.
- It is not exposed to variability in the results of the transaction.

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

Recognition

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

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

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

1.23 Comparative figures

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

1.24 Unauthorised expenditure

Unauthorised expenditure means:

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

1.24 Unauthorised expenditure (continued)

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.

1.25 Fruitless and wasteful expenditure

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

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

1.26 Irregular expenditure

Irregular expenditure as defined in section 1 of the MFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -
- (a) this Act; 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 and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

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

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

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

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

1.27 Segment information

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

1.27 Segment information (continued)

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.

1.28 Budget information

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

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

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

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

The 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.

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

Comparative information is not required.

1.29 Related parties

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

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

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.

The entity operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional indepedence of the three spheres of government in South Africa, only entities within the national 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.

1.29 Related parties (continued)

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

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

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

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

2. Inventories

Land inventory	2 608 275	2 608 500
Stores, materials and fuels	960 434	2 251 985
	3 568 709	**4 860 485**

2.1 Amounts written down included in statement of financial performance

Inventory write-down	(13 552)	86 502

Inventory pledged as security

No inventory has been pledged as security.

3. Receivables from exchange transactions

Employee debtors	973 294	30 578
Supplier with debit balance	342 412	-
Pensioner debtors	1 986 710	1 979 228
Overpayments	3 924	6 440
Other debtors	85 227	80 082
Input VAT accrual	51 849 454	43 020 747
Debtors allowance for impairment	(1 975 046)	(1 995 653)
	53 265 975	**43 121 422**

Reconciliation of provision for impairment of trade and other receivables

Opening balance	(1 995 653)	(2 093 576)
Provision for impairment	20 607	97 923
	(1 975 046)	**(1 995 653)**

4. Receivables from non-exchange transactions

Consumer debtors - Rates	137 967 837	124 944 774
Impairment	(105 992 549)	(93 605 695)
	31 975 288	**31 339 079**

Fines	244 214	188 033
Consumer debtors - Rates	31 975 288	31 339 079
	32 219 502	**31 527 112**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

4. Receivables from non-exchange transactions (continued)

Current assets	32 219 502	31 527 112

Gross balances		
Current (0 -30 days)	2 436 621	4 862 111
31 - 60 days	2 202 590	2 242 459
61 - 90 days	3 182 893	2 163 681
91 - 120 days	2 037 967	1 620 151
121+ days	128 107 766	114 056 370
	137 967 837	**124 944 772**

Less: Allowance for impairment		
Opening balance	(93 605 695)	(91 934 472)
Provision for impairment	(12 386 854)	(1 671 223)
	(105 992 549)	**(93 605 695)**

5. Trade and other receivables from exchange transactions

Gross balances		
Electricity	125 320 320	81 581 979
Water	62 423 540	51 259 116
Sewerage	123 495 616	102 645 225
Refuse	108 204 303	93 733 400
	419 443 779	**329 219 720**

Less: Allowance for impairment		
Electricity	(85 873 114)	(51 420 226)
Water	(58 055 486)	(48 740 771)
Sewerage	(116 778 264)	(98 855 819)
Refuse	(102 387 330)	(89 845 811)
	(363 094 194)	**(288 862 627)**

Net balance		
Electricity	39 447 206	30 161 753
Water	4 368 054	2 518 345
Sewerage	6 717 352	3 789 406
Refuse	5 816 973	3 887 589
	56 349 585	**40 357 093**

Electricity		
Current (0 -30 days)	6 588 219	4 867 765
31 - 60 days	5 907 264	2 777 382
61 - 90 days	8 245 074	3 217 352
91 - 120 days	5 228 895	1 320 360
121+ days	99 350 869	69 399 121
Impairment	(85 873 115)	(51 420 227)
	39 447 206	**30 161 753**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

5. Trade and other receivables from exchange transactions (continued)

Water

Current (0 -30 days)	1 878 701	1 462 511
31 - 60 days	1 034 430	432 126
61 - 90 days	2 018 003	534 583
91 - 120 days	1 005 962	537 401
121+ days	56 486 444	48 292 495
Impairment	(58 055 486)	(48 740 771)
	4 368 054	**2 518 345**

Sewerage

Current (0 -30 days)	2 222 349	2 386 805
31 - 60 days	2 170 630	1 121 309
61 - 90 days	2 146 175	1 128 607
91 - 120 days	2 132 229	1 118 542
121+ days	114 824 233	96 889 962
Impairment	(116 778 264)	(98 855 819)
	6 717 352	**3 789 406**

Refuse

Current (0 -30 days)	1 472 321	2 272 386
31 - 60 days	1 418 038	1 023 070
61 - 90 days	1 397 478	1 050 248
91 - 120 days	1 396 907	1 035 182
121+ days	102 519 559	88 352 514
Impairment	(102 387 330)	(89 845 811)
	5 816 973	**3 887 589**

Reconciliation of allowance for impairment

Balance at beginning of the year	(288 862 627)	(246 624 511)
Contributions to allowance	(74 231 567)	(42 238 116)
	(363 094 194)	**(288 862 627)**

Figures in Rand	2025	2024

6. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	729	729
Bank balances	845 240	1 064 785
Cash in transit	155 867	140 848
	1 001 836	**1 206 362**

The municipality had the following bank accounts

Account number / description	Bank statement balances 30 June 2025	30 June 2024	30 June 2023	Cash book balances 30 June 2025	30 June 2024	30 June 2023
First National Bank - Current Account (52050012816)	723 999	1 003 871	413 747	723 999	1 003 871	413 747
First National Bank - Traffic Fines Account (62526417086)	42 889	60 913	5 164	42 889	60 913	5 164
First National Bank - MoneyMarket Account (62263163752)	78 352	-	-	78 352	-	-
Total	**845 240**	**1 064 784**	**418 911**	**845 240**	**1 064 784**	**418 911**

7. Investment property

	2025			2024		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	66 504 447	(2 504 675)	63 999 772	66 543 447	(2 490 652)	64 052 795

Reconciliation of investment property - 2025

	Opening balance	Disposals	Depreciation	Total
Investment property	64 052 795	(39 000)	(14 024)	63 999 771

Reconciliation of investment property - 2024

	Opening balance	Disposals	Depreciation	Total
Investment property	64 066 819	-	(14 024)	64 052 795

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.

Deemed Cost

Investment property consists of land and buildings and is carried at cost. No depreciation is calculated on the land as it is deemed to have an indefinite useful life.

Amounts recognised in surplus or deficit

Rental revenue from Investment property	175 281	292 303

Notes to the Annual Financial Statements

Figures in Rand

8. Property, plant and equipment

	2025			2024		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	125 087 482	-	125 087 482	125 087 482	-	125 087 482
Buildings	99 778 091	(90 542 065)	9 236 026	101 131 921	(91 328 804)	9 803 117
Machinery and Equipment	397 425	(108 969)	288 456	234 123	(78 877)	155 246
Furniture and fixtures	2 305 606	(2 215 655)	89 951	2 341 681	(2 217 307)	124 374
Motor vehicles	8 412 857	(7 983 216)	429 641	8 437 857	(7 830 274)	607 583
Office equipment	73 328	(63 165)	10 163	73 328	(59 548)	13 780
Computer equipment	4 395 744	(2 139 913)	2 255 831	3 873 395	(1 805 683)	2 067 712
Other Assets	1 130 667	(670 246)	460 421	1 057 656	(592 267)	465 389
Infrastructure Community Assets	277 733 748	(164 899 136)	112 834 612	277 856 548	(167 881 195)	109 975 353
Roads Network Infrastructure	615 526 706	(306 964 608)	308 562 098	602 614 683	(292 802 215)	309 812 468
Storm Water Infrastructure	40 547 450	(24 551 819)	15 995 631	38 236 007	(23 377 685)	14 858 322
Water Supply Network Infrastructure	2 823 645	(2 145 970)	677 675	2 823 645	(2 004 788)	818 857
Electrical Network Infrastructure	154 686 589	(71 669 192)	83 017 397	153 446 262	(68 569 126)	84 877 136
Sanitation Network Infrastructure	835 580	(610 020)	225 560	835 580	(582 897)	252 683
Solid Waste Infrastructure	3 121 405	(2 458 434)	662 971	4 115 480	(2 413 052)	1 702 428
Total	**1 336 856 323**	**(677 022 408)**	**659 833 915**	**1 322 165 648**	**(661 543 718)**	**660 621 930**

Notes to the Annual Financial Statements

Figures in Rand

8. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2025

	Opening balance	Additions	Disposals	Transfers	Asset Expensed	Depreciation	Impairment loss	Impairment reversal	Total
Land	125 087 482	-	-	-	-	-	-	-	125 087 482
Buildings	9 803 117	-	(42 340)	-	-	(1 288 835)	-	764 084	9 236 026
Machinery and equipment	155 246	169 100	(103)	-	-	(35 787)	-	-	288 456
Furniture and fixtures	124 374	-	(587)	-	-	(33 836)	-	-	89 951
Motor vehicles	607 583	-	(417)	-	-	(177 525)	-	-	429 641
Office equipment	13 780	-	-	-	-	(3 617)	-	-	10 163
Computer equipment	2 067 712	725 998	(109 795)	-	-	(428 084)	-	-	2 255 831
Other Assets	465 389	86 838	(3 682)	-	-	(88 124)	-	-	460 421
Community Facilities	109 975 351	15 618 796	(745 156)	(104 028)	(181 265)	(7 829 010)	(3 900 189)	113	112 834 612
Roads Network Infrastructure	309 812 468	21 280 409	(1 961 753)	(2 240 012)	-	(18 132 251)	(198 586)	1 823	308 562 098
Storm Water Infrastructure	14 858 321	-	-	2 311 444	-	(1 178 322)	-	4 188	15 995 631
Water Supply Network Infrastructure	818 857	-	-	-	-	(141 182)	-	-	677 675
Electrical Network Infrastructure	84 877 136	1 538 700	(115 600)	32 596	-	(3 315 435)	-	-	83 017 397
Sanitation Network Infrastructure	252 684	-	-	-	-	(27 124)	-	-	225 560
Solid Waste Infrastructure	1 702 428	-	-	-	(994 075)	(45 382)	-	-	662 971
	660 621 928	**39 419 841**	**(2 979 433)**	**-**	**(1 175 340)**	**(32 724 514)**	**(4 098 775)**	**770 208**	**659 833 915**

Notes to the Annual Financial Statements

Figures in Rand

8. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2024

	Opening balance	Additions	Disposals	Transfers	Asset Expensed	Depreciation	Impairment loss	Impairment reversal	Total
Land	125 170 508	-	(83 026)	-	-	-	-	-	125 087 482
Buildings	11 294 379	-	-	-	-	(1 474 803)	(16 880)	421	9 803 117
Machinery and equipment	141 898	39 000	-	-	-	(25 652)	-	-	155 246
Furniture and fixtures	147 887	17 813	-	-	-	(41 326)	-	-	124 374
Motor vehicles	1 080 641	-	-	-	-	(473 058)	-	-	607 583
Office equipment	17 510	-	-	-	-	(3 728)	(2)	-	13 780
Computer equipment	1 516 011	1 134 828	(179 033)	-	-	(404 032)	(62)	-	2 067 712
Other Assets	411 158	139 780	-	-	-	(85 549)	-	-	465 389
Community Facilities	113 947 409	4 310 533	-	-	-	(8 038 946)	(259 947)	16 304	109 975 353
Roads Network Infrastructure	304 660 275	27 303 293	(877 789)	(262 226)	-	(21 003 001)	(46 054)	37 970	309 812 468
Storm Water Infrastructure	15 816 364	-	(56 069)	262 226	-	(1 165 080)	(7 122)	8 003	14 858 322
Water Supply Network Infrastructure	960 039	-	-	-	-	(141 182)	-	-	818 857
Electrical Network Infrastructure	94 769 950	-	-	-	(6 521 738)	(3 371 076)	-	-	84 877 136
Sanitation Network Infrastructure	279 807	-	-	-	-	(27 124)	-	-	252 683
Solid Waste Infrastructure	1 753 384	-	-	-	-	(50 956)	-	-	1 702 428
	671 967 220	**32 945 247**	**(1 195 917)**	**-**	**(6 521 738)**	**(36 305 513)**	**(330 067)**	**62 698**	**660 621 930**

Pledged as security

No property, plant and equipment has been pledged as security.

Figures in Rand	2025	2024

8. Property, plant and equipment (continued)

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		
Construction of Internal Roads and taxi route Atamelang : Ward 7	3 727 106	3 727 106
Highmastlights phase 2	9 110 787	9 110 787
Agisanang Landfill Site	-	994 075
Upgrading of Internal roads in Ganalaagte	8 023 201	8 023 201
Road Infrus - Letsopa Community Hall	3 628 992	3 628 992
Construction of Letsopa Landfill Site	260 296	-
Rehabilitation of Delareyville Roads & Stormwater Drainage	3 296 495	-
Upgrading of Deelpan Village Roads & Stormwater Drainage	261 132	-
	28 308 009	**25 484 161**

1. Construction of Internal Roads and taxi route Atamelang : Ward 7

Due to budgetary constraints, the project has been scheduled to resume in the 2027/28 financial year.

2. Highmastlights phase 2

The Project is awaiting Eskom to energise the (6) Six remaining High Mast Lights.

3. Agisanang Landfill Site

The progress is affected by the finalisation of appointment of contractor. No contractor has been appointed. Designs are completed, but the previously identified land was disapproved by DEDECS. Municipality to identify a suitable land for the implementation of the project. The project is not continuing.

4. Upgrading of Internal roads in Ganalaagte

Due to budgetary constraints, the project has been scheduled to resume in the 2026/27 financial year.

5. Road Infrus - Letsopa Community Hall

Due to budgetary constraints, the project has been scheduled to resume in the 2028/29 financial year.

6. Construction of Letsopa Landfill Site

Designs are in place, however, the project has been scheduled for 2028/29 financial year due to budgetary constraints.

7. Rehabilitation of Delareyville Roads & Stormwater Drainage.

Designs are in place, however, the project has been scheduled for 2028/29 financial year due to unforseen delays..

8. Upgrading of Deelpan Village Roads & Stormwater Drainage

Designs are in place, however, the project has been scheduled for 2028/29 financial year due to budgetary constraints.

8. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2025

	Roads Network Infrastructure	Electrical Network Infrastructure	Solid waste Infrastructure	Community Facilities	Total
Opening balance	39 097 655	9 110 787	1 515 504	16 597 699	66 321 645
Additions/capital expenditure	21 280 409	-	-	15 471 746	36 752 155
Expensed	-	-	(994 075)	-	(994 075)
Transferred to completed items	(27 197 837)	-	(181 265)	(20 687 923)	(48 067 025)
	33 180 227	**9 110 787**	**340 164**	**11 381 522**	**54 012 700**

Reconciliation of Work-in-Progress 2024

	Roads Network Infrastructure	Electrical Network Infrastructure	Solid waste Infrastructure	Community Facilities	Total
Opening balance	19 046 456	15 632 526	1 515 504	25 819 885	62 014 371
Additions/capital expenditure	27 303 293	-	-	4 310 533	31 613 826
Expensed	-	(6 521 739)	-	-	(6 521 739)
Transferred to completed items	(7 252 094)	-	-	(13 532 719)	(20 784 813)
	39 097 655	**9 110 787**	**1 515 504**	**16 597 699**	**66 321 645**

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

Repairs and maintenance	3 741 817	4 701 094

Transfers

Transfers in/out relates to projects that were recognised as Work in progress that have reached completion and now form part of additions of infrastructure assets, community assets or land and buildings.

The Work in progress is thus transferred from the Work in progress account to the infrastructure assets, community assets or land and buildings accounts.

Notes to the Annual Financial Statements

Figures in Rand

8. Property, plant and equipment (continued)

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

9. Heritage assets

	2025			2024		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Historical monuments	953 000	-	953 000	953 000	-	953 000

Reconciliation of heritage assets 2025

	Opening balance	Total
Historical monuments	953 000	953 000

Reconciliation of heritage assets 2024

	Opening balance	Total
Historical monuments	953 000	953 000

Condition of heritage assets

As at 30 June 2025 the historical monument has been assessed to be in a good condition.

Restrictions on heritage assets

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

Pledged as security

Heritage assets have not been pledged as security.

9. Heritage assets (continued)

Fair value of heritage assets (measured at cost less accumulated impairment losses)

	Carrying amount 2025	Fair value 2025	Carrying amount 2024	Fair value 2024
Historical monuments	953 000	1 667 800	953 000	1 667 800

Figures in Rand	2025	2024

10. Other financial assets

Designated at fair value		
Listed shares	711 100	657 443
Non-current assets		
Designated at fair value	711 100	657 443

Financial assets at fair value

Fair values of financial assets measured or disclosed at fair value

Old Mutual Limited (OMU) The Municipality holds 5862 shares in Old Mutual (OMU). These shares were valued at R 11,92 per share as at 30 June 2025 (R 12,60 as at 30 June 2024). The share price was obtained from CompuShare Investor Centre.	69 875	73 861
Old Mutual Limited (NED) The Municipality holds 265 shares in Old Mutual (NED). These shares were valued at R 242,26 per share as at 30 June 2025 (R 259,79 as at 30 June 2024). The share price was obtained from CompuShare Investor Centre.	64 199	68 844
Old Mutual Limited (QLT) The Municipality holds 1674 shares in Old Mutual (QLT). These shares were valued at R 37,85 per share as at 30 June 2025 (R 27,46 per share as at 30 June 2024). The share price was obtained from CompuShare Investor Centre.	63 361	45 968
Sanlam Limited The Municipality holds 5793 shares in Sanlam. These shares were valued at R 88,67 per share as at 30 June 2025 (R 80,92 as at 30 June 2024). The share price was obtained from CompuShare Investor Centre.	513 665	468 770
	711 100	**657 443**

Fair value hierarchy of financial assets at fair value

For financial assets recognised at fair value, disclosure is required of a fair value hierarchy which reflects the significance of the inputs used to make the measurements. The fair value hierarchy have the following levels:

Level 1 represents those assets which are measured using unadjusted quoted prices in active markets for identical assets.

Level 2 applies inputs other than quoted prices that are observable for the assets either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 applies inputs which are not based on observable market data.

Level 1		
Old Mutual Limited (OMU)	69 875	73 861
Old Mutual Limited (NED)	64 199	68 844
Old Mutual Limited (QLT)	63 361	45 968
Sanlam Limited	513 665	468 770
	711 100	**657 443**

10. Other financial assets (continued)

Reconciliation of financial assets at fair value through surplus or deficit

2025

	Opening balance	Gains or losses in surplus or deficit	Closing balance
Old Mutual Limited (OMU)	73 861	(3 986)	69 875
Old Mutual Limited (NED)	68 844	(4 645)	64 199
Old Mutual Limited (QLT)	45 968	17 393	63 361
Sanlam Limited	468 770	44 895	513 665
	657 443	**53 657**	**711 100**

2024

	Opening balance	Gains or losses in surplus or deficit	Closing balance
Old Mutual Limited (OMU)	71 047	2 814	73 861
Old Mutual Limited (NED)	60 574	8 270	68 844
Old Mutual Limited (QLT)	32 292	13 676	45 968
Sanlam Limited	340 107	128 663	468 770
	504 020	**153 423**	**657 443**

11. Payables from exchange transactions

	2025	2024
Trade payables	206 549 710	128 208 508
Payments received in advanced	24 196 255	25 119 399
Retentions	17 622 455	16 222 952
Other payables	109 561 646	101 739 943
Accrued leave pay	10 735 852	9 762 603
Accrued bonus	1 989 989	1 965 254
Unallocated deposits	1 545 288	-
VAT Payable	8 702 631	8 905 496
	380 903 826	**291 924 155**

VAT Payable

	2025	2024
Output VAT Accrual	62 221 853	50 784 562
Provision for doubtful debts	(54 302 825)	(42 270 053)
VAT Payable to SARS	783 603	390 985
	8 702 631	**8 905 494**

12. Consumer deposits

	2025	2024
Rates	1 501 893	1 445 485
Housing rental	208	129
	1 502 101	**1 445 614**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

13. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Municipal Infrastructure Grant (MIG)	141 843	-

Movement during the year

Additions during the year	48 174 000	36 250 000
Income recognition during the year	(48 032 157)	(36 250 000)
	141 843	-

See note 21 for reconciliation of grants from National/Provincial Government.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

14. Provisions

Reconciliation of provisions - 2025

	Opening Balance	Additions	Change in discount factor	Total
Environmental rehabilitation	49 408 575	3 150 570	2 519 838	55 078 983

Reconciliation of provisions - 2024

	Opening Balance	Additions	Change in discount factor	Total
Environmental rehabilitation	42 551 316	4 785 010	2 072 249	49 408 575

	2025	2024
Non-current liabilities	52 253 432	46 888 737
Current liabilities	2 825 551	2 519 838
	55 078 983	**49 408 575**

Environmental rehabilitation provision

The municipality has a present obligation to ensure rehabilitation of the land fill sites used after the economic life of the land fill site has been fully utilised.

METHODOLOGY OF FINANCIAL ASSESSMENT AND ASSUMPTIONS USED
Information References
The approach to the assessment was to gather as much information as available on each site. This would allow a thorough evaluation of each site's current status in terms of legal compliance and operations.

Below is the list of documents that were considered for the purposes of this exercise:
- DWAF, 1998a. Minimum Requirements for Waste Disposal by Landfill, 2nd Edition, Pretoria: DWAF.
- DWAF, 1998b. Minimum Requirements for Water Monitoring at Waste Management Facilities 2nd Edition, Pretoria: DWAF.
- One Pangaea Expertise and Solutions, 2022 Landfill Evaluation of the Closure and Rehabilitation costs for Tswaing Municipality Landfill Sites Under GRAP 19 as of 30 June 2023.
- One Pangaea Expertise and Solutions, 2023 Landfill Evaluation of the Closure and Rehabilitation costs for Tswaing Municipality Landfill Sites Under GRAP 19 as of 30 June 2024.
- Waste Management Licence: Ottosdal Landfill Site (Ref: NWP/WM/NM4/2012/11) dated 31 July 2013.
- Waste Management Licence: Sannieshof Landfill Site (Ref NWP/WM/NM4/2012/09) dated 19 February 2013.

Engineering Inflationary Assumptions used

The unit cost of the various cost elements relating to rehabilitation and closure were adjusted using the Civil Engineering Indices (drawn from the South African Federation of Civil Engineering Contractors website www.safcec.org.za) and the Contract Price Adjustment Factors (drawn from the www.dialytenders.co.za) websites, using the coefficients for Earthworks as provided in the General Conditions of Contract.

Online research of services within the locality of Tswaing was used to determine unit rates for the cost derived for the closure and rehabilitation items. The pricing guide is the industry standard in referencing material for any stakeholder involved in the South African construction sector.

Description of the Landfill Closure and Rehabilitation Costing Methodology (LCRCM)

The Landfill Closure and Rehabilitation Costing Methodology (LCRCM) consists of five components namely:

14. Provisions (continued)

1. The elements that make up the final rehabilitation and closure costs.
2. Basic unit costs for each cost element.
3. Variables that have an impact on one or more cost elements and result in a loading (positive or negative) on the basic unit cost.
4. A set of algorithms that define the calculation of the amount of the various cost elements by describing the relationship between basic unit costs and the impact of the variables thereon.
5. Discounting of the rehabilitation and closure costs.

Cost Elements

The following cost elements are included in the LCRCM;

<u>Planning for closure (incurred in the two years ahead of actual closure of the landfill)</u>

• License application for operation to closure (only if the landfill is not permitted/licensed)
• Landfill closure report
• Basic assessment
• Finalise end-use plan
• Closure design

<u>Rehabilitation and closure (incurred in the year of closure of the landfill and the following three years)</u>

• Clearing, shaping, compacting , and capping
• Top-soiling and vegetating
• Storm water control system
• Gas control system
• Fencing
• Decommissioning of infrastructure (only if information available)
• End-use related infrastructure (only of information available).

<u>Post-closure monitoring and maintenance (incurred for a period of 30 years after closure of the landfill)</u>

• Water monitoring
• Gas/air quality monitoring
• Rehabilitation monitoring
• Maintenance of cover, subsidence and drainage
• Fire control and vegetation maintenance
• Ongoing leachate management
• Ongoing gas management.

Basic Unit Costs

These costs are based on actual costs of rehabilitation and closure operations and are reviewed annually to make provision for price increases.

Variables

A number of variables impact on the eventual rehabilitation and closure costs by either increasing or decreasing the basic unit cost.

Variables that are (normally) out of the control of the municipality include the following:

• Size of the area of the landfill that has already been and is currently being used
• Length of perimeter of the landfill
• Location of landfill in water-deficit or water-surplus area
• Availability of suitable capping material on-site or in the vicinity
• Availability of top-soiling and vegetating material on-site
• Requirement for a gas control system.

14. Provisions (continued)

Variables that relate to availability of information include the following:
- Availability and quality of technical reports, including End-Use Plan and Closure Design
- Occurrence of environmental impacts of landfill (confirmed by monitoring)
- Occurrence of gas/air quality problems experienced (confirmed by monitoring)
- Occurrence of significant leachate problems (confirmed by monitoring).

Variables that relate to management practices include the following:
- Whether the landfill is permitted or not
- Existence and functioning of monitoring committee for landfill, including stakeholders
- Quality of ongoing operation of landfill in respect of compacting and trimming of areas already used
- Whether available top-soiling material is actively managed to retain quality characteristics
- Existence and condition of fence
- The remaining lifespan of the landfill

Discount Rate Assumption

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. The discount rate was deduced from the average of the Zero-Coupon Yield Curve (Nominal Bond) over the entire durations applicable in the future. The annualised long-term discount rate on 30 June 2025 was 11.37 % p.a. The consumer price inflation of 5.94 % p.a. was obtained from the differential between the averages of the Nominal Bond and the Real Bond (Zero Yield Curves).

The Zero-Coupon Yield Curves were obtained from the Bond Exchange of South Africa after the market closed on 30 June 2025.

Key financial assumptions used

Assumption	30 June 2025	30 June 2024
Discount rate (D)	11.37%	11.94%
Consumer price inflation (C)	5.94%	6.51%
Net discount rate ((1+D)/(1+H)-1)	**5.13%**	**5.10%**

Airspace and Footprint calculations of the sites

Site boundaries were noted by visual inspections that were done on the day of the audits, and as per indication given by the Waste Manager of Tswaing Municipality. Landfill site life for all operational sites was determined by method A as outlined in DWA Minimum requirements 2nd edition, 1998. The methodology is summarised below;

1. Calculating Available Airspace in m3
i) In the case of a proposed landfilling operation where the availability of suitable cover material represents a limiting factor, the quantity of cover is used to determine the total available airspace. Based on the fact that a well-run waste operation would require a volumetric ratio of cover material to waste of about 1:4, the total airspace is obtained by multiplying the volume of available cover material by a factor of 5. Alternatively, the total volume of waste that can be accommodated will be given by multiplying the available volume of cover material by a factor of 4. This represents a somewhat rudimentary approach, as the cover to waste ratio is approximate, the compaction density of the waste is estimated, and no allowance is made for the effect of 'bulking' or 'debulking' on the volume of potential cover material.
ii) In the case of an existing landfill, where the availability of cover material is not the determining factor, the total available airspace will be the volumetric difference between the existing surface and the final landform. Of this volume, 4/5 will be available for waste according to the assumptions made previously.

2. Calculating Annual Airspace Utilisation
Airspace utilisation is calculated from the IRD. The IRD, expressed in T/day, is multiplied by 260 days (based on a 5-day week) to determine the annual tonnage of waste. By dividing this figure by the average density of the waste (between 0,75 T/m3 to 1,20 T/m3 depending on waste type and compaction efficiency), the volume of waste to be deposited in the first year is determined. By multiplying this volume by 5/4, the total airspace utilisation for the first year is obtained. Airspace utilisation for subsequent years is obtained by escalating the IRD for each year.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

14. Provisions (continued)

3. Calculating Landfill Site Life
The landfill site life is arrived at by matching the available airspace volume for the landfill, arrived at in 1 above, with the cumulative airspace utilisation, in 2 above. The following assumptions were used.

Site life calculation table

Assumptions		
Type of waste	Domestic mostly	
Average density of the waste	0.75	T/m3
Expected growth rate of waste generation	0.84%	1.01
Excavatable cover depth	2.50	metres
Cover to waste ratio	1 to 4	1.25

15. Revenue

	2025	2024
Service charges	135 274 068	84 124 298
Rental of facilities and equipment	169 269	292 303
Licences and permits	4 418 284	3 959 240
Other income	426 874	280 029
Interest received - investment	1 163 074	681 717
Dividends received	30 919	28 020
Property rates	32 638 563	35 350 289
Government grants & subsidies	208 019 157	187 813 411
Sundry income	-	363 434
Donations	-	540 960
Fines	306 900	366 450
Debt forgiven by suppliers	1 918 842	22 429 258
Debt Waiver	-	25 707 324
	384 365 950	**361 936 733**

The amount included in revenue arising from exchanges of goods or services are as follows:	2025	2024
Service charges	135 274 068	84 124 298
Rental of facilities and equipment	169 269	292 303
Licences and permits	4 418 284	3 959 240
Other income	426 874	280 029
Interest received - investment	1 163 074	681 717
Dividends received	30 919	28 020
	141 482 488	**89 365 607**

The amount included in revenue arising from non-exchange transactions is as follows:	2025	2024
Taxation revenue		
Property rates	32 638 563	35 350 289
Transfer revenue		
Government grants & subsidies	208 019 157	187 813 411
Sundry income	-	363 434
Donations	-	540 960
Fines	306 900	366 450
Debt forgiven by suppliers	1 918 842	22 429 258
Debt Waiver	-	25 707 324
	242 883 462	**272 571 126**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

16. Service concession arrangements: Water and Sanitation (Operator)

Amounts Recognised		
Water	11 594 047	5 836 924
Sanitation	21 859 965	12 856 767
	33 454 012	**18 693 691**

Nature of the Arrangement

The Municipality provides retail water and sanitation services in terms of a service concession agreement with the Grantor.

- The municipality has the right of access to use the grantor's infrastructure assets (Pipelines, reservoirs, treatment plants and sewerage networks) for the purpose of delivering water and sanitation services to households and other consumers.
- The assets remain under the legal ownership and control of the grantor.
- The agreement commenced on 01 March 2023 and is still valid for 05 years expiring on 28 February 2028.
- The municipality is responsible for supplying potable water to consumers, ensuring sanitation disposal and maintaining the quality of such outputs.
- Tariffs for water and sanitation are determined in terms of Section 10 of the Act and contained in bylaws promulgated by the WSA in terms of Section 21 of the Act and the municipality bills and collects amounts directly from consumers.

Revenue Recognition

Revenue from the sale of goods (retail water supply) under this service concession is recognised in accordance with GRAP 09.

- Revenue is recognised when the significant risks and rewards of ownership of the water have been transferred to the consumer, The municipality retains neither continuing managerial involvement nor effective control and the amount of revenue and associated costs can be measured reliably.
- In practice, this occurs when water passes through metered household connection points, which represents the transfer of control.

Where the grantor provides subsidies or operational contributions (e.g. indigent subsidies)-these are recognised as revenue from non-exchange transactions.

17. Service charges

Sale of electricity	86 849 402	53 399 986
Sale of water	11 594 047	5 836 924
Sewerage and sanitation charges	21 859 965	12 856 767
Refuse removal	14 970 654	12 030 621
	135 274 068	**84 124 298**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

18. Other income

Electricity reconnection fees	46 478	65 795
Valuation services	27 226	24 950
Incidental Cash	-	1 810
Cemetry fees	105 028	115 030
Planning and development clearance certificates	23 774	19 880
Building plan approval	17 909	38 642
Water connection	-	13 922
Tuck Shop Permits	138 240	-
Honey Sucking	6 219	-
Land Sales	62 000	-
	426 874	**280 029**

19. Investment revenue

Dividend revenue		
Other financial asset	30 919	28 020
Interest revenue		
Bank	1 163 074	681 717
	1 193 993	**709 737**

20. Property rates

Rates

Residential	5 396 776	5 207 449
Commercial	7 313 118	4 665 871
State	9 582 397	18 972 639
Agricultural	9 808 927	6 140 072
Industrial	537 345	364 258
	32 638 563	**35 350 289**

Valuations

Residential	1 227 473 019	1 239 329 019
Business	548 325 357	535 696 802
Industrial	39 814 358	32 096 358
Municipal	355 875 596	195 923 596
Government	544 031 305	635 439 305
Farms	5 027 581 296	5 021 093 353
Old Age Home	108 876 534	89 534 477
Industrial Empty stands	39 108 900	68 680 900
Process of transfer	322 000	463 000
	7 891 408 365	**7 818 256 810**

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

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

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

21. Government grants and subsidies

Operating grants		
Equitable share	159 987 000	151 406 000
Financial management grant	3 000 000	3 100 000
EPWP	1 329 000	1 099 000
LG Seta	-	157 411
	164 316 000	**155 762 411**

Capital grants		
Municipal infrastructure grant (MIG)	43 703 157	32 051 000
	208 019 157	**187 813 411**

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	48 032 157	36 250 000
Unconditional grants received	159 987 000	151 563 411
	208 019 157	**187 813 411**

Municipal infrastructure grant

Current-year receipts	43 845 000	32 051 000
Conditions met - transferred to revenue	(43 703 157)	(32 051 000)
	141 843	**-**

The Municipal Infrastructure Grant is intended to provide specific capital finance for eradicating basic municipal infrastructure backlogs for poor households, microenterprises and social institutions servicing poor communities; to provide specific funding for the development of asset management plans for infrastructure servicing the poor.

Financial management grant

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

The Local Government Financial Management Grant is intended to promote and support reforms in financial management by building capacity in municipalities to implement the Municipal Finance Management Act.

EPWP

Current-year receipts	1 329 000	1 099 000
Conditions met - transferred to revenue	(1 329 000)	(1 099 000)
	-	-

The Expanded Public Works Programme Intergrated Grant is intended to incentivise municipalities to expand work creation efforts through the use of labour-intensive delivery methods in the following identified focus areas, in compliance with the Expanded Public Works Programme guidelines: road maintenance and the maintenance of buildings; low traffic volume roads and rural roadsbasic services infrastructure, including water and sanitation reticulation (excluding bulk infrastructure); other economic and social infrastructure tourism and cultural industries; waste management; parks and beautification; sustainable land-based livelihoods; social services programmes; community safety programmes.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

22. Employee related costs

Basic	76 451 584	71 025 029
Bonus	4 944 332	4 924 098
Medical aid - company contributions	5 854 793	5 556 694
UIF	535 728	522 977
SDL	915 977	832 020
Post employment benefits	1 151 005	1 003 666
Group life Insurance	660 928	633 618
Travel, motor car and other allowances	1 928 232	3 191 923
Overtime payments	2 049 699	3 820 124
Long-service awards	452 790	416 020
Stress Relief	-	331 755
Acting allowances	5 377 842	2 054 046
Housing benefits and allowances	134 901	178 710
Leave expense	1 732 142	1 165 036
Telephone allowance	531 130	240 596
Stand-by allowance	386 289	511 328
Bargaining Council	31 496	26 924
Pension	12 000 200	11 666 878
	115 139 068	**108 101 442**

Remuneration of Municipal Manager (Mr K.S.D. Mere)

Annual Remuneration	784 766	892 834
Car Allowance	237 027	185 133
Housing Allowance	-	18 513
Phone Allowance	14 400	14 400
Contributions to UIF, Medical and Pension Funds	246 787	-
	1 282 980	**1 110 880**

Mr K.S.D. Mere was appointed as the Municipal Manager on 01 July 2023. He was suspended pending an investigation on the 10th of April 2024. Mr T.J. Meerken (Technical Director) was appointed as the Acting Municipal Manager from the 11th of April 2024 to the 25th of April 2024.

Remuneration of Acting Municipal Manager (Mr S. Maroga)

Annual Remuneration	890 433	-

Mr S. Maroga from COGTA has been seconded as the Acting Municipal Manager from the 07th of October 2024 to date.

Remuneration of Acting Municipal Manager (Mr F.T. Mabokela)

Acting Allowance	31 961	8 878

Mr F.T. Mabokela from COGTA has been seconded to the position from the 19th of June 2024 to the 19th September 2024.

Remuneration of Acting Municipal Manager (Mr T. Meerken)

Acting Allowance	-	10 322

Mr T. Meerken was appointed as the Acting Municipal Manager from the 11th of April 2024 to the 25th of April 2024.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

22. Employee related costs (continued)

Remuneration of Acting Municipal Manager (Mr M. Morwe)

Annual Remuneration	-	32 331

Mr M. Morwe was appointed as the Acting Municipal Manager from the 26th of April 2024 to the 18th of June 2024.

Remuneration of Chief Finance Officer (Mr L.J. Mogoemang)

Annual Remuneration	1 062 323	752 076
Car Allowance	-	5 594
	1 062 323	**757 670**

Mr L.J. Mogoemang was appointed as the Chief Finance Officer on the 01st of November 2023.

Remuneration of Acting Chief Finance Officer (Ms. S. Pelele)

Annual Remuneration	-	73 924

Ms. S. Pelele was appointed as the Acting Chiel Financial Officer on the 1st of April 2022 until the 30th of June 2022. She has been further appointed as the Acting Chief Financial Officer on a month to month basis from the 1st of July 2022 to the 31st of October 2023. Mr L.J. Mogoemang was appointed as the Chief Financial Officer on the 1st of November 2023.

Remuneration of Technical Services Director (Mr T. Meerken)

Annual Remuneration	1 043 368	941 918
Car Allowance	-	1 560
Subsistance Allowance	-	1 096
	1 043 368	**944 574**

Mr T. Meerken was appointed as the Technical Services Director on the 1st of September 2023.

Remuneration of Acting Technical Services Director (Mr G. Moleboge)

Acting Allowance	-	19 641

Mr G. Moleboge was appointed as the Acting Technical Services Director on a month to month basis from the 1st of February 2023 to the 31st of August 2023. He was again appointed from the 11th of April 2024 to the 25th of April 2024.

Remuneration of Acting Corporate Services Director (Mr B. Phutiyagae)

Acting Allowance	68 371	181 061

Mr B. Phutiyagae was appointed as the Acting Corporate Services Director on a month to month basis from the 1st of April 2022 to the 30th of June 2025. Mr B. Phutiyagae's acting secondment continues subsequent to year end.

Remuneration of Community Services Director (Mr V. Nercodimus)

Annual Remuneration	663 531	752 076

Mr V. Nercodimus was appointed as the Community Services Director on the 01st of November 2023. He was suspended pending an investigation on the 10th of April 2024. Mr Morwe was appointed as the Acting Community Services Director on the 18th of June to date.

Mr Nercodimus has been terminated.

Figures in Rand	2025	2024

22. Employee related costs (continued)

Remuneration of Acting Community Services Director (Mr M. Morwe)

Acting Allowance	74 253	67 407

Mr M. Morwe was appointed as the Acting Community Services Director on a month to month basis from the 1st of March 2023 to the 31st of October 2023. He was appointed again on the 19th of June 2024 to the 30th of June 2025. Mr M. Morwe's acting secondment continues subsequent to year end.

23. Remuneration of councillors

Executive Mayor	983 489	999 707
Speaker	798 860	735 045
Chief Whip	755 822	699 936
Mayoral committee members	2 703 713	2 647 858
Councillors	6 883 887	7 143 130
	12 125 771	**12 225 676**

In-kind benefits

The Executive Mayor, Speaker, Chief Whip and Mayoral Committee Members are full-time employees of the municipality. Each is provided with an office and secretarial support at the cost of the Council.

Councillors arrear consumer accounts are disclosed in note 48.

24. Depreciation and amortisation

Property, plant and equipment	32 724 514	36 305 514
Investment property	14 024	14 024
	32 738 538	**36 319 538**

25. Finance costs

Interest on fair value of employment benefits awards and & environmental	6 683 474	5 824 143
Eskom debt relief interest unwinding	9 631 757	9 244 349
Bank	2 901	2 152
Interest on late payments	18 495 040	21 756 512
	34 813 172	**36 827 156**

26. Debt impairment

Receivables from exchange transactions	(20 607)	(97 923)
Receivables from non-exchange transactions	12 594 152	1 896 950
Trade and other receivables from exchange	64 559 257	37 645 095
	77 132 802	**39 444 122**

27. Bulk purchases

Electricity - Eskom	71 117 174	61 325 250
Water	457 839	572 039
	71 575 013	**61 897 289**

Figures in Rand	2025	2024

27. Bulk purchases (continued)

Electricity losses

Units purchased	35 000 940	33 188 467
Units sold	(25 015 143)	(21 577 570)
Total loss	**9 985 797**	**11 610 897**
Loss Amount	17 352 689	18 219 355
Percentage Loss:	29 %	35 %

28. Contracted services

Outsourced Services		
Business and Advisory	3 030 426	346 400
Litter Picking and Street Cleaning	518 182	161 203
Security Services	11 632 831	10 831 307
Consultants and Professional Services		
Business and Advisory	24 320 716	15 795 201
Infrastructure and Planning	216 000	307 625
Legal Cost	11 310 330	6 492 470
Contractors		
Prepaid Electricity Vendors	2 793 352	-
	53 821 837	**33 934 206**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

29. General expenses

Advertising	209 603	317 596
Auditors remuneration	4 653 485	3 751 086
Bank charges	205 865	140 782
Commission paid	2 431 470	2 864 673
Computer expenses	972 191	548 005
Consumables	3 372 369	671 622
Hire	2 968 797	1 006 416
Insurance	3 747 349	3 955 031
Community development and training	5 095 055	6 148 222
Motor vehicle expenses	-	87 225
Fuel and oil	2 680 536	2 751 270
Environmental rehabilitation provision expense	3 150 570	4 785 010
Printing and stationery	200 999	224 335
Protective clothing	160 469	210 031
Repairs and maintenance	3 741 817	4 701 094
Sitting Allowance	170 000	150 000
Subscriptions and membership fees	1 219 346	1 251 309
Telephone and fax	918 014	1 976 672
Training	74 304	71 030
Travel - local	6 535 677	6 002 999
Assets expensed	1 175 340	6 521 739
Catering Services	747 687	1 565 850
Electricity purchase: small amounts	16 976 589	13 732 654
Disaster Relief	808 200	-
	62 215 732	**63 434 651**

30. Fair value adjustments

Other financial assets		
• Other financial assets (Held for trading)	53 657	153 424

31. Actuarial Gains/Losses

Post Employment Medical Aid Subsidy	2 855 782	(701 626)
Long Service Award	447 296	(110 010)
	3 303 078	**(811 636)**

32. Impairment of assets

Impairments		
Property, plant and equipment	4 098 776	330 066
Reversal of impairments		
Property, plant and equipment	(770 208)	(62 697)
Total impairment losses (recognised) reversed	**3 328 568**	**267 369**

33. Auditors' remuneration

Fees	4 653 485	3 751 086

34. Operating (deficit) surplus

Operating (deficit) surplus for the year is stated after accounting for the following:

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

34. Operating (deficit) surplus (continued)

Operating lease charges		
Equipment		
• Contractual amounts	1 049 264	989 014

Loss on sale of property, plant and equipment	3 018 433	1 195 917
Impairment on property, plant and equipment	4 098 776	330 066
Reversal of impairment on property, plant and equipment	770 208	(62 697)
Depreciation on property, plant and equipment	32 724 514	36 305 514
Depreciation on investment property	14 024	14 024
Employee costs	114 351 095	108 053 171
Councillors remuneration	12 125 711	12 225 676

35. Cash generated from operations

Deficit	(81 035 832)	(35 497 572)
Adjustments for:		
Depreciation and amortisation	32 738 539	36 319 538
Actuarial gain/ loss	(3 303 078)	811 636
Loss on disposal	3 018 433	1 195 918
Asset expensed	1 175 340	6 521 738
Environmental Rehabilitation	3 150 570	4 785 010
Fair value adjustments	(53 657)	(153 424)
Finance Costs	16 315 231	15 068 492
Long service provision	452 790	416 020
Post employment benefits	1 151 005	1 003 666
Impairment loss	3 328 568	267 369
Debt impairment	77 132 802	39 444 122
Bad debts written off	15 479	473 399
Movements in retirement benefit assets and liabilities	(1 362 936)	(1 300 831)
Inventory losses	13 552	86 502
Debt Forgiven by Suppliers	(1 918 842)	(22 429 258)
Loss on undeposited receipts	114 933	412 191
Debt Waiver	-	(25 707 324)
Donations	-	(540 960)
Changes in working capital:		
Inventories	1 278 224	(1 649 454)
Receivables from exchange transactions	(2 310 442)	(6 112 155)
Receivables non exchange	(13 286 543)	(14 451 809)
Trade receivables from exchange transactions	(88 380 731)	(32 014 446)
Payables from exchange transactions	90 196 569	79 289 316
Unspent conditional grants and receipts	141 843	-
Consumer deposits	56 487	56 245
	38 628 304	**46 293 929**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024
36. Commitments		
Authorised capital expenditure		
Already contracted for but not provided for		
• Property, plant and equipment	7 129 797	19 938 960
Not yet contracted for and authorised by accounting officer		
• Property, plant and equipment	64 462 121	45 067 756
Total capital commitments		
Already contracted for but not provided for	7 129 797	19 938 960
Not yet contracted for and authorised by accounting officer	64 462 121	45 067 756
	71 591 918	**65 006 716**
Authorised operational expenditure		
Already contracted for but not provided for		
• Asset Register Preparation	4 403 705	7 456 179
• Valuation Roll Preparation	72 682	3 485 912
• Prepaid Electricity	4 708 746	-
	9 185 133	**10 942 091**
Total operational commitments		
Already contracted for but not provided for	9 185 133	10 942 091
Total commitments		
Total commitments		
Authorised capital expenditure	71 591 918	65 006 716
Authorised operational expenditure	9 185 133	10 942 091
	80 777 051	**75 948 807**

The contract for prepaid electricity has both fixed and variable costs elements. The fixed costs have been included as part of the commitments.

Figures in Rand	2025	2024

37. Contingencies

Court Proceedings

Municipality is being sued for some of the following pending claims. All the claims are being contested based on legal advice.
The certainty and the timing of the outflow of these liabilities is uncertain.

The following cases listed below are pending and there is no reasonable estimate for future outflow amounts;

The amounts disclosed below are possible outflows amounts based on the lawyers:

Litigation and claims

	2025	2024
Tswaing Local Municipality // H Breytenbach (2840/2019)	600 000	600 000
Tshidiso Ramphele // Tswaing Local Municipality(M195/2015)	800 000	800 000
Tswaing Local Municipality // S Moeti & D Masibi (NWD 042302)	500 000	500 000
Samvu obo GT Moleboge And Others // Tswaing Municipality Case no-NWA022423	-	500 000
Tswaing Local Municipality // TJL Security Case no-1376/22 Appeal Case no-APP FC 02/2025	800 000	-
	2 700 000	**2 400 000**

ADDITIONAL INFORMATION

Tswaing Local Municipality // H Breytenbach (2840/2019):

Claim for eviction and arrear rental of R53 221,97 by and counterclaim against the Municipality of R 1 141 576.07 for unpaid salaries, expenses and or claims of the employee, the matter is pending.(Claim Amount R1 141 576.07)

Tshidiso Ramphele / Tswaing Local Municipality(M195/2015):

Claim for future loss of income, the Municipality has already paid Mr Tshidiso Ramphele about R2.9 Million towards capital and costs, emanating from the settlement discussions between the parties, but Mr Tshidiso Ramphele dispute the existence of the settlement agreement between the Municipality and him, and issued the writ of execution in the amount of R 4 450 499.00 despite the fact that the Municipality has already paid the 2.9 Million rand, the Municipality on the other hand issued an application to set aside the writ of execution, the application was argued on the 25th May 2023 and we are waiting judgement on the matter. (Claim Amount R4 450 499.00).

Tswaing Local Municipality // Masibi & Moet (NWD 042302):

Disciplinary Hearing of Masibi and Moeti and Con/Arb Matter. Referral for unfair Labour practice of the bargaining council. Matter currently at Bargaining Council.

Tswaing Local Municipality // SAMVU obo G J Moleboge & Others-Case No - NWD022413

SAMWU declared and or referred a dispute for the unilateral change to terms and conditions of employment of the employees of the municipality around 2024 in terms of section 191(1) of the Labour Relations Act, which dispute is enrolled or set down for conciliation around 02 May 2024 and the matter has been settled amicably between the parties (claim amount N/A).

TJL Security Services CC // Tswaing Local Municipality (Court A Quo Case No.: 1376/22 Appeal Case No.: CIV APP FC 02/2025)

Claim for services rendered by service provider for the work done, summons issued matter not defended, default judgement refused against the municipality, and the service provider is appealing the decision.

ADDITIONAL MATTERS

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

37. Contingencies (continued)

Tswaing Local Municipality // Dintoko D Masibi & Saddam B Moeti

The two employees face chwarges relating to the financial irregularities pertaining to the construction of the Atamelang Modular Library

Contingent assets

Litigation and claims

	2025	2024
Tswaing Local Municipality// Dintoko D Masibi & Saddam B Moeti	-	150 000

ADDITIONAL INFORMATION

Tswaing Local Municipality // Dintoko D Masibi & Saddam B Moeti:

Claim is lodged by Municipality against its employees for the money paid to the service provider for services allegedly not rendered by the service provider (Claim amount-R 274 110,22).

Living Resources

There are living resources at the Henk Joubert Reserve owed by the Municipality. Management has done an assessment based on GRAP 110 on the control of these animals and have concluded that the Municipality does not have control. Until the conditions of the standard are met the Municipality will disclose the animals as contigent. Annually the Municpality engages with an expert to assist with the verification and valuation of the animals. The animals that are currently on the Henk Joubert Reserve are as follows:

Impala
Springbok
Red Hartebeest
Waterbok
Black Wildebeest
Blesbok
Ostrich
Zebra (Plains / Burchell's)

38. Related parties

Relationships

Members of key management	Name
Accounting Officer	Mr K.S.D. Mere
Accounting Officer (Acting Muncipality Manager)	Mr S. Maroga
Chief Finance Officer	Mr L.J. Mogoemang
Acting Corporate Services Director	Mr B. Phuthiyagae
Technical Services Director	Mr T. Meerken
Acting Community Services Director	Mr M.D Morwe
Mayor	Hon Cllr N.N. Mahlangu
Speaker	Hon Cllr M.S. Letlakane
Chief Whip	Cllr N.J. Molehabangwe
Executive Members	Cllr S. Viljoen
	Cllr M.A. Molamuagae
	Cllr P.M. Mokoto
MPAC Chairperson	Cllr J.P. Molatudi
Councillors	Cllr T.P. Januarie
	Cllr M.V. Mogodu
	Cllr M.M. Moreo
	Cllr N.W.Thwane
	Cllr R.L. Tlhagale
	Cllr T.J. Sekgelo
	Cllr N.P. Moleboge
	Cllr G.D. Gaedie
	Cllr S.J. Kgatitswe
	Cllr S.K. Moleleki
	Cllr S.M. Williams
	Cllr T.M. Sehemo
	Cllr F. Lobelo
	Cllr M.E. Molete
	Cllr L.Y. Taaljardt
	Cllr J.K. Mangwejane
	Cllr C. Visser
	Cllr M.E. Swartz
	Cllr M.M. Moruapheko
	Cllr K.P. Mathibe
	Cllr N.R. Baitsumedi
	Cllr E. Pretorius
	Kgosi J. Molete (Traditional Leader)
	Kgosi C. Moshoette (Traditional Leader)

The above key management's salaries are disclosed in note 21 and 22

Councillors' arrear consumer accounts are disclosed in note 48.

There was provincial intervention in terms of section 139(5) of the Constitution - Mandatory Financial Recovery Plan, from 24 November 2021, immediately after the new council was elected. The intervention is still applicable as the interim rescue plan has been implemented as from 17 May 2023 to 30 September 2023. The financial recovery plan has been finalised and the plan is currently in the stabilisation phase.

39. Risk management

Financial risk management

The Accounting Officer has overall responsibility for the establishment and oversight of the Municipality's risk management framework. The Municipality's risk management policies are established to identify and analyse the risks faced by the Municipality, to set appropriate risk limits and controls and to monitor risks and adherence to limits.

Due to the largely non-trading nature of activities and the way in which they are financed, Municipalities are not exposed to the degree of financial risk faced by business entities. Financial Instruments play a much more limited role in creating or changing risks that would be typical of listed companies to which the IAS's mainly apply.

Generally, Financial Assets and Liabilities are generated by day-to-day operational activities and are not held to manage the risks facing the Municipality in undertaking its activities.

The budget and treasury department (BTO) monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity risk. Compliance with policies and procedures is reviewed annually by external auditors. The Municipality does not enter into or trade financial instruments for speculative purposes.

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

39. Risk management (continued)

Liquidity risk

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

Liquidity risk is the risk that the municipality will not be able to meet its obligations as they fall due. The Municipality managing of liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses. Liquidity risk is managed by ensuring that all assets are re-invested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring.that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at.competitive rates to ensure that cash flow requirements are met.

Liquidity risk arises for the Municipality through several channels such as;

- Delayed payments from customers: The Municipality has experienced a decline in the collection rate.
- Expenditures (e.g., salaries, supplier payments, operating expenditure) are ongoing and immediate. This has cause noticeable strain on the cashflow of the Municipality.
- There is a dependency on the Equitable Share to cover the operational costs due to the low collection rate.
- Suppliers may demand interest or penalties on late payments, further straining liquidity.

There are no changes to the risk exposure of the Municipality.

The tables detail the municipality's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the municipality can be required to pay. The table includes both interest and principal cash flows.

As at 30 June 2025	Less than 1 year	Above 1 year
Payables from exchange transactions	368 178 012	-
Consumer deposits	1 502 101	-
Unspent conditional grants	141 843	-

As at 30 June 2024	Less than 1 year	Above 1 year
Payables from exchange transactions	280 196 298	-
Consumer deposits	1 445 614	-
Unspent conditional grants	-	-

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

39. Risk management (continued)

Credit risk

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

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. Possible risk will arise from customers not being able to pay their outstanding debt. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. A consinderation of individual customer circumstances must be made as services do still need to be provided to customers, while ensuring payments are made.

The municipality does not hold any collateral to mitigate against credit risk..

The municipality establishes an allowance for impairment that represents its estimate of anticipated losses in respect of trade and other receivables.

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

Financial instrument	2025	2024
Receivables from exchange transactions	53 265 975	43 121 422
Trade and other receivables from exchange	56 349 585	40 357 093
Bank balances and cash	1 001 836	1 206 362
	110 617 396	**84 684 877**

Trade Receivables from exchange transactions, Receivables from exchange transactions and Receivables from non-exchange transactions

Receivables are amounts owing by consumers, and are presented on the Statement of Financial Position net of impairment losses.

The municipality has a credit risk policy in place, and the exposure to credit risk is monitored on an ongoing basis. The municipality is compelled in terms of its constitutional mandate to provide all its residents with basic minimum services, without recourse to an assessment of creditworthiness.

There were no material changes in its objectives, policies and processes for managing and measuring the risk during the year in review. The municipality's strategy for managing its risk includes encouraging residents to install prepaid electricity meters. A deposit is required for new service connections.

The municipality's maximum exposure to credit risk is represented by the carrying value of each financial asset in the statement of financial position. The municipality has no significant concentration of credit risk, with exposure spread over multiple consumers and not concentrated in any particular sector or geographic area.

The municipality establishes an allowance for impairment that represents its estimate of anticipated losses in respect of receivables. The average credit period on services rendered is 30 days from date of invoice. No interest is raised on overdue accounts. The Entity has provided fully for all receivables outstanding over determined by reference to past default experience.

39. Risk management (continued)

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Municipality's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The municipality is exposed to market risk in relation to the listed shares it holds. These shares are valued at their market price at each year end.

The maximum exposure to cash flow and fair value risk, price risk and foreign currency risk. There has been no change to the Municipality's exposure to market risk on the manner in which manages.

Market risk arises for the Municipality through several channels such as;

- Equity Price Volatility Share: prices fluctuate due to economic cycles, investor sentiment, company performance, and global events. A downturn reduces the value of Municipality shares.
- Systematic Risk (Overall Market Movements) Even well-performing companies can lose value during recessions, financial crises, or geopolitical shocks. The Municipality cannot diversify away this risk entirely.
- Dividend Risk Companies may reduce or suspend dividends during weak market conditions, lowering expected income streams for the Municipality.

Fair Values

The table below analyses financial instruments carried at fair value at the end of the reporting period, by level of fair-value hierarchy. The different levels are based on the extent to which quoted prices are used in the calculation of the fair value of the financial instruments, and have been defined as follows:

Level 1: Fair values are based on quoted market prices (unadjusted) in active markets for an identical instrument.

Level 2: Fair values are calculated using valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments, quoted prices for identical or similar instruments in markets that are considered less than active, or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3: Fair values are based on valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data, and the unobservable inputs have a significant effect on the instrument's valuation. Also, this category includes instruments that are valued based on quoted prices for similar instruments, where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

There are no changes to the risk exposure of the Municipality.

2025

	Level 1	Level 2	Level 3	Level 4	Total
Other financial assets	711 100	-	-	-	711 100

2024

	Level 1	Level 2	Level 3	Level 4	Total
Other financial assets	657 443	-	-	-	657 443

Figures in Rand	2025	2024

39. Risk management (continued)

Interest rate risk

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

Interest rate risk arises for the Municipality through several channels such as;

- Suppliers or contractors charge interest on late payments.
- If market rates rise, the penalty interest charged on overdue invoices increases, raising municipal expenses.

There are no changes to the risk exposure of the Municipality.

Interest on late payments	18 495 040	21 756 512
Bank overdraft	2 901	2 152
	18 497 941	**21 758 664**

Price risk

The municipality is exposed to equity securities price risk because of investments held by the municipality and classified on the statement of financial position either as available for sale or at fair value through surplus or deficit. The municipality is not exposed to commodity price risk.

The municipality is not exposed to equity price risks arising from equity investments as the municipality does not trade these investments.

Surplus for the year would increase/decrease as a result of gains/losses on equity securities classified as at fair value through surplus or deficit..

40. Material uncertainty relating going concern

We draw attention to the fact that at 30 June 2025, the municipality had a deficit of R 81 035 832 and that the municipality's current liabilities exceed its assets by R 240 868 699.

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.

As the Municipality has the power to levy fees, tariffs and charges, this will result in an ongoing inflow of revenue to support the ongoing delivery of municipal services. Certain key financial ratios, such as liquidity, cost coverage, debtors' collection rates and creditors' payment terms are closely monitored and the necessary corrective actions instituted.

Non-compliance (30 days) - The Municipality is currently not paying all their creditors within the accepted 30 days. This also resulted in fruitless and wasteful expenditure due to interest on overdue creditors account. Debtors are currently not paying as their debt falls due with most of the debtors sitting in the 180+ days bracket, this is also indicated by the high impairment calculated for the year. The Municipality starting implementing its credit control policy with the cut-off process done on business accounts in arrears. Further more electricity load shedding has affected businesses and other clients of the municipality. These factors indicate the existence of material uncertainty that may cast significant doubt on the municipality's ability to continue as a going concern.

Despite all the factors mentioned, the municipality still continues to supply services to the community and clients. The municipality is set up by the Constitution of the Republic of South Africa to provide basic services to the community and is also funded by the state for that purpose. Failure to provide these services will prompt National Government intervention to ensure it stays functional and able to deliver basic services and consequently compliance with the Constitution.

The municipality receives grants and equitable share from National Treasury on an annual basis and this in addition to own revenue collected by the municipality is genrally sufficient to ensure the municipality is able to continue as a going concern.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

40. Material uncertainty relating going concern (continued)

Taking into account all the factors, these financial statements were prepared on a going concern basis.

41. Fruitless and wasteful expenditure

Opening balance as previously reported	133 749 123	112 237 207
Opening balance as restated	**133 749 123**	**112 237 207**
Add: Expenditure identified - current	22 228 584	21 511 916
Add: Expenditure identified - prior period	32 271 063	-
Closing balance	**188 248 770**	**133 749 123**

Notes to the Annual Financial Statements

Figures in Rand

41. Fruitless and wasteful expenditure (continued)

Details of fruitless and wasteful expenditure

There are currently no cases related to fruitless and wasteful expenditure.

No transactions have been identified as recoverable.

No criminal or disciplinary steps taken in regards to the fruitless and wasteful expenditure.

There are no material losses recovered or written off.

Interest and penalties	52 425 360	19 867 394
Exceed car hire km	1 959 354	1 232 331
Loss due to undeposited receipts	114 933	412 191
	54 499 647	**21 511 916**

42. Irregular expenditure

Opening balance as previously reported	946 854 465	889 541 811
Correction of prior period error	-	(7 622 090)
Opening balance as restated	**946 854 465**	**881 919 721**
Add: Irregular Expenditure - current	70 059 296	64 934 744
Add: Irregular Expenditure - prior period	15 750 031	-
Closing balance	**1 032 663 792**	**946 854 465**

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

Competitive bidding not invited	67 984 997	58 261 000
Three written quotations not invited	8 223 151	1 301 902
Declaration of interest not submitted	7 739 153	2 100 660
Tax clearances not obtained	1 862 026	3 271 182
	85 809 327	**64 934 744**

42. Irregular expenditure (continued)

Additional Disclosures

There are currently no cases related to irregular expenditure.

No transactions have been identified as recoverable.

No criminal or disciplinary steps taken in regards to the irregular expenditure.

There are no material losses recovered or written off.

43. Budget Variances

Material differences between budget and actual amounts

The differences between budget and actual amounts have been detailed below and explanations were provided for material balance movements, the differences are detailed in the Statement of Comparison of Budget and Actual Amounts.

Explanations :

N01: Adjustments done during the adjustment budget period were based overstated balances that were later corrected.

N02: Number of people that were hiring out the hall have declined.

N03: Performance was better than expected as all 3 traffic stations were function for the whole financial year end.

N04: Budgeted for land sale that did not occur.

N05: Projections done during the adjustment budget process were overstated.

N06: Budget based on actual income from the prior and was not inflated when budgeting.

N07: Budget based on actual income from the prior and was not inflated when budgeting.

N08: Due to the nature of this transaction, there is no expectation for this transaction to occur.

N09: There was increase in contract workers.

N10: Due to budgeting constraints, this non-cash item could not be fully budgeted for.

N11: Due to budget constraints, this line item was not appropriately budgeted for. Additionally, the interest unwinding from the Eskom debt relief was not budgeted for.

N12: The Municipality was anticipating that a new contract would be entered into in the 2024/25 year end.

N13: A decrease in the collection rate led to under budgeting for this line item.

N14: This line item erroneously not budgeted for.

N15: This line item erroneously not budgeted for.

N16: Less purchases were done than the expectation.

N17: Line item incorrectly budgeted for. Additionally, the disclosure of VAT was updated in the current year to be disclosed in this line item rather than a stand alone amount

N18: Line item incorrectly budgeted for

N19: Disclosure has been adjusted to be included within receivables from exchange transactions and payables from exchange transactions as per GRAP standards.

43. Budget Variances (continued)

N20: Line item has been derecognised as he Municipality does not have control.

N21: Budget was over reduced during the adjustment budget process.

N22: Budget for this line item was erroneously adjusted during the adjustment budget process..

N23: Movement budgeted for instead of carrying amount.

N24: This balance was not expected as the grant should have been spent fully.

N25: This balance was not expected as the grant should have been spent fully.

N26: Budget adjustments were erroneously not carried through to the cashflow statement during the adjustment process.

N27: Line item was over budgeted for.

N28: Full MIG spending was erroneously budgeted on this line item instead of splitting the operational from the capital.

N29: Incorrect budgeting.

Notes to the Annual Financial Statements

44. Employee benefit obligations

Defined benefit plan

Post retirement medical aid plan

The Municipality provides certain post-retirement medical benefits by funding the medical aid contributions of certain retired members of the municipality. According to the rules of the medical aid funds, with which the municipality is associated, a member (who is on the current condition of service), on retirement, is entitled to remain a continued member of such medical aid fund, 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.

The most recent actuarial valuations of plan assets and the present value of the unfunded defined benefit obligation were carried out as 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.The Post Employment Health Care Benefit Plan is a defined benefit plan.

The principal assumptions used for the purposes of the actuarial valuations were as follows:

Net Discount Rate

Assumption	30 June 2025	30 June 2024
Discount rate (D)	12.37%	13.50%
Consumer price inflation (C)	6.81%	7.88%
Health care cost inflation (H)	8.31%	9.38%
Net discount rate ((1+D)/(1+H)-1)	**3.74%**	**3.77%**

It is the relative levels of the discount rate and health care cost inflation to one another that are important, rather than the nominal values. The assumption regarding the relative levels of these two rates is our expectation of the long-term average.

GRAP25 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 of the obligation.

The methodology of setting the financial assumptions has been updated to be more duration-specific. At the previous valuation report, 30 June 2024, the duration of liabilities was 14.49 years. At this duration, the discount rate determined by using the Bond Exchange Zero Coupon Yield Curve as at 30 June 2025 is 12.37% per annum, and the yield on inflation-linked bonds of a similar term was about 5.20% per annum. This implies an underlying expectation of inflation of 6.81% per annum ([1 + 12.37%] / [1 + 5.20%] - 1)

We have assumed that healthcare cost inflation would exceed general inflation by 1.50% per annum, i.e. 8.31% per annum.

However, it is the relative levels of the discount rate and healthcare cost inflation to one another that are important, rather than the nominal values. We have thus assumed a net discount factor of 3.74% per annum ([1 + 12.37%] / [1 + 8.31%] - 1).

44. Employee benefit obligations (continued)
Demographic And Decrement Assumptions

The demographic and decrement assumptions were consistent in the previous and current valuation period, and are as follows:

	Active employees	Pensioners
Normal retirement age	63	
Fully accrued age (to take account for ill-health and early retirement decrements	60	
Employment age used for past service period	Actual service entry ages	
Age difference between spouses	3 years	3 years
Proportion married	Actual marital status	Actual marital status
Mortality	SA85-90 (Normal)	PA (90) - 2
Continuation percentage of post-employment medical aid subsidies at retirement for active members.	Active employees to continue subsidy at 90% in retirement	N/A

Withdrawal Dates

Age	Withdrawal rates (Male)	Withdrawal rates (Female)
20	24%	24%
30	15%	10%
40	6%	6%
50	2%	2%
>55		

SENSITIVITY ANALYSIS

HEALTH CARE COST INFLATION AND DISCOUNT RATE

As at 30 June 2025.

	Percentage Change	1% decrease R's	Valuation Basis R's	1% Increase R's	Percentage Change
Healthcare Cost Inflation Rate					
Opening Accrued Liability	-13.60%	22 297 358	25 808 288	30 125 062	16.73%
Service Cost	-17.66%	947 690	1 151 005	1 407 926	22.32%
Net Interest Expense	-13.75%	2 959 093	3 430 707	4 013 403	16.98%
Discount Rate					
Opening Accrued Liability	16.07%	29 954 569	25 808 288	22 476 918	-12.91%
Service Cost	20.54%	1 387 438	1 151 005	964 612	-16.19%
Net Interest Expense	7.71%	3 695 116	3 430 707	3 201 568	-6.68%

44. Employee benefit obligations (continued)

As at 30 June 2026.

	Percentage Change	1% decrease R's	Valuation Basis R's	1% Increase R's	Percentage Change
			Healthcare Cost Inflation Rate		
Opening Accrued Liability	-14.10%	22 943 980	26 710 568	31 356 687	17.39%
Service Cost	-17.44%	1 030 019	1 247 541	1 521 967	22.00%
Net Interest Expense	-14.29%	2 792 336	3 258 027	3 832 512	17.63%
			Discount Rate		
Opening Accrued Liability	16.72%	31 176 088	26 710 568	23 128 181	-13.41%
Service Cost	20.21%	1 499 637	1 247 541	1 048 202	-15.98%
Net Interest Expense	7.92%	3 515 912	3 258 027	3 042 478	-6.62%

As per the table above, a 1% increase in the healthcare cost inflation rate as at 30 June 2026 results in a 17.39% increase in the accrued liability, whilst a 1% decrease in the salary increase rate will result in a 14.10% decrease in the accrued liability. Increasing healthcare cost inflation leads to greater subsidies being paid by the entity in respect of continuation members. This, in turn, increases the size of the accrued liability.

Inversely, a 1% increase in the discount rate as at 30 June 2026 results in a 13.41% decrease in the accrued liability, whilst a 1% decrease in the discount rate will result in a 16.72% increase in the accrued liability. The discount rate is inversely related to the accrued liability. An increase in the discount rate decreases the accrued liability and vice versa.

POST RETIREMENT MORTALITY

The table that follows shows the impact of a change in the mortality assumption from PA(90)-1 to PA(90)-2 with a one-year adjustment.

As at 30 June 2025.

	Valuation basis R's	PA(90)-2 R's	Percentage Change
Opening Accrued Liability	25 808 288	26 498 534	2.67%
Service cost	1 151 005	1 175 568	2.13%
Net Interest Expense	3 430 707	3 523 782	2.71%

As at 30 June 2026.

	Valuation basis R's	PA(90)-2 R's	Percentage Change
Opening Accrued Liability	26 710 568	27 410 453	2.62%
Service cost	1 247 541	1 274 160	2.13%
Net Interest Expense	3 258 027	3 344 480	2.65%

PA(90)-2 (PA(90)-1 with a one-year age adjustment) means that, to each beneficiary, we assigned a mortality rate of an individual one year younger than that beneficiary, i.e. lighter mortality, implying that the individual lives longer than expected in the valuation basis. As such, they receive subsidies for a longer period of time, thereby increasing the accrued liability.

The above table highlights the effects of a one-year adjustment to the mortality assumption as at 30 June 2026. The adjustment would result in a 2.62% increase in the accrued liability.

44. Employee benefit obligations (continued)

Long Service Awards

In addition to normal leave an employee shall qualify for the following additional leave as recognition for service at the same employer, which shall be paid out respectively, once only the date on which the various periods of continues service have been completed, as follows.

After 5 years service - 5 working days.
After 10 years service - 10 working days.
After 15 years service - 20 working days.
After 20 years service - 30 working days.
After 25 years service - 30 working days.
After 30 years service - 30 working days.
After 35 years service - 30 working days.
After 40 years service - 30 working days.
After 45 years service - 30 working days.

Long service accumulated leave must be taken within one year of receiving such leave or may be wholly or partially cashed. Employees choose to exercise the option to wholly convert their accumulated leave bonus days into cash.

The principal assumptions used for the purposes of the actuarial valuations were as follows:

NET DISCOUNT RATE

Assumption	30 June 2025	30 June 2024
Discount rate	8.97%	10.40%
CPI	3.90%	5.33%
Salary increase rate	4.90%	6.33%
Net Discount rate	**3.88%**	**3.83%**

According to GRAP 25; "The discount rate that reflects the time value of money is best approximated by reference to market yields at the end of the reporting period on government bonds. Where there is no deep market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, an entity uses current market rates of the appropriate term to discount shorter-term1 payments and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve. The total present value of a defined benefit obligation is unlikely to be particularly sensitive to the discount rate applied to the portion of benefits that is payable beyond the final maturity of the available financial instrument.

The yield curves used for the derivation of the discount rate are the NACS (Nominal and Real) Zero Curves as published by the Johannesburg Stock Exchange. The Nominal NACS curve illustrates the nominal zero-coupon yields, which are Nominal Compounded Semi-Annually. This gives us an idea of the nominal return at varying durations. The Real NACS curve illustrates Real zero-coupon bond yields, which are Nominal Annual Compounded Semi-Annually. This gives us an idea of the real return at varying durations.

The methodology of setting the financial assumptions has been updated to be more duration-specific. At the previous valuation

report, 30 June 2024, the duration of liabilities was 5.20 years. At this duration, the discount rate determined by using the Bond Exchange Zero Coupon Yield Curve as at 30 June 2025 is 8.97% per annum, and the yield on inflation-linked bonds of a similar term was about 4.88% per annum. This implies an underlying expectation of inflation of 3.90% per annum ([1 + 8.97%] / [1 + 4.88%] - 1).

We have assumed that salary inflation would exceed general inflation by 1.00% per annum, i.e. 4.90% per annum.

However, it is the relative levels of the discount rate and salary inflation to one another that are important, rather than the nominal values. We have thus assumed a net discount factor of 3.88% per annum ([1 + 8.97%] / [1 + 4.90%] - 1).

44. Employee benefit obligations (continued)

DEMOGRAPHIC AND MORTALITY ASSUMPTIONS

Assumption	30 June 2025	30 June 2024
Normal retirement age (years)	65	65
Average retirement age (years)	63	63
Mortality	SA85-90	SA85-90

ILL-HEALTH AND OTHER EARLY RETIREMENT RATES

The following ill-health early retirement assumptions were applicable over the current and previous financial year ends:

Example at stated age	Ill-health early retirement rates
31	0.02%
35	0.10%
40	0.20%
45	0.30%
50	0.50%
55	1.00%
60	1.80%
62	2.32%

WITHDRAWAL TABLE

The following withdrawal assumptions were applicable over the valuation periods:

Age	Withdrawal rates (Male)	Withdrawal rates (Female)
20	16.0%	24.0%
25	12.0%	18.0%
30	10.0%	15.0%
35	8.0%	10.0%
40	6.0%	6.0%
45	4.0%	4.0%
50	2.0%	2.0%
55	1.0%	1.0%
60+	-	-

SENSITIVITY ANALYSIS

DISCOUNT RATE

As at 30 June 2025

	Percentage Change	1% decrease R's	Valuation Basis R's	1% Increase R's	Percentage Change
Discount Rate					
Opening Accrued Liability	5.45%	7 685 527	7 288 151	6 927 792	-4.94%
Service Cost	6.17%	480 717	452 790	427 680	-5.55%
Net Interest Expense	-4.53%	699 929	732 929	762 418	4.02%

44. Employee benefit obligations (continued)

As at 30 June 2026

	Percentage Change	1% decrease R's	Valuation Basis R's	1% Increase R's	Percentage Change
			Discount Rate		
Opening Accrued Liability	4.62%	7 833 183	7 487 287	7 171 638	-4.22%
Service Cost	5.21%	476 357	452 765	431 397	-4.72%
Net Interest Expense	-6.71%	577 893	619 470	657 157	6.08%

Inversely, a 1% increase in the discount rate results in a 4.22% decrease in the accrued liability, whilst a 1% decrease in the discount rate results in a 4.62% increase in the accrued liability. The discount rate is inversely related to the accrued liability. An increase in the discount rate decreases the accrued liability and vice versa.

SALARY INFLATION RATE

As at 30 June 2025

	Percentage Change	1% decrease R's	Valuation Basis R's	1% Increase R's	Percentage Change
			Discount Rate		
Opening Accrued Liability	-5.17%	6 911 300	7 288 151	7 697 488	5.62%
Service Cost	5.80%	426 536	452 790	481 561	6.35%
Net Interest Expense	-5.35%	693 737	732 929	775 500	5.81%

As at 30 June 2026

	Percentage Change	1% decrease R's	Valuation Basis R's	1% Increase R's	Percentage Change
			Discount Rate		
Opening Accrued Liability	-4.41%	7 156 956	7 487 287	7 843 691	4.76%
Service Cost	-4.94%	430 407	452 765	477 077	5.37%
Net Interest Expense	-4.78%	589 848	619 470	651 431	5.16%

As per the table above, a 1% increase in the salary increase rate results in a 4.76% increase in the accrued liability, whilst a 1% decrease in the salary increase rate will result in a 4.41% decrease in the accrued liability.

MORTALITY DECREMENT

As at 30 June 2025.

	Valuation basis R's	SA85-90 -2 R's	Percentage Change
Opening Accrued Liability	7 288 151	7 341 244	0.73%
Service cost	452 790	456 231	0.76%
Net Interest Expense	732 929	738 451	0.75%

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

44. Employee benefit obligations (continued)

As at 30 June 2026.

	Valuation basis R's	SA85-90 -2 R's	Percentage Change
Opening Accrued Liability	7 487 287	7 531 846	0.60%
Service cost	452 765	455 530	0.61%
Net Interest Expense	619 470	623 466	0.65%

SA85-90 -2 (with a two-year age adjustment) means that, to each beneficiary we assigned a mortality rate of an individual two years younger than that beneficiary. The resulting mortality implies that the individual lives longer than expected in the valuation basis.

The above table highlights the effects of a two-year adjustment to the mortality assumption as at 30 June 2026. The adjustment would result in a 0.60% increase in the accrued liability..

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

	2025	2024
Carrying value		
Opening Balance	(33 096 438)	(28 414 053)
Current Service Cost	(1 603 795)	(1 419 686)
Current Interest Cost	(4 163 636)	(3 751 894)
Acturial Gain/(Loss)	3 303 079	(811 636)
Utilised During the Current Year	1 362 936	1 300 831
	(34 197 854)	**(33 096 438)**

	2025	2024
Non-current liabilities	(32 296 869)	(31 808 001)
Current liabilities	(1 900 985)	(1 288 437)
	(34 197 854)	**(33 096 438)**

Net expense recognised in the statement of financial performance

	2025	2024
Current service cost	(1 603 795)	(1 419 686)
Interest cost	(4 163 636)	(3 751 894)
Actuarial (gains) losses	3 303 079	(811 636)
	(2 464 352)	**(5 983 216)**

45. Unauthorised expenditure

	2025	2024
Opening balance as previously reported	580 504 474	432 102 129
Opening balance as restated	**580 504 474**	**432 102 129**
Add: Expenditure identified - current	128 891 226	148 402 345
Add: Expenditure identified - prior period	1 631 031	-
Closing balance	**711 026 731**	**580 504 474**

Additional Disclosures

There are currently no cases related to unauthorised expenditure.

No transactions have been identified as recoverable.

No criminal or disciplinary steps taken in regards to the unauthorised expenditure.

There are no material losses recovered or written off.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

46. Fines and penalties

	2025	2024
Penalties	1 656 355	1 167 621

47. Loss due to undeposited receipts

	2025	2024
Municipal Losses	114 933	412 191

Loss due to undeposited receipts relates to amounts not deposited to the Municipality's bank account and the bank account of the Department of Transport, Admin and Licencing in relation to revenue from the traffic department which the Municipality administered on behalf of the department and there is a relationship of distributing the revenue between the Municipality and Department 20/80.

48. Prior period errors

Statement of financial position	Previously reported 2024	Adjustments	Restated 2024
Inventories	4 860 495	(10)	4 860 485
Receivables from exchange transactions	100 675	43 020 747	43 121 422
Receivables from non-exchange transactions	18 279 004	13 248 108	31 527 112
VAT Receivable	33 902 796	(33 902 796)	-
Trade receivables from exchange transactions	47 668 295	(7 311 202)	40 357 093
Biological assets	5 329 795	(5 329 795)	-
Property, plant and equipment	660 519 315	102 615	660 621 930
Payables from exchange transactions	259 812 171	32 111 984	291 924 155
Accumulated surplus	394 880 660	(22 284 317)	372 596 343

Statement of financial performance	Previously reported 2024	Adjustments	Restated 2024
Sundry income	-	363 434	363 434
Employee related costs	(107 493 146)	(608 296)	(108 101 442)
Remuneration of councillors	(11 870 346)	(355 330)	(12 225 676)
Depreciation and amortisation	(36 421 923)	102 385	(36 319 538)
Finance costs	(33 860 078)	(2 967 078)	(36 827 156)
Debt Impairment	(45 418 364)	5 974 242	(39 444 122)
General expenses	(60 870 220)	(2 564 431)	(63 434 651)
Gain on biological assets	1 445 994	(1 445 994)	-

Cashflow Statement	Previously reported 2024	Adjustments	Restated 2024
Cash receipts from ratepayers, government and others	288 379 676	20 325 156	308 704 832
Cash paid to suppliers and employees	(354 316 989)	91 198 499	(263 118 490)
Purchase of property, plant and equipment	(32 945 247)	(12 637 138)	(45 582 385)
Movement in debt relief	98 886 517	(98 886 517)	-
	3 957	-	**3 957**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

48. Prior period errors (continued)

Employee Costs	Previously reported 2024	Adjustments	Restated 2024
Remuneration of Municipal Manager (Mr K.S.D. Mere)	1 017 600	93 280	1 110 880
Remuneration of Acting Municipal Manager (Mr F.T. Mabokela)	-	8 878	8 878
Remuneration of Chief Finance Officer (Mr L.J. Mogoemang)	694 855	62 815	757 670
Remuneration of Acting Chief Finance Officer (Ms. S. Pelele)	42 412	31 512	73 924
Remuneration of Technical Services Director (Mr T. Meerken)	769 458	175 116	944 574
Remuneration of Acting Corporate Services Director (Mr B. Phutiyagae)	72 554	108 507	181 061
Remuneration of Community Services Director (Mr V. Nercodimus)	689 261	62 815	752 076
Remuneration of Acting Community Services Director (Mr M. Morwe)	24 185	43 222	67 407
	3 310 325	**586 145**	**3 896 470**

Remuneration of councillors	Previously reported 2024	Adjustments	Restated 2024
Executive Mayor	973 096	26 611	999 707
Speaker	715 475	19 570	735 045
Chief Whip	690 287	9 649	699 936
Mayoral committee members	2 591 772	56 086	2 647 858
Councillors	6 899 717	243 413	7 143 130
	11 870 347	**355 329**	**12 225 676**

Commitments	Previously reported 2024	Adjustments	Restated 2024
Already contracted for but not provided for	20 763 847	(824 887)	19 938 960
Not yet contracted for and authorised by accounting officer	49 142 870	(4 075 114)	45 067 756
Authorised operational expenditure	17 066 761	(6 124 670)	10 942 091
	86 973 478	**(11 024 671)**	**75 948 807**

Contigencies	Previously reported 2023	Adjustments	Restated 2024
Litigation and claims	3 800 000	(1 400 000)	2 400 000

Fruitless and wastefulexpenditure	Previously reported 2024	Adjustments	Restated 2024
Opening balance	112 237 207	-	112 237 207
Add: Expenditure identified - current	21 511 916	-	21 511 916
Add: Expenditure identified - prior year	-	32 271 063	32 271 063
	133 749 123	**32 271 063**	**166 020 186**

Irregular expenditure	Previously reported 2024	Adjustments	Restated 2024
Opening balance	889 541 811	(7 622 090)	881 919 721
Add: Expenditure identified - current	64 934 744	-	64 934 744
Add: Expenditure identified - prior year	-	15 750 031	15 750 031
	954 476 555	**8 127 941**	**962 604 496**

Notes to the Annual Financial Statements

48. Prior period errors (continued)

Unauthorised expenditure

	Previously reported 2024	Adjustments	Restated 2024
Opening balance	432 102 129	-	432 102 129
Add: Expenditure identified - current	148 402 345	-	148 402 345
Add: Expenditure identified - prior year	-	1 631 031	1 631 031
	580 504 474	**1 631 031**	**582 135 505**

Segment Reporting

Revenue

	Previously reported 2024	Adjustments	Restated 2024
Debt Waiver	-	25 707 324	25 707 324

Expenditure

	Previously reported 2024	Adjustments	Restated 2024
Employee related costs	107 493 145	608 297	108 101 442
Remuneration of councillors	11 870 346	355 330	12 225 676
Depreciation and amortisation	36 421 923	(102 386)	36 319 537
Finance costs	24 615 734	9 266 206	33 881 940
Gain on biological assets	(1 445 994)	1 445 994	-

Assets

	Previously reported 2024	Adjustments	Restated 2024
Receivables from exchange transactions	100 675	43 020 747	43 121 422
VAT receivable	33 902 796	(33 902 796)	-
Biological assets	5 329 795	(5 329 795)	-
Property, plant and equipment	660 519 313	102 616	660 621 929

Liabilities

	Previously reported 2024	Adjustments	Restated 2024
Payables from exchange transactions	375 161 662	(102 883 657)	272 278 005
Debt Relief	-	98 886 517	98 886 517

In terms of GRAP 3: Accounting policies, Changes in Estimates and Errors, all prior period errors should be disclosed in accordance to the standards.

During the current financial period, adjustments were processed for the previous financial periods.

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

01. Inventory (Land) and Accumulated Surplus were overstated by R 10 as a result of duplications on the land inventory register.

02. Receivables from non-exchange transactions were understated, Trade and other receivables from exchange transactions were overstated, VAT Payable was overstated and Debt impairment expense was overstated by R 13 248 108, R 7 311 202, R 37 339 and R 5 974 242 respectively as a result of the provision for debt impairment that was incorrectly calculated in the prior year.

03. VAT Receivable, Trade Payables and General Expenses (Telephone) were understated by R 68 828, R 527 683 and R 458 856 respectively as a result of invoices not accrued for in the 2024 year end.

04. VAT Receivable, Trade Payables and General Expenses (Insurance) were understated by R 175 671, R 1 346 812 and R 1 171 141 respectively as a result of invoices not accrued for in the 2024 year end.

05. VAT Receivable, Trade Payables and General expenses (Training) were overstated by R 39 075, R 299 575 and R 260 500 respectively as a result of an invoice incorrectly accrued for.

Figures in Rand	2025	2024

48. Prior period errors (continued)

06. VAT Receivable, Trade Payables and Accumulated Surplus were overstated by R 30 306, R 232 343 and R 202 037 respectively as a result of an transaction incorrectly captured in the 2021 year end.

07. VAT Receivable was overstated and Receivables from Exchange Transactions and Payables from Exchange Transactions were understated by R 34 077 915, R 43 020 747 and R 8 942 832 respectively as a result of the incorrect disclosure of VAT balances.

08. Biological Assets, Accumulated Surplus and Gains on Biological Assets were overstated by R 5 329 795, R 3 883 801 and R 1 445 994 respectively as a result of the Municipality incorrectly accounting for game that the Municipality did not control.

09. Property, plant and equipment (Movable assets) and Depreciation were overstated by R 102 385 due to remaining useful lives not having been assessed in the 2024 year end.

10. Property, plant and equipment (Movable assets) and Accumulated Surplus were understated by R 229 due to assets that were incorrectly disposed off in the 2021 year end.

11. Motor Vehicles Cost and Motor Vehicle Accumulated Depreciation were overstated by R 48 000 as a result of a motor vehicle that was not disposed off in the prior year.

12. Trade Payables and General Expenses (Catering) were both understated by R 226 500 as a result of invoices not accrued for in the 2024 year end.

13. Trade Payables and General Expenses (Community Development and Training) were both understated by R 331 900 as a result of invoices not accrued for in the 2024 year end.

14. Trade Payables and General Expenses (Printing and stationery) were both understated by R 101 800 as a result of invoices not accrued for in the 2024 year end.

15. Trade Payables and General Expenses (Hire) were both understated by R 19 800 as a result of invoices not accrued for in the 2024 year end.

16. Trade Payables and General Expenses (Repairs and Maintenance) were both understated by R 498 286 as a result of invoices not accrued for in the 2024 year end.

17. Trade Payables and General Expenses (Travel - Local) were both understated by R 16 650 as a result of invoices not accrued for in the 2024 year end.

18. Other Payables, Employee Costs and disclosure note for S56 and S57 Senior Managers were understated by R 545 755 as a result of backpay for senior managers paid in the 2025 year end that related to the 2024 year end.

19. Other Payables and Employee Costs were both understated by R 45 782, disclosure note for S57 Senior Manager was understated by R 8 878 and disclosure note for S56 Manager was understated by R 31 512 as a result of acting allowances paid in the 2025 year end that related to the 2024 year end.

20. Other Payables, Councillors Remuneration and disclosure note of the councillors remuneration were understated by R 355 330 as a result of backpay for senior managers paid in the 2025 year end that related to the 2024 year end.

21. Other Payables, Finance costs and Fruitless and Wasteful Expenditure were understated by R 21 862 as a result of interest incurred on outstanding pension contributions not accounted for.

22. Other Payables were understated, Accumulated Surplus was overstated, Finance costs were understated and fruitless and wasteful expenditure was understated by R 32 249 201, R 29 303 985, R 2 945 216 and R 32 249 201 respectively as a result of interest incurred from third parties not accounted for previously.

23. Unallocated deposits were overstated, Accumulated Surplus and Sundry Income (Revenue from non-exchange transactions) were understated by R 12 565 712, R 12 202 278 and R 363 433 respectively as a result of long outstanding unallocated deposits not accounted for as sundry income.

24. Contingencies were overstated by R 1 400 000 as a result of claims and litigations incorrectly disclosed as contigent liabilities.

48. Prior period errors (continued)

25. Commitments were overstated by R 11 024 671 as a result of a transferred project incorrectly recorded as committed and a operational project incorrectly recorded as a commitment based on the budget amount. This contract is rate based.

26. Unauthorised expenditure was understated by R 1 631 031 due to transactions not accrued for in the 2024 year end.

27. Irregular expenditur was understated by R 8 127 941 as a result of transaction incorrectly recorded.

28. Cash receipts from ratepayers, government and others was understated, Cash paid to suppliers and employees was overstated, Purchase of property, plant and equipment was understated and Movement in debt relief was overstated by R 20 325 156, R 91 198 499, R 12 637 135 and R 98 886 517 as a result of mistatements noted in the prior year balances and computation issues noted in the cashflow calculations.

29. The Segment Reporting Statement was mistated as a result of the prior period errors noted in the Statement of Financial Position and the Statement of Financial Perfomance.

30. Repairs and maintenance were incorrectly recorded as R 90 956 instead of R 4 701 094 in the prior year on note 8. Property, plant and equipment.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

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

49. Additional disclosure in terms of Municipal Finance Management Act

Contributions to Medical Aid

Opening balance	(758 780)	(729 797)
Current year subscription / fee	(11 309 487)	(10 979 038)
Amount paid - current year	11 080 830	10 950 055
	(987 437)	**(758 780)**

Contributions to Pension Fund

Opening balance	(41 463 203)	(38 644 978)
Current year subscription / fee	(19 341 760)	(18 447 872)
Amount paid - current year	11 693 047	15 629 647
	(49 111 916)	**(41 463 203)**

Audit fees Auditor General

Opening balance	(1 005 975)	(1 687 613)
Current year subscription / fee	(5 584 594)	(4 543 145)
Amount paid - current year	5 070 952	5 224 783
	(1 519 617)	**(1 005 975)**

PAYE, SDL and UIF

Opening balance	(6 083 122)	(4 564 109)
Current year subscription / fee	(20 489 113)	(16 793 042)
Amount paid - current year	23 074 628	15 274 029
	(3 497 607)	**(6 083 122)**

South African Local Government Association

Opening balance	(3 599 214)	(3 485 415)
Current year subscription / fee	(1 161 293)	(1 240 193)
Amount paid - current year	600 000	1 126 394
	(4 160 507)	**(3 599 214)**

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

Councillors' arrear consumer accounts

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

30 June 2025	**Total R**
N.J. Molehabangwe	43 253
S. Viljoen	82 887
S.K. Moleleki	34 297
N.R. Baitsumedi	43 581
T.M. Sehemo	29 528
K.P. Mathibe	34 283
F. Lobelo	54 644
	322 473

30 June 2024	Total R
N.J. Molehabangwe	35 671
S. Viljoen	72 921
S.K. Moleleki	27 199
N.R. Baitsumedi	35 394
T.M. Sehemo	22 101
K.P. Mathibe	27 185
F. Lobelo	50 488
	270 959

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.

Incident		
Emergency	1 412 550	781 726
Sole Supplier	58 723	395 974
Impractical or impossible to follow normal process	22 298	566 923
	1 493 571	**1 744 623**

50. Accounting by principals and agents

The Municipality is a party to principal-agent arrangements.

WATER RELIEF

The Municipality is a party to a principal-agent arrangement in terms of the Water Relief Grant. The municipality is the agent and the Provincial Department of Co-operative Governance and Traditional Affairs is the principal in this arrangement.

SANITATION PROJECTS

The Municipality is a party to a principal-agent arrangement in terms of the Sanitation projects. The municipality is the agent and the Provincial Department of Co-operative Governance and Traditional Affairs is the principal in this arrangement.

50. Accounting by principals and agents (continued)

PREPAID ELECTRICTY

The Municipality is in a principal - agent arrangement with CigiCell (Pty) Ltd, where the Municipality is the principal and CigiCell is the agent. The contract for CigiCell (Pty) Ltd ended in November 2024 and the Municipality entered into the same arrangement with a new supplier, Spectrum Pty(Ltd).

LICENSING

The Municipality is in a principal agent agreement with the Department of Transport, where the Municipality is an agent.

Details of the arrangments are as follows:

WATER RELIEF

The purpose of the arrangement is to construct and refurbish boreholes in the Tswaing Local Municipality area in order to improve the provision of water within communities.

SANITATION PROJECTS

The purpose of the arrangement is to refurbish the bulk sanitation infrastructure in the Tswaing Local Municipality area in order to improve the provision of sanitation within communities.

PREPAID ELECTRICTY

CigiCell is acting as an agent in selling prepaid electricity on behalf of the Municipality. The contract for CigiCell (Pty) Ltd ended in November 2024 and the Municipality entered into the same arrangement with a new supplier, Spectrum Pty(Ltd).

LICENSING

The Municipality is administrating traffic service on behalf of the Department of Transport in terms of the licensing of vehicles. The Municipality receives 20% of the revenue generated from this service while the Department is entitled to 80% of the revenue.

Figures in Rand	2025	2024

50. Accounting by principals and agents (continued)

Entity as agent

Financial Impact

WATER RELIEF

Amount Received	-	1 851 966
Amount Paid	-	(1 851 966)

SANITATION RELIEF

Amount Received	-	12 688 588
Amount Paid	-	(13 596 797)

LICENSING

Revenue	2 610 054	2 272 138

Entity as a principal

Financial Impact

PREPAID ELECTRICTY

Commission paid	1 274 341	1 539 459

51. VAT

The municipality submits VAT 201's to SARS on the payment basis, while the VAT payable above is on an accrual basis.

This results in time differences between amounts reflected by SARS and the municipality on VAT.

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

52. Donations

Donations from Suppliers	-	540 960

The Donor, Bodibe Consulting Engineers, made a gratuitous donation to the Recipient Organization, Tswaing Local Municipality, due to surplus material from other projects exclusive to the agreement with Tswaing Local Municipality. The donor donated the specified items below to the recipient, free and clear of all and any charges, pledges, liens and encumbrances whatsoever, from the effective date of 05 September 2023. The recipient may without restriction use the donated material as they see fit without compulsion from the donor.

53. Statutory Receivables

Statutory receivables included in receivables from non-exchange transactions above are as follows:

Consumer Debtors - Rates

Figures in Rand	2025	2024

53. Statutory Receivables (continued)

Fine Debtors

Statutory receivables general information

Transaction(s) arising from statute

Rates are levied and billed as per the Municipal Property Rates Act No. 6 of 2004.

Traffic fines are issued on traffic violations as per the National Road Traffic Act No. 21 of 1999.

Determination of transaction amount

The rates are calculated using the value of the property and the applicable tariff which is based on the usage of the property, this will also be subject to any applicable rebates based on the nature of the consumer.

Traffic fines amount are determined by the transgressions.

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

Rates receivable have been assessed for impairmnet collectively with other consumer debtors. The debtors are grouped as per their payment history.

Statutory receivables past due but not impaired

There are no statutory receivables that are past due but not impaired.

Consumer Debtors - Rates	33 217 025	18 090 971
Fine Debtors	244 214	188 033
	33 461 239	**18 279 004**

54. Debt Relief

In the 2023/24 year end, the Municipality was successful in their application for the s124 debt relief application. The debt relief entails the following:

1. The Municipality's application for Municipal debt relief is was approved with effect 01 October 2023.

2. The amount that qualified for debt relief is R 115 349 492 (including interest and penalties - excluding the March 2023 current account).

3. Eskom, in consultation with the National Treasury (NT) and only after the Municipality, to the satisfaction of NT, has met the conditions applicable to Municipalities in accordance with the applicable MFMA Circular/s regarding Municipal debt relief issued by the NT – to write-off a third of all the municipality's arrears owed to Eskom at 31 March 2023 (including interest and penalties, but excluding the March current acount 2023) annually over three Municipal financial years.

4. Eskom to permanently suppress any interest on the municpality's arrears that are the subject of Municipal Debt Relief retrospectively from 01 April 2023 – Eskom to align its accounting records and the municipality's Eskom statement(s) / invoice(s). Eskom estimates to effect this suppression within approximately three (3) calendar months from the effective date.

4. As part of accounting for the debt relief, the amount that qualified, was present valued over a the 3 year period using a prime + 2.5% interest rate. The present value of the qualifying amount has been disclosed as a non-current liability and the off-market portion of the liabilty has been disclosed as revenue from non-exchange transactions. The unwinding of interest has been calculated, also using prime + 2.5% interest rate and has been disclosed as finance.

5. The Municipal debt relief willl be accounted for over the next 3 years.

6. In the 2024/25 year end the Municipality was non-compliant with MFMA circular 124 section 6 which states the conditions of the debt relief.

54. Debt Relief (continued)

07. Due to the non - compliant status of the Municipality, the one-third debt relief benefit has not materialised and has not been recognized as a write-off or income in the current year.

	2025	2024
Amount qualified as Municipal Debt Relief	115 349 492	115 349 492
Municipal Relief Debt Liability	108 518 274	98 886 517
Debt Waived	-	25 707 324
Unwinding Interest	9 631 757	9 244 349

55. Comparative figures

Comparative figures have been restated.

The effect of the restatements are disclosed in the prior period adjustments note 49.

56. Segment information

General information

Identification of segments

The municipality is organised and reports to management on the basis of two major functional areas: Community and Social Services and Technical Services. 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.

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:

Community and Social Services	Providing the community services and facilties. Inludes housing, libraries, waste removal, vehicle licencing and testing.
Technical Services	Distribution of main service delivery. Includes waste water management, electricity distribution and water distribution.

Notes to the Annual Financial Statements

Figures in Rand

56. Segment information (continued)

Segment surplus or deficit, assets and liabilities

2025

	Community and Social Services	Technical services	Total
Revenue			
Revenue from exchange transactions			
Rendering of services	14 970 813	120 303 254	135 274 067
Rental of facilities and equipment	169 269	-	169 269
Licences and permits	4 418 284	-	4 418 284
Other income	323 177	52 697	375 874
Revenue from non-exchange transactions			
Government grants & subsidies	-	45 032 157	45 032 157
Fines	306 900	-	306 900
Total segment revenue	**20 188 443**	**165 388 108**	**185 576 551**
Interest revenue			1 163 074
Unallocated revenue			197 626 322
Total revenue reconciling items			**198 789 396**
Entity's revenue			**384 365 947**
Expenditure			
Employee related costs	38 293 940	23 929 492	62 223 432
Depreciation and amortisation	14 024	-	14 024
Bulk purchases	-	71 575 013	71 575 013
Contracted services	576 694	157 489	734 183
General expenses	4 752 378	23 173 041	27 925 419
Other			
Gain or loss on disposal of assets	153 583	2 864 850	3 018 433
Impairment loss	-	3 328 568	3 328 568
Total segment expenditure	**43 790 619**	**125 028 453**	**168 819 072**
Total segmental surplus/(deficit)			**16 757 479**

Figures in Rand

56. Segment information (continued)

	Community and Social Services	Technical services	Total
Total revenue reconciling items			198 789 396
Finance costs			33 855 850
Unallocated expenses			247 479 043
Entity's surplus (deficit) for the period			**(65 788 015)**
Assets			
Trade and other receivables from exchange	13 260 618	51 222 158	64 482 776
Investment property	63 999 772	-	63 999 772
Property, plant and equipment	228 392 014	411 566 672	639 958 686
Heritage assets	953 000	-	953 000
Total segment assets	**306 605 404**	**462 788 830**	**769 394 234**
Unallocated assets			111 884 087
Total assets as per Statement of financial Position			**881 278 321**
Liabilities			
Consumer deposits	-	1 501 893	1 501 893
Unallocated liabilities			559 258 857
Total liabilities as per Statement of financial Position			**560 760 750**

2024

	Community and Social Services	Technical services	Total
Revenue			
Revenue from exchange revenue			
Rendering of services	12 030 621	72 093 677	84 124 298
Rental of facilities and equipment	292 303	-	292 303

Notes to the Annual Financial Statements

Figures in Rand

56. Segment information (continued)

Licences and permits	3 959 240	-	3 959 240
Other income	154 419	79 716	234 135
Revenue from non-exchange revenue			
Donations	540 960	-	540 960
Government grants & subsidies	-	33 150 000	33 150 000
Fines	366 450	-	366 450
Total segment revenue	**17 343 993**	**105 323 393**	**122 667 386**
Interest revenue			681 717
Unallocated revenue			238 224 195
Total revenue reconciling items			**238 905 912**
Entity's revenue			**361 573 298**
Expenditure			
Employee related costs	32 100 427	20 477 741	52 578 168
Depreciation and amortisation	14 024	-	14 024
Bulk purchases	-	61 897 289	61 897 289
Contracted services	307 625	161 203	468 828
General Expenses	7 518 625	18 448 032	25 966 657
Other			
Loss on disposal of assets and liabilities	262 059	933 859	1 195 918
Impairment loss	64	267 305	267 369
Total segment expenditure	**40 202 824**	**102 185 429**	**142 388 253**
Total segmental surplus/(deficit)			**(19 720 867)**
Total revenue reconciling items			238 905 912
Finance costs			33 881 940
Unallocated expenses			224 193 139
Entity's surplus (deficit) for the period			**(38 890 031)**
Assets			
Trade and other receivables from exchange	19 699 347	27 968 948	47 668 295
Investment property	64 052 795	-	64 052 795
Property, plant and equipment	226 117 437	413 707 777	639 825 214
Heritage assets	953 000	-	953 000

Notes to the Annual Financial Statements

Figures in Rand

56. Segment information (continued)

	Community and Social Services	Technical services	Total
Total segment assets	**310 822 579**	**441 676 725**	**752 499 304**
Unallocated assets			88 921 431
Total assets as per Statement of financial Position			**841 420 735**
Liabilities			
Consumer deposits	-	1 445 485	1 445 485
Unallocated liabilities			453 669 664
Total liabilities as per Statement of financial Position			**455 115 149**