Ditsobotla Local Municipality
(Registration number NW 384)
Annual Financial Statements
for the year ended June 30, 2025

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(Registration number NW 384)
Annual Financial Statements for the year ended June 30, 2025

General Information

Legal form of entity	Category B municipality in terms of Section 1 of LocalGovernment's Municipal Structures Act, 1998 (Act 117of1998) read with Section 15 (1) of the Constitution of theRepublic of South Africa (Act 108 of 1996)
Nature of business and principal activities	Provision of municipal services in terms of Chapter 7 of theConstitution of the Republic of South Africa, Act 108 of 1996; TheMunicipal System Act No. 32 of 2000 and the Municipal FinanceManagement Act No. 56 of 2003
Mayoral committee	
Executive Mayor	Hon Cllr Mr MOLEFE MORUTSE
	Hon Cllr Mr KP MOLEME
Councillors	Hon Cllr Mr J MODISAKENG
	Hon Cllr Mr TE MERE
	Hon Cllr Mr DM MORURI
	Hon Cllr Mr SI THAMAGA
	Hon Cllr Mr KI RABENG
	Hon Cllr Mr JW PRETORIUS
	Hon Cllr Mr TJ SEHEMO
	Hon Cllr Mr JJ VAN TONDER
	Hon Cllr Mr AM MOTLOUNG
	Hon Cllr Miss LA BONTES
	Hon Cllr Mr GG SEBOPELO
	Hon Cllr Miss TKY VOGEL
	Hon Cllr Mr RB MATLHOLOA
	Hon Cllr Mr AR SCHNEPEL
	Hon Cllr Ms TB MOKHUANE
	Hon Cllr Mr JL MTLHAMBE
	Hon Cllr Mr IT NKASHE
	Hon Cllr Ms KA RAJANE
	Hon Cllr Mr MA TALI
	Hon Cllr Mr MP MOSETE
	Hon Cllr Mr KI MENOE
	Hon Cllr Ms MJ MOTSEPO
	Hon Cllr Miss ML PLAATJIE
	Hon Cllr Miss MV KGALAPA
	Hon Cllr Mr BF NKUTHA
	Hon Cllr Mr JT NTHAUDI
	Hon Cllr Mr TS MAXONGO
	Hon Cllr Miss OE MODISE
	Hon Cllr Mr BR PHALE
	Hon Cllr Mr SS DITHATO
	Hon Cllr Mr BL MOSIANE
	Hon Cllr Miss EM BOGATSU
	Hon Cllr Mr MD NGAKE
	Hon Cllr Miss KI KABAI
	Hon Cllr Ms SE MOEKETSANE
	Hon Cllr Mrs IE Lethoko
	Hon Cllr Mrs JR THEOLOGO

General Information

Grading of local authority	B
Registered office	Cnr Nelson Mandela and Transvaal Street Lichtenburg North West 2740
Auditors	AGSA Chartered Accountants (S.A.) Registered Auditors

Index

Abbreviations used:

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

Accounting Officer's Responsibilities and Approval

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

The annual financial statements have been prepared in accordance with International Financial Reporting Standards (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

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

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

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

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

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

The annual financial statements set out on page 5, which have been prepared on the going concern basis, were approved by the on August 31, 2025 and were signed on its behalf by:

OT Bojosinyane
Accounting Officer

Accounting Officer's Report

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

1. Going concern

We draw attention to the fact that at June 30, 2025, the municipality had an accumulated surplus (deficit) of (579,461,785) and that the municipality's total liabilities exceed its assets by (579,461,785).

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that the municipality will continue to receive grants from National and Provincial Governments as well as continue to levy rates and charge for services provided to consumers. The proceeds are presumed to be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business

The Municipality currently is technically insolvent as its current liabilities exceed its current assets.Eskom Debt has not been settled completely for over 5 years previously, the Municipality and Eskom have negotiated an affordable payment plan on terms that are yet to be agreed between the Municipality and Eskom.The Municipality is engaging on stringent credit control measures and metering audits to mitigate the risk of meter tempering leading to loss of revenue. The disinvestment of Clover - had negative economic impact , the Municipality has engaged provincial and national departments of agriculture with the view of getting local farmers to utilise facilities.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality and that the subordination agreement referred to in note XX of these annual financial statements will remain in force for so long as it takes to restore the solvency of the municipality.

2. Subsequent events

The accounting officers are not aware of any matter or circumstance arising since the end of the financial year that could require significant adjustments to the annual financial statements.

3. Accounting policies

The annual financial statements prepared in accordance with the South African Statements of Generally Accepted Accounting Practice (GAAP), including any interpretations of such Statements issued by the Accounting Practices Board, and in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board as the prescribed framework by National Treasury.

4.

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

Name	Nationality
OT Bojosinyane	South African

5. Auditors

The Auditor General of South Africa is mandated by the constitution to audit the public sector which includes the municipality and will therefore continue in the next fiancial period.

6. Non-compliance with applicable legislation

Instances of non-compliance with the MFMA and related regulations occurred and were identified during the year and include among others:
Non-compliance with SCM Regulations that resulted in Irregular expenditure reported these annual financial statements.

Monies owed by the municipality was not always paid within 30 days as required by section 65(2)(e) of the MFMA.
Unauthorised, Irregular, Fruitless and wasteful expenditure incurred by the municipality was not investigated to determine if any person is liable for the expenditure, as required by section.

The annual financial statements set out on page 5, which have been prepared on the going concern basis, were approved by the Accounting Officer on August 31, 2025 and were signed on its behalf by:

Accounting Officer's Report

OT Bojosinyane
Accounting Officer

Statement of Financial Position as at June 30, 2025

Figures in Rand	Note(s)	2025	2024
Assets			
Current Assets			
Inventories	7	718,948	718,948
Receivables from non-exchange transactions	8	323,844,500	285,694,942
Other statutory receivables	9	64,895,386	115,641,672
VAT receivable	10	538,140,091	533,252,851
Consumer debtors	11	417,548,851	329,123,092
Cash and cash equivalents	12	3,391,683	8,470,175
		1,348,539,459	**1,272,901,680**
Non-Current Assets			
Investment property	2	251,784,793	251,784,793
Property, plant and equipment	3	857,034,829	887,309,834
Heritage assets	4	506,795	506,795
		1,109,326,417	**1,139,601,422**
Total Assets		**2,457,865,876**	**2,412,503,102**
Liabilities			
Current Liabilities			
Payables from exchange transactions	5	2,061,629,785	2,030,645,216
Employee benefit obligation	6	2,379,655	2,813,481
Unspent conditional grants and receipts	13	62,007,646	62,007,646
Provisions	14	105,695,341	101,250,113
		2,231,712,427	**2,196,716,456**
Non-Current Liabilities			
Employee benefit obligation	6	52,015,318	46,931,753
Total Liabilities		**2,283,727,745**	**2,243,648,209**
Net Assets		**174,138,131**	**168,854,893**
Accumulated surplus		(579,461,785)	168,854,893
Total Net Assets		**(579,461,785)**	**168,854,893**

Statement of Financial Performance

Figures in Rand	Note(s)	2025	2024
Revenue			
Revenue from exchange transactions			
Service charges	17	166,768,869	126,141,726
Rental of facilities and equipment	18	408,502	421,662
Agency services	21	7,496,199	7,968,465
Licences and permits	22	2,380	-
Other income	27	774,275	298,993
Interest received - investment	28	401,480	891,253
Total revenue from exchange transactions		**175,851,705**	**135,722,099**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	29	88,629,784	83,202,477
Licences and Permits (Non-exchange)	23	2,180,568	2,077,545
Interest, Dividends and Rent on Land		73,214	952
Transfer revenue			
Government grants & subsidies	30	213,209,230	200,754,141
Public contributions and donations	31	21,998	-
Fines, Penalties and Forfeits	19	-	1,040,600
Grant from District (Ngaka Modiri) - Water	30	-	18,695,652
Total revenue from non-exchange transactions		**304,114,794**	**305,771,367**
Total revenue	15	**479,966,499**	**441,493,466**
Expenditure			
Employee related costs	32	(328,662,006)	(336,469,181)
Employee costs - Remuneration of councillors	33&43	(17,053,002)	(17,443,328)
Depreciation and amortisation	34	(33,817,827)	(74,163,965)
Finance costs	35	(29,907,461)	(26,784,646)
Lease rentals on operating lease	24	(10,265,512)	(259,990)
Bulk purchases	39	(212,807,534)	(213,596,353)
Contracted Services	40	(46,355,193)	(10,862,999)
General Expenses	38	(10,140,768)	(5,476,789)
Total expenditure		**(689,009,303)**	**(685,057,251)**
Deficit for the year		**(209,042,804)**	**(243,563,785)**

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus / deficit	Total net assets
Balance at July 1, 2023	**412,418,678**	**412,418,678**
Changes in net assets		
Surplus for the year	(243,563,785)	(243,563,785)
Total changes	(243,563,785)	(243,563,785)
Balance at July 1, 2024	**(370,418,981)**	**(370,418,981)**
Changes in net assets		
Surplus for the year	(209,042,804)	(209,042,804)
Total changes	(209,042,804)	(209,042,804)
Balance at June 30, 2025	**(579,461,785)**	**(579,461,785)**

Note(s)

Cash Flow Statement

Figures in Rand	Note(s)	2025	2024
Cash flows from operating activities			
Receipts			
Taxation		88,629,784	83,202,477
Sale of goods and services		166,768,869	126,141,726
Grants		213,209,230	200,754,141
Lincenses and permits		2,180,568	2,077,545
		470,788,451	412,175,889
Payments			
Employee costs		328,662,006	336,469,181
Suppliers		(982,592,352)	65,267,658
Finance costs		(29,907,461)	(26,784,646)
		(683,837,807)	374,952,193
Net cash flows from operating activities	41	**(213,049,356)**	**787,128,082**
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(1,190,785)	(27,232,939)
Net increase/(decrease) in cash and cash equivalents		**(214,240,141)**	**759,895,143**
Cash and cash equivalents at the beginning of the year		8,470,175	(208,323,599)
Cash and cash equivalents at the end of the year	12	**(205,769,966)**	**551,571,544**

The accounting policies on pages 14 to 42 and the notes on page 43 form an integral part of the annual financial statements.

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	221,228,000	-	**221,228,000**	166,768,869	**(54,459,131)**	
Rental of facilities and equipment	-	-	**-**	408,502	**408,502**	
Interest received (trading)	1,009,000	-	**1,009,000**	-	**(1,009,000)**	
Agency services	5,000,000	(5,000,000)	**-**	7,496,199	**7,496,199**	
Licences and permits	-	10,000,000	**10,000,000**	2,380	**(9,997,620)**	
Rental income	281,000	-	**281,000**	-	**(281,000)**	
Other income - (rollup)	-	-	**-**	774,275	**774,275**	
Interest received - investment	-	-	**-**	401,480	**401,480**	
Total revenue from exchange transactions	**227,518,000**	**5,000,000**	**232,518,000**	**175,851,705**	**(56,666,295)**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	84,453,000	(82,773,000)	**1,680,000**	88,629,784	**86,949,784**	
Licences and Permits (Non-exchange)	-	5,000,000	**5,000,000**	2,180,568	**(2,819,432)**	
Interest, Dividends and Rent on Land	-	-	**-**	73,214	**73,214**	
Transfer revenue						
Government grants & subsidies	-	172,176,000	**172,176,000**	213,209,230	**41,033,230**	
Public contributions and donations	-	-	**-**	21,998	**21,998**	
Fines, Penalties and Forfeits	7,000,000	(3,500,000)	**3,500,000**	-	**(3,500,000)**	
Total revenue from non-exchange transactions	**91,453,000**	**90,903,000**	**182,356,000**	**304,114,794**	**121,758,794**	
Total revenue	**318,971,000**	**95,903,000**	**414,874,000**	**479,966,499**	**65,092,499**	
Expenditure						
Personnel	(295,680,000)	-	**(295,680,000)**	(328,662,006)	**(32,982,006)**	
Employee costs - Remuneration of councillors	(20,187,000)	-	**(20,187,000)**	(17,053,002)	**3,133,998**	
Depreciation and amortisation	(32,000,000)	-	**(32,000,000)**	(33,817,827)	**(1,817,827)**	
Finance costs	-	-	**-**	(29,907,461)	**(29,907,461)**	
Lease rentals on operating lease	-	-	**-**	(10,265,512)	**(10,265,512)**	
Bad debts written off	(122,266,000)	-	**(122,266,000)**	-	**122,266,000**	
Bulk purchases	(203,754,000)	-	**(203,754,000)**	(212,807,534)	**(9,053,534)**	
Contracted Services	(27,600,000)	(284,000)	**(27,884,000)**	(46,355,193)	**(18,471,193)**	
Transfers and Subsidies	(42,499,000)	-	**(42,499,000)**	-	**42,499,000**	
Expenses (by function)	(14,000,000)	-	**(14,000,000)**	(10,140,768)	**3,859,232**	
Total expenditure	**(757,986,000)**	**(284,000)**	**(758,270,000)**	**(689,009,303)**	**69,260,697**	
Deficit before taxation	**(439,015,000)**	**95,619,000**	**(343,396,000)**	**(209,042,804)**	**134,353,196**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**(439,015,000)**	**95,619,000**	**(343,396,000)**	**(209,042,804)**	**134,353,196**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Inventories	(9,000,000)	-	**(9,000,000)**	718,948	**9,718,948**	
Receivables from non-exchange transactions	(81,775,000)	(62,673,000)	**(144,448,000)**	323,844,500	**468,292,500**	
Statutory receivables	-	-	**-**	64,895,386	**64,895,386**	
VAT receivable	41,593,000	50,000	**41,643,000**	-	**(41,643,000)**	
Consumer debtors	51,383,000	(5,750,000)	**45,633,000**	417,548,851	**371,915,851**	
Other asset 1	5,750,000	-	**5,750,000**	-	**(5,750,000)**	
Cash and cash equivalents	(150,014,000)	(23,422,000)	**(173,436,000)**	7,905,179	**181,341,179**	
	(142,063,000)	**(91,795,000)**	**(233,858,000)**	**814,912,864**	**1,048,770,864**	
Non-Current Assets						
Investment property	-	-	**-**	251,784,793	**251,784,793**	
Property, plant and equipment	10,450,000	-	**10,450,000**	857,034,829	**846,584,829**	
Heritage assets	-	-	**-**	506,795	**506,795**	
	10,450,000	**-**	**10,450,000**	**1,109,326,417**	**1,098,876,417**	
Total Assets	**(131,613,000)**	**(91,795,000)**	**(223,408,000)**	**1,924,239,281**	**2,147,647,281**	
Liabilities						
Current Liabilities						
Payables from exchange transactions	140,000	558,000	**698,000**	2,061,629,785	**2,060,931,785**	
Taxes and transfers payable (non-exchange)	(1,140,000)	-	**(1,140,000)**	-	**1,140,000**	
VAT payable	35,476,000	-	**35,476,000**	-	**(35,476,000)**	
Employee benefit obligation	-	-	**-**	2,379,655	**2,379,655**	
Unspent conditional grants and receipts	-	-	**-**	62,007,646	**62,007,646**	
Provisions	-	-	**-**	105,695,341	**105,695,341**	
	34,476,000	**558,000**	**35,034,000**	**2,231,712,427**	**2,196,678,427**	
Non-Current Liabilities						
Employee benefit obligation	-	-	**-**	52,015,318	**52,015,318**	
Total Liabilities	**34,476,000**	**558,000**	**35,034,000**	**2,283,727,745**	**2,248,693,745**	
Net Assets	**(166,089,000)**	**(92,353,000)**	**(258,442,000)**	**(359,488,464)**	**(101,046,464)**	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	(166,089,000)	(92,353,000)	**(258,442,000)**	(579,461,785)	**(321,019,785)**	

1. Significant accounting policies

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

1.1 Basis of preparation

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

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

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

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

A summary of the significant GRAP Standards, which have been consistently applied in the preparation of these annual financial statements, are disclosed below:
GRAP-1 Presentation of Financial Statements
GRAP-2 Cashflow Statements
GRAP-3 Accounting Policies, Changes in Accounting Estimates and Errors
GRAP-5 Borrowing Costs
GRAP-9 Revenue from Exchange Transactions
GRAP-12 Inventories
GRAP-13 Leases
GRAP-14 Events after reporting date
GRAP-16 Investment Property
GRAP-17 Property Plant and Equipment
GRAP-18 Segement Reporting
GRAP-19 Provisions, Contigent Liabilities and Contigent Assets
GRAP-20 Related Party Disclosures
GRAP-21 Impairment of Non-Cash Generating Assets
GRAP-23 Revenue from Non-exchange Transactions
GRAP-24 Presentation of Budget Information in Financial Statements
GRAP-25 Employee Benefits
GRAP-31 Intangible Assets
GRAP-103 Heritage Assets
GRAP-104 Financial Instruments
GRAP-108 Statutory Receivables
GRAP-109 Accounting by Principals and Agents
At the date of autorisation of these Annual Financial Statements, the following standards and interpretations were in issue but not yet effective and have not been early adopted by the municipality:

GRAP-1 Presentation on Financial Statements (Revised)
GRAP-103 Heritage Assets (Revised)
GRAP-104 Financial Instruments (Revised)
GRAP-105 Transfer of Functions Between Entities Under Common Control (Revised)
GRAP-106 Transfer of Functions Between Entities Not Unfer Common Control (Revised)
GRAP-107 Mergers (Revised)

These accounting policies are consistent with the previous period.

1.2 Presentation currency

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

1.3 Going concern assumption

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

1.4 Materiality

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

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

The entity does not retrospectively adjust the accounting of past items (or group of items) that were previously assessed as immaterial, unless an error occurred.

1.5 Significant judgements and sources of estimation uncertainty

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

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

Trade receivables

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

Fair value estimation

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

Impairment testing

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

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

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.

Accounting Policies

1.5 Significant judgements and sources of estimation uncertainty (continued)

Useful lives Non-current Assets

The municipality's management determines the estimated useful lives and related depreciation charges for the property,plant and equipment and other assets. These estimates are based on industry norms and on the pattern in which an asset's future economic benefit or service potential is expected to be consumed by the municipality. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives and decrease depreciation charge where useful lives are more than previously estimated useful lives.

Post-retirement benefits

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

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 6.

Effective interest rate

The municipality used the most relevant contractual risk rate applicable to each category of assets and liabilities to discount future cash flows. Where none exists the prime interest rate is used to discount future cash flows

Allowance for doubtful debts

On Consumer debtors
The provision for impairment is measured per individual debtors using the recoverability rate per debtors. The municipality provide for all excluding debtors with credit balances. An impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired.

Traffic fines debtors
The provision for impairment is measured with reference to the recoverability rate.

Recognition and Derecognition of Land

In some instances the municipality is the legal owner, or the custodian of land appointed in terms of legislation, but concludes that it does not control such land. Key judgements made and assumptions applied to conclude that it does not control such land, are as follows:

The land is occupied by residents in terms of RDP housing and transfer of title at the deeds office has not been registered..

Impairment of statutory receivables

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

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

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

Accounting Policies

1.6 Investment property

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

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

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

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

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

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

Fair value

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

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

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

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

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

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

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

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

1.7 Property, plant and equipment

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

Accounting Policies

1.7 Property, plant and equipment (continued)

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

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

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

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

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

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

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

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

Item	Depreciation method	Average useful life
Land	Straight-line	Indifinte lifespan
Buildings	Straight-line	30 years
Plant and machinery	Straight-line	1-7 years
Furniture and fixtures	Straight-line	1-7 years
IT equipment	Straight-line	1-7 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.

Accounting Policies

1.7 Property, plant and equipment (continued)

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

The municipality assesses at each reporting date whether there is any indication that the municipality expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the municipality revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.
The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset. Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

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

Incomplete construction work is stated at historical cost. Depreciation only commences when the asset is ready for use.

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

1.8 Site restoration and dismantling cost

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

If the related asset is measured using the cost model:

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

If the related asset is measured using the revaluation model:

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

(b) in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit; and
(c) a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit or net assets under (a). If a revaluation is necessary, all assets of that class are revalued.

Accounting Policies

1.9 Intangible assets

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

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

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

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

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

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

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

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

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

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

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

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

Internally generated goodwill is not recognised as an intangible asset.

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

Item	Depreciation method	Average useful life
Computer software, other	Straight-line	3 years

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

Accounting Policies

1.10 Heritage assets

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

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

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

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

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

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

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

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

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

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

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

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

Initial measurement

Heritage assets are measured at cost.

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

Subsequent measurement

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

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

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

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

1.11 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.

Accounting Policies

1.11 Financial instruments (continued)

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

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

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

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

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

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

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

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

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

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.

Accounting Policies

1.11 Financial instruments (continued)

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.

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;
- 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.

1.11 Financial instruments (continued)

Classification

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

Class	Category
Receivables from exchange transactions	Financial asset measured at amortised cost
Receivables from non-exchange transactions	Financial asset measured at amortised cost
VAT receivables	Financial asset measured at amortised cost
Pre-payments	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost
Statutory Receivables	Financial asset measured at amortised cost

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

Class	Category
Payables from exchnage transactions	Financial liability measured at amortised cost
VAT payables	Financial liability measured at amortised cost
Consumer Deposits	Financial liability measured at amortised cost
Unspent Conditional Grants	Financial liability measured at amortised cost
Employee Benefit Obligation	Financial liability measured at amortised cost
Provisions	Financial liability measured at fair value

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

Class	Category
Interest	Measured at fair value

1.12 Statutory receivables

Identification

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

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

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

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

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

Recognition

The municipality recognises statutory receivables as follows:

- if the transaction is an exchange transaction, using the policy on Revenue from exchange transactions;
- if the transaction is a non-exchange transaction, using the policy on Revenue from non-exchange transactions (Taxes and transfers); or

1.12 Statutory receivables (continued)

- if the transaction is not within the scope of the policies listed in the above or another Standard of GRAP, the receivable is recognised when the definition of an asset is met and, when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the transaction amount can be measured reliably.

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

Subsequent measurement

The municipality measures statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:

- interest or other charges that may have accrued on the receivable (where applicable);
- impairment losses; and
- amounts derecognised.

Accrued interest

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

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

Other charges

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

Impairment losses

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

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

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

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

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

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

1.12 Statutory receivables (continued)

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.

1.13 Leases

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

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

Finance leases - lessor

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

Finance revenue is recognised based on a pattern reflecting a constant periodic rate of return on the municipality’s net investment in the finance lease.

Finance leases - lessee

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

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

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

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

1.13 Leases (continued)

Operating leases - lessor

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

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

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

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

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

Operating leases - lessee

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

1.14 Inventories

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

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

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

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

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

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

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

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

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

1.15 Cash and cash equivalents

Cash comprises cash on hand and demand deposits.

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

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

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

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.

1.16 Impairment of cash-generating assets

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

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

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

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

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.

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

[Specify judgements made]

1.17 Impairment of non-cash-generating assets

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

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

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

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

Accounting Policies

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

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

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

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

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

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]

Identification

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

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

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

Value in use

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

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

Depreciated replacement cost approach

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

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

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

1.18 Employee benefits

Identification

Employee benefits

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

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

Post-employment benefits are employee benefits (other than termination benefits and short-term employee benefits) that are payable after the completion of employment.

Other long-term employee benefits are all employee benefits other than short-term employee benefits, post-employment benefits and termination benefits.

Termination benefits are employee benefits provided in exchange for the termination of an employee’s employment as a result of either: (a) an entity’s decision to terminate an employee’s employment before the normal retirement date; or (b) an employee’s decision to accept an offer of benefits in exchange for the termination of employment.

Classification of plans

A binding arrangement is an arrangement that confers enforceable rights and obligations on the parties to the arrangement as if it were in the form of a contract. It includes rights from contracts or other legal rights.

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

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.

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

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

State plans are plans established by legislation that operate as if they are multiemployer plans for all entities in economic categories laid down in legislation.

Net defined benefit liability (asset)

The net defined benefit liability (asset) is the deficit or surplus, adjusted for any effect of limiting a net defined benefit asset to the asset ceiling.

The deficit or surplus is: (a) the present value of the defined benefit obligation; less (b) the fair value of plan assets (if any); plus (c) any liability that may arise as a result of a minimum funding requirement.

The asset ceiling is 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 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.

Plan assets comprise: (a) assets held by a long-term employee benefit fund; and (b) qualifying insurance policies.

1.18 Employee benefits (continued)

Assets held by a long-term employee benefit fund are assets (other than nontransferable financial instruments issued by the reporting entity) that: (a) 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 (b) 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: (i) the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting entity; or (ii) the assets are returned to the reporting entity to reimburse it for employee benefits already paid.

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in GRAP 20) of the reporting entity, if the proceeds of the policy: (a) can be used only to pay or fund employee benefits under a defined benefit plan; and (b) are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either: (i) the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or (ii) the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

Defined benefit cost

Service cost comprises: (a) current service cost, which is the increase in the present value of the defined benefit obligation resulting from employee service in the current period; (b) past service cost, which is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting from a plan amendment (the introduction or withdrawal of, or changes to, a defined benefit plan) or a curtailment (a significant reduction by the entity in the number of employees covered by a plan); and (c) any gain or loss on settlement.

Net interest on the net defined benefit liability (asset) is the change during the period in the net defined benefit liability (asset) that arises from the passage of time.

Remeasurements of the net defined benefit liability (asset) comprise: (a) actuarial gains and losses; (b) the return on plan assets, excluding amounts included in net interest on the net defined benefit liability (asset); and (c) any change in the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability (asset).

Actuarial gains and losses are changes in the present value of the defined benefit obligation resulting from: (a) experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred); and (b) the effects of changes in actuarial assumptions.

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: (a) any costs of managing the plan assets; and (b) any tax payable by the plan itself other than tax included in the actuarial assumptions used to measure the present value of the defined benefit obligation.

A settlement is a transaction that eliminates all further legal or constructive obligations for part or all of the benefits provided under a defined benefit plan, other than a payment of benefits to, or on behalf of, employees that is set out in the terms of the plan and included in the actuarial assumptions.

Accounting Policies

1.18 Employee benefits (continued)

Short-term employee benefits

Recognition and measurement

All short-term employee benefits

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

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

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

Short-term paid absences

The entity recognises the expected cost of short-term employee benefits in the form of paid absences as follows:

(a) in the case of accumulating paid absences, when the employees render service that increases their entitlement to future paid absences; and

(b) in the case of non-accumulating paid absences, when the absences occur.

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

Post-employment benefits: Distinction between defined contribution plans and defined benefit plans

Multi-employer plans

The entity classifies a multi-employer plan as a defined contribution plan or a defined benefit plan under the terms of the plan (including any constructive obligation that goes beyond the formal terms). If the entity participates in a multi-employer defined benefit plan, the entity:

(a) accounts for its proportionate share of the defined benefit obligation, plan assets and cost associated with the plan in the same way as for any other defined benefit plan; and

(b) disclose the information required. When sufficient information is not available to use defined benefit accounting fora multi-employer defined benefit plan, the entity: (a) accounts for the plan as if it were a defined contribution plan; and (b) disclose the information required.

In determining when to recognise, and how to measure, a liability relating to the wind-up of a multi-employer defined benefit plan, or the entity's withdrawal from a multi-employer defined benefit plan, the entity applies the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets (GRAP 19).

Defined benefit plans that share risks between entities under common control

Participation in such a plan is a related party transaction for each individual entity. The entity therefore, in its separate or individual financial statements, discloses the information required.

Accounting Policies

1.18 Employee benefits (continued)

Post-employment benefits: Defined contribution plans

Recognition and measurement

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

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

(b) as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset. When contributions to a defined contribution plan are not expected to be settled wholly before twelve months after the end of the reporting period in which the employees render the related service, they are be discounted using the discount rate as specified.

Post-employment benefits: Defined benefit plans

Recognition and measurement

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

Accounting for the constructive obligation

The entity accounts not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the entity's informal practices. Informal practices give rise to a constructive obligation where the entity has no realistic alternative but to pay employee benefits.

1.19 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

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

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

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

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

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

Accounting Policies

1.19 Provisions and contingencies (continued)

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

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

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

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:
- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 42.

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
- 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.

1.20 Commitments

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

Accounting Policies

1.20 Commitments (continued)

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.

1.21 Revenue from exchange transactions

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

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

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

Measurement

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

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

Sale of goods

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

Rendering of services

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

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

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

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by .

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.

Accounting Policies

1.21 Revenue from exchange transactions (continued)

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

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

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.

Accounting Policies

1.22 Revenue from non-exchange transactions

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

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

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

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

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

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

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

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

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

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

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

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

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

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.

Accounting Policies

1.22 Revenue from non-exchange transactions (continued)

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.

Receivables that arise from statutory (non-contractual) arrangements are initially measured in accordance with this accounting policy, as well as the accounting policy on Statutory Receivables. The entity applies the accounting policy on Statutory Receivables for the subsequent measurement, derecognition, presentation and disclosure of statutory receivables.

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

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.

1.23 Investment income

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

1.24 Comparative figures

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

1.25 Unauthorised expenditure

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

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

1.26 Fruitless and wasteful expenditure

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

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

1.27 Irregular expenditure

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

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

Accounting Policies

1.28 Revaluation reserve

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

1.29 Segment information

A segment is an activity of an entity:

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

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

1.30 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 cash basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 4/1/2010 to 3/31/2011.

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

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

1.31 Related parties

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

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

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

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

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

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

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

Accounting Policies

1.31 Related parties (continued)

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

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

1.32 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The municipality will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

2. Investment property

	2025			2024		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	251,784,793	-	251,784,793	251,784,793	-	251,784,793

Reconciliation of investment property - 2025

	Opening balance	Total
Investment property	251,784,793	251,784,793

Reconciliation of investment property - 2024

	Opening balance	Fair value adjustments	Total
Investment property	120,073,279	131,711,514	251,784,793

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.

Restrictions on the realisability of investment property or the remittance of revenue and proceeds of disposal are as follows:

Contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements is as follows:

In the exceptional cases when the municipality has to measure investment property using the cost model in the Standard of GRAP on Property, Plant and Equipment when the municipality subsequently uses the fair value measurement, disclose the following:

- a description of the investment property,
- an explanation of why fair value cannot be determined reliably,
- if possible, the range of estimates within which fair value is highly likely to lie, and
- on disposal of investment property not carried at fair value:
  - the fact that the entity has disposed of investment property not carried at fair value,
  - the carrying amount of that investment property at the time of sale, and
  - the amount of gain or loss recognised.

Notes to the Annual Financial Statements

Figures in Rand

3. 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	159,532,699	-	159,532,699	159,532,699	-	159,532,699
Buildings	137,358,502	(126,452,126)	10,906,376	137,358,502	(125,245,624)	12,112,878
Plant and machinery	1,541,084	(1,308,258)	232,826	1,541,084	(1,263,306)	277,778
Furniture and fixtures	3,714,160	(2,945,657)	768,503	3,714,160	(2,760,306)	953,854
Motor vehicles	26,859,239	(22,805,442)	4,053,797	26,837,241	(21,953,299)	4,883,942
IT equipment	2,257,672	(1,751,269)	506,403	2,257,672	(1,676,170)	581,502
Infrastructure	1,196,693,713	(717,051,572)	479,642,141	1,194,341,676	(690,880,542)	503,461,134
Community	221,968,922	(157,160,360)	64,808,562	213,506,220	(151,913,267)	61,592,953
Bins and containers	136,583,522	-	136,583,522	143,913,094	-	143,913,094
Total	**1,886,509,513**	**(1,029,474,684)**	**857,034,829**	**1,883,002,348**	**(995,692,514)**	**887,309,834**

3. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2025

	Opening balance	Additions	Transfers	Other changes, movements	Depreciation	Total
Land	159,532,699	-	-	-	-	159,532,699
Buildings	12,112,878	-	-	-	(1,206,502)	10,906,376
Plant and machinery	277,778	-	-	-	(44,952)	232,826
Furniture and fixtures	953,854	-	-	-	(185,351)	768,503
Motor vehicles	4,883,942	-	-	-	(830,145)	4,053,797
IT equipment	581,502	57,655	-	-	(132,754)	506,403
Infrastructure	503,461,134	-	-	2,352,038	(26,171,031)	479,642,141
Community	61,592,953	-	8,462,702	-	(5,247,093)	64,808,562
Work In Progress	143,913,094	1,133,130	(8,462,702)	-	-	136,583,522
	887,309,834	**1,190,785**	**-**	**2,352,038**	**(33,817,828)**	**857,034,829**

Notes to the Annual Financial Statements

Figures in Rand

3. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2024

	Opening balance	Additions	Transfers received	Transfers	Depreciation	Total
Land	159,532,699	-	-	-	-	159,532,699
Buildings	13,560,711	-	-	-	(1,447,833)	12,112,878
Plant and machinery	322,730	-	-	-	(44,952)	277,778
Furniture and fixtures	1,139,204	-	-	-	(185,350)	953,854
Motor vehicles	5,736,085	-	-	-	(852,143)	4,883,942
IT equipment	691,788	-	-	-	(110,286)	581,502
Infrastructure	530,138,625	-	-	-	(26,677,491)	503,461,134
Community	62,853,294	-	4,296,809	-	(5,557,150)	61,592,953
Work In Progress	120,976,964	27,232,939	-	(4,296,809)	-	143,913,094
	894,952,100	**27,232,939**	**4,296,809**	**(4,296,809)**	**(34,875,205)**	**887,309,834**

Reconciliation of Work-in-Progress 2025

Reconciliation of Work-in-Progress 2024

	Opening Balance	Additions	Transferred out	Total
Community facilities	24,575,035	13,908,739	(4,296,809)	34,186,965
Infrastructure Assets	46,617,406	13,324,200	-	59,941,606
	71,192,441	**27,232,939**	**(4,296,809)**	**94,128,571**

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

Notes to the Annual Financial Statements

Figures in Rand

4. Heritage assets

	2025			2024		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Art Collections, antiquities and exhibits	506,795	-	506,795	506,795	-	506,795

Reconciliation of heritage assets 2025

	Opening balance	Total
Art Collections, antiquities and exhibits	506,795	506,795

Reconciliation of heritage assets 2024

	Opening balance	Total
Art Collections, antiquities and exhibits	506,795	506,795

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

5. Payables from exchange transactions

Trade payables	2,362,369,108	2,132,192,585
Unallocated Deposits	42,734,280	42,874,774
Other payables 2	13,836,665	12,815,979
Deposits received	(314,114,968)	(84,877,061)
Medical aid control	10,833,791	17,966,582
Group life control account	17,474,158	15,063,749
Pension Control	22,872,159	38,007,699
Garnish Control account	19,950,256	18,014,976
Salary Control	(335,440,085)	(350,394,056)
Tax Control Account(Payee)	138,417,796	111,810,841
UIF Control Account	8,476,816	7,548,520
Skills Control Account	6,659,531	6,018,921
Union Control Account	527,941	409,680
Other Creditors #10	67,032,337	63,192,027
	2,061,629,785	**2,030,645,216**

6. Employee benefit obligations

Defined benefit plans - General information

Post retirement benefit plan

The municipality provides certain post-employment medical aid benefits by funding the medical aid contributions of qualifying retired members of the municipality. According to the rules of the medical aid fund, with which the municipality is associated, a member is entitled to continue as a member of such medical aid fund on retimrement, 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 valuation of plan assets and the present value of the defined obligation were carried out at 30 June 2025 by Arch Actuarial Consulting CC. The resent value of the defined benefit obgation , and the related current service cost and past service cost were measured using the projected unit credit method.

Long Service Awards

The most recent actruairal valuations of the present value obligation at 30 June 2025 was carried out by Arch Acturial Consulting CC. The present value of the defined benefit obligation, the relared current service cost and past service cost, were mearused using the projected unit credit method

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

Carrying value		
Present value of the defined benefit obligation	(54,394,973)	(49,745,234)
Non-current liabilities	(52,015,318)	(46,931,753)
Current liabilities	(2,379,655)	(2,813,481)
	(54,394,973)	**(49,745,234)**

[Provide a brief description of the link between the reimbursement right(s) and the related obligation]

Changes in the present value of the defined benefit obligation are as follows:

Opening balance	35,744,000	33,867,000
Service cost	1,497,000	1,457,000
Interest cost	4,299,000	4,140,000
Payment during the year	(2,105,000)	(3,720,000)
	39,435,000	**35,744,000**

Figures in Rand	2025	2024

6. Employee benefit obligations (continued)

Net expense recognised in the statement of financial performance are as follows:

Service cost	1,497,000	1,457,000
Service cost	-	-
Payments made during the year	(3,731,000)	(3,720,222)
Interest cost	4,299,000	4,140,000
Acturial gain/losses	(1,626,000)	(1,538,000)
	2,065,000	**1,876,778**

Calculation of actuarial gains and losses

Actuarial (gains) losses – Obligation	1,626,000	1,538,000

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

Opening balance	15,908,000	13,772,000
Current service cost	1,647,000	1,582,000
Interest cost	1,701,000	1,565,000
Acturial (gain)loss	(1,474,000)	(1,011,000)
	17,782,000	**15,908,000**

Key assumptions used

Assumptions used at the reporting date:

Discount Rate (PEMA)	11.20 %	12.30 %
CPI Inflation Rate (PEMA)	5.20 %	6.30 %
Medical aid contribution inflation rate	7.00 %	8.10 %
Net discount rate (medical aid contributions)	3.90 %	3.90 %
Maximum subsidy inflation rate	4.70 %	5.50 %
Net discount rate(maximum)	6.30 %	6.50 %
Discount rate (LSA)	9.70 %	11.10 %
CPI Inflation rate	3.70 %	5.30 %
General earnings inflation rate	4.70 %	6.30 %
Net discount rate (LSA)	4.80 %	4.50 %

The basis used to determine the overall expected rate of return on assets is as follow: [provide details]

6. Employee benefit obligations (continued)

Sensitivity analysis

Sensitivity analysis on the defined benefit obligation

Assumed healthcare cost trends rates have a significant effect on the amounts recognised in surplus or deficit. A one percentage point change in assumed healthcare cost trends rates would have the following effects:

	Eligible Employees	Continuation members
Central assumptions	19,715,000	18,094,000
Medical aid contribution inflation rate +1%	21,706,000	18,679,000
Medical aid contribution inflation rate -1%	17,151,000	17,355,000
Discount rate +1%	16,449,000	16,758,000
Discount rate -1%	23,881,000	19,638,000
Post-employment mortality +1yr	19,278,000	17,587,000
Post-employment mortality -1yr	20,140,000	19,595,000
Average retirement age -1yr	21,760,000	18,094,000
Membership continuation -10%	17,306,000	18,094,000

Sensitivity analysis on current and interest costs for the year ending 30 June 2025	**Current Service Cost**	**Interest cost**
Central assumption	1,497,000	4,299,000
Medical aid contribution +1%	1,648,000	4,591,000
Medical aid contribution -1%	1,293,000	3,919,000
Discount rate +1%	1,237,000	4,069,000
Discount rate -1%	1,835,000	4,561,000
Post-employment mortality +1yr	1,465,000	4,192,000
Post-employment mortality -1yr	1,528,000	4,405,000
Average retirement age -1yr	1,633,000	4,532,000
Membership continuation -10%	1,317,000	4,001,000

TheThe DBO at this valuation was recalculated to show the effect of:

(i) a one percentage point increase and decrease in the assumed medical aid contribution inflation rate;

(ii) a one percentage point increase and decrease in the discount rate;

(iii) a one-year age increase and decrease in the assumed rates of post-employment mortality;

(iv) a one-year decrease in the assumed average retirement age; and

(v) a decrease of ten percentage points in the assumed proportion of in-service members that remain members at retirement.e previous period in the methods and assumptions used in preparing the sensitivity analyses, and the reasons for such changes are

Long Service AwardSensitivity analysis on current service and interest costs for year ending 30 June 2025

Assumed discount rate have a significant effect on the amounts recognised in surplus or deficit. A one percentage point change in assumed discount rate would have the following effects:

	Current Service cost	Interest cost
Central assumptions	1,647,000	1,701,000
General earnings inflation rate +1%	1,764,000	1,800,000
General earnings inflation rate -1%	1,542,000	1,609,000
Discount rate +1%	1,557,000	1,754,000
Discount rate -1%	1,748,000	1,639,000
Average retirement age +2yrs	1,753,000	1,840,000

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

6. Employee benefit obligations (continued)

Average retirement age -2yrs	1,530,000	1,549,000
Rates of termination of service x2	1,268,000	1,398,000
Rates of termination of service x0.5	1,912,000	1,898,000

Long Service Award Sensitivity analysis on the Defined Benefit Obligation

Central assumptions	17,782,000	-
General earnings inflation rate +1%	18,717,000	-
General earnings inflation rate -1%	16,927,000	-
Discount rate +1%	16,925,000	-
Discount rate -1%	18,732,000	-
Average retirement age +2yrs	19,059,000	-
Average retirement age -2yrs	16,265,000	-
Rates of termination of service x2	15,004,000	-
Rates of termination of service x0.5	19,582,000	-

The The DBO at this valuation was recalculated to show the effect of:

(i) a one percentage point increase and decrease in the assumed general earnings inflation rate;

(ii) a one percentage point increase and decrease in the assumed discount rate;

(iii) a two-year increase and decrease in the assumed average retirement age of eligible employees; and

(iv) a two-fold increase and a 50% decrease in the assumed rates of termination of service.

Assumed assumption have a significant effect on the amounts recognised in surplus or deficit. A one percentage point change in assumed assumption would have the following effects:

The methods and assumptions used in preparing the sensitivity analyses and the limitations of those methods are [Provide details]

Changes from the previous period in the methods and assumptions used in preparing the sensitivity analyses, and the reasons for such changes are [Provide details]

Assumed assumption have a significant effect on the amounts recognised in surplus or deficit. A one percentage point change in assumed assumption would have the following effects:

The methods and assumptions used in preparing the sensitivity analyses and the limitations of those methods are [Provide details]

Changes from the previous period in the methods and assumptions used in preparing the sensitivity analyses, and the reasons for such changes are [Provide details]

Asset-liability matching strategies used by the plan or the entity, including the use of annuities and other techniques, such as longevity swaps, to manage risk, are as follows: [Provide details]

Funding arrangements and funding policy that affect future contributions are as follows: [Provide details].

The expected contributions to the plan for the next reporting period is -.

The following table presents information about the distribution of the timing of benefit payments:

The following table presents information about the weighted average duration of the defined benefit obligations:

[Provide additional information about the maturity profile of each defined benefit obligation]

The entity participates in a multi-employer defined benefit plan.

The funding arrangements, including the method used to determine the entity's rate of contributions and any minimum funding requirements, are as follows: [Describe]

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

6. Employee benefit obligations (continued)

The extent to which the entity can be liable to the plan for other entities' obligations under the terms and conditions of the multi-employer plan, is as follows: [Describe]

Agreed allocation of a deficit or surplus on:

- Wind-up of the plan [Provide details]

- The entity's withdrawal from the plan [Provide details]

The entity accounted for the multi-employer plan [Describe] as a defined contribution plan, seeing as sufficient information is not available to enable the entity to account for the plan as a defined benefit plan.

The reason why sufficient information is not available to enable the entity to account for the plan as a defined benefit plan, is [Provide details].

The expected contributions to the plan for the next reporting period is -.

Deficit or surplus in the plan that may affect the amount of future contributions, including the basis used to determine that deficit or surplus and the implications for the entity is as follows [Provide details].

The level of participation of the entity in the plan compared with other participating entities is [Provide details]

The entity participates in a defined benefit plan that shares risks between entities under common control.

The binding arrangement for charging the net defined benefit cost (or the fact that there is no such arrangement), is [Provide details]

The policy for determining the contribution to be paid by the entity is [Provide details].

7. Inventories

Inventories 1	718,948	718,948

8. Receivables from non-exchange transactions

Consumer debtors - Rates	323,844,500	285,694,942

9. Other statutory receivables [Framework related]

The entity had the following statutory receivables where the Framework for the Preparation and Presentation of Financial Statements have been applied, for the initial recognition:

Other statutory receivable 1 [State details]	64,895,386	115,641,672
Additional text		
Current assets	64,895,386	115,641,672

10. VAT receivable

VAT Control	538,140,091	533,252,851

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

11. Consumer debtors

Gross balances		
Electricity	209,592,261	198,015,176
Water	330,938,389	335,114,070
Sewerage	195,068,077	179,533,690
Refuse	130,850,650	114,057,709
Housing rental	4,948,591	4,619,811
Other (specify)	148,007,168	99,638,921
	1,019,405,136	**930,979,377**

Less: Allowance for impairment		
Electricity	(155,989,728)	(155,989,728)
Water	(245,747,900)	(245,747,900)
Sewerage	(151,638,963)	(151,638,963)
Other (specify)	(48,479,694)	(48,479,694)
	(601,856,285)	**(601,856,285)**

Net balance		
Electricity	53,602,533	42,025,448
Water	85,190,489	89,366,170
Sewerage	43,429,114	27,894,727
Refuse	130,850,650	114,057,709
Housing rental	4,948,591	4,619,811
Other (specify)	99,527,474	51,159,227
	417,548,851	**329,123,092**

Rates		
Current (0 -30 days)	6,777,642	6,420,759
31 - 60 days	6,486,906	5,963,951
61 - 90 days	6,020,049	7,718,606
91 -120 days	5,847,980	5,559,400
121-150 days	5,760,051	5,435,729
151-180 days	5,669,866	5,292,344
>180 days	287,282,006	249,304,153
	323,844,500	**285,694,942**

Electricity		
Current (0 -30 days)	8,707,966	6,063,632
31 - 60 days	7,479,091	6,237,154
61 - 90 days	7,529,420	6,357,154
91 - 120 days	5,868,038	4,970,172
121-150 days	6,293,187	4,652,970
151-180 days	5,838,565	4,549,126
>180 days	167,798,939	165,107,497
	209,515,206	**197,937,705**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

11. Consumer debtors (continued)

Water		
Current (0 -30 days)	1,101,611	1,129,934
31 - 60 days	1,170,431	1,749,501
61 - 90 days	849,668	902,351
91 - 120 days	794,540	884,374
121-150 days	944,671	1,303,977
151-180 days	643,373	1,342,609
>180 days	325,400,876	327,760,437
	330,905,170	**335,073,183**

Sewerage		
Current (0 -30 days)	2,037,374	2,003,519
31 - 60 days	2,082,270	2,150,383
61 - 90 days	1,858,096	1,840,384
91 - 120 days	1,818,958	1,799,758
121-150 days	1,821,748	1,938,644
151-180 days	1,749,835	1,967,791
>180 days	183,668,973	167,800,826
	195,037,254	**179,501,305**

Refuse		
Current (0 -30 days)	1,812,468	1,746,736
31 - 60 days	1,779,509	1,715,338
61 - 90 days	1,738,368	1,686,291
91 - 120 days	1,722,276	1,669,455
121-150 days	1,706,629	1,653,068
151-180 days	1,696,183	1,633,527
>180 days	120,370,044	103,926,835
	130,825,477	**114,031,250**

Housing rental		
Current (0 -30 days)	35,248	33,422
31 - 60 days	35,248	33,422
61 - 90 days	35,248	31,478
91 - 120 days	35,248	31,478
121-150 days	35,248	31,478
151-180 days	32,183	31,478
>180 days	4,771,254	4,470,371
	4,979,677	**4,663,127**

Other (specify)		
Current (0 -30 days)	(4,713,591)	(1,042,882)
31 - 60 days	(2,451,240)	(2,430,048)
61 - 90 days	2,518,898	(717,142)
91 - 120 days	(1,645,838)	(1,287,561)
121 - 150 days	(1,324,680)	(882,577)
151-180 days	(169,885)	(1,394,488)
>180 days	155,695,825	107,294,228
	147,909,489	**99,539,530**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

11. Consumer debtors (continued)

Summary of debtors by customer classification

Consumers		
Current (0 -30 days)	8,351,814	8,669,163
31 - 60 days	8,688,833	9,266,695
61 - 90 days	12,427,062	7,913,304
91 - 120 days	8,012,394	8,012,918
121 - 150 days	8,368,492	8,015,049
151-180 days	8,042,453	7,981,241
>180 days	958,306,381	901,390,002
	53,891,048	49,858,370
	1,012,197,429	**951,248,372**

Industrial/ commercial		
Current (0 -30 days)	6,013,977	6,569,181
31 - 60 days	6,792,143	4,686,065
61 - 90 days	7,177,929	6,794,568
91 - 120 days	5,819,221	6,015,401
121-150 days	6,168,696	5,280,521
151-180 days	6,513,697	5,351,854
>180 days	186,341,208	124,957,185
	38,485,663	34,697,590
	224,826,871	**159,654,775**

National and provincial government		
Current (0 -30 days)	1,392,926	1,118,175
31 - 60 days	1,101,239	1,468,760
61 - 90 days	944,757	3,113,718
91 - 120 days	607,171	(401,943)
121-150 days	697,249	837,719
151-180 days	901,359	87,447
>180 days	100,342,899	99,309,831
	5,644,701	6,223,876
	105,987,600	**105,533,707**

Total		
Current (0 -30 days)	15,758,717	16,356,520
31 - 60 days	16,582,215	15,421,519
61 - 90 days	20,549,748	17,821,590
91 - 120 days	14,438,786	13,626,376
121-150 days	15,234,438	14,133,289
151-180 days	15,457,779	13,420,542
>180 days	1,244,990,488	1,125,657,019
	98,021,683	90,779,836
	1,343,012,171	**1,216,436,855**

Less: Allowance for impairment		
> 365 days	(601,856,285)	(601,856,285)

Reconciliation of allowance for impairment		
Balance at beginning of the year	(601,856,285)	(601,856,285)

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

12. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	3,391,683	8,470,175

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	June 30, 2025	June 30, 2024	June 30, 2023	June 30, 2025	June 30, 2024	June 30, 2023
ABSA BANK - Current Account(1003100339)	1,115,745	8,329,417	159,132	1,115,745	8,329,417	159,132
ABSA BANK - TrafficAccount (4060907068)	401,346	2,414	33,078	401,346	2,414	33,078
ABSA BANK - Call Account(4062185139)	1,654,064	2,000	3,933,395	1,654,064	2,000	3,933,395
ABSA BANK - Call Account(4096263199)	87,050	2,000	5,436,048	87,050	2,000	5,436,048
ABSA BANK - Call Account(38025140335)	133,478	134,344	135,116	133,478	134,344	135,116
Total	**3,391,683**	**8,470,175**	**9,696,769**	**3,391,683**	**8,470,175**	**9,696,769**

13. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Unspent grants 1	62,007,646	62,007,646

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

14. Provisions

Reconciliation of provisions - 2025

	Opening Balance	Additions	Total
Provision 1	101,250,113	4,445,228	105,695,341

Reconciliation of provisions - 2024

	Opening Balance	Utilised during the year	Total
Provision 1	(40,736,156)	141,986,269	101,250,113

Environmental rehabilitation provision

The municipality has an obligation to rehabilitate the landfill sites in the Ditsobotla municipal area. The environmental

An indication of the uncertainties about the amount or timing of those outflows. Where necessary to provide adequate information, an entity shall disclose the major assumptions made concerning future events, as addressed in paragraph .61.

The amount of any expected reimbursement, stating the amount of any asset that has been recognised for that expected reimbursement.
The provision for the rehabilitation of landfill sites relates to the legal obligation to rehabilitate landfill sites used for waste disposal.
The valuation for the landfill site was performed by Advocate CP Herbest, from Ekolaw Consulting
The Landfill Closure and Rehabilitation Costing Methodology (LCRCM) consists of five components namely:
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
In calculating the provision for rehabilitation, the following four items have been included, Viz.
• Direct Contract Cost
• Indirect professional Fees
• Indirect disbursements
• Escalation

Discount Rate Assumption	**2025**	**2024**
Discount rate (D)	6.05%	6.05%
Consumer price inflation (C)	6.0%	6.0%
Net discount rate ((1+D)/(1+H)-1)	5.05%	5.05%

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

15. Revenue

Service charges	166,768,869	126,141,726
Rental of facilities and equipment	408,502	421,662
Agency services	7,496,199	7,968,465
Licences and permits	2,380	-
Other income	774,275	298,993
Interest received - investment	401,480	891,253
Property rates	88,629,784	83,202,477
Interest, Dividends and Rent on Land	73,214	952
Government grants & subsidies	213,209,230	200,754,141
Public contributions and donations	21,998	-
Fines, Penalties and Forfeits	-	1,040,600
Other transfer revenue 1	-	18,695,652
	477,785,931	**439,415,921**

The amount included in revenue arising from exchanges of goods or services are as follows:

Service charges	166,768,869	126,141,726
Rental of facilities and equipment	408,502	421,662
Agency services	7,496,199	7,968,465
Licences and permits	2,380	-
Other income	774,275	298,993
Interest received - investment	401,480	891,253
	175,851,705	**135,722,099**

The amount included in revenue arising from non-exchange transactions is as follows:

Taxation revenue		
Property rates	88,629,784	83,202,477
Licences or permits	2,180,568	2,077,545
Interest, Dividends and Rent on Land	73,214	952
Transfer revenue		
Government grants & subsidies	213,209,230	200,754,141
Public contributions and donations	21,998	-
Fines, Penalties and Forfeits	-	1,040,600
Other transfer revenue 1	-	18,695,652
	304,114,794	**305,771,367**

16. Service concession arrangements

Revenue from service concession arrangements - Exchange

Sale of water	10,679,907	2,420,957
Sewerage and sanitation charges	20,863,033	22,047,039
	31,542,940	**24,467,996**

17. Service charges

Sale of electricity	116,523,162	93,169,962
Sale of water	10,679,907	2,420,957
Sewerage and sanitation charges	20,863,033	22,047,039
Refuse removal	18,702,767	8,503,768
	166,768,869	**126,141,726**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

18. Rental of facilities and equipment

Premises		
Rental of facilities and equipment	408,502	421,662

19. Fines, Penalties and Forfeits

Fines, Penalties and Forfeits 1	-	1,040,600

20. Service concession arrangements (Expense)

Water purchases	5,836,739	4,237,662

21. Agency services

Agency fees-Department of Transport	7,496,199	7,968,465

22. Licences and permits

Trading	2,380	-

23. Licences and permits (non-exchange)

Licences and permits-Road Traffic Management	2,180,568	2,077,545

24. Lease rentals on operating lease

Lease rentals on operating lease - Other		
Contractual amounts	10,265,512	259,990

25. Interest from non-exchange receivables

Property Rates interest	73,214	952

26. Other revenue

Other income - (rollup)	774,275	298,993

27. Other income

Cementry and Burial	180,175	172,810
Sale of Tender Documents	289,500	25,500
Clearance Certificates	6,782	10,194
Valuation Services	10,214	11,264
Buldings Plans Approval	287,604	79,225
	774,275	**298,993**

28. Investment revenue

Interest revenue		
Bank	401,480	891,253

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

29. Property rates

Rates received

Residential	47,758,349	43,857,249
Commercial	27,349,827	24,461,012
State	1,049,304	3,073,866
Small holdings and farms	12,472,304	11,810,350
	88,629,784	**83,202,477**

Valuations

Residential	3,669,506,228	3,669,506,228
Commercial	1,197,580,005	1,197,580,005
Small holdings and farms	4,251,798,004	4,251,798,004
	9,118,884,237	**9,118,884,237**

30. Government grants & subsidies

Operating grants		
Equitable share	181,796,000	161,108,000
EPWP Grant	1,213,000	-
FMG Grant	3,000,000	3,100,000
Grant from District (Ngaka Modiri) - Water1	-	18,695,652
LG SETA Grant-Skills Development	512,100	733,141
	186,521,100	**183,636,793**
Capital grants		
Municipal Infrastructure Grant	24,949,000	35,813,000
Integrated National Electrification Programme Grant	1,739,130	-
	26,688,130	**35,813,000**
	213,209,230	**219,449,793**

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Unconditional grants received	186,009,000	182,903,652
Conditional grants received	27,200,231	36,546,141
	213,209,231	**219,449,793**

31. Public contributions and donations

Public contributions and donations 1	21,998	-

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

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

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

32. Employee related costs

Basic	158,712,322	182,770,827
Bonus	18,931,955	14,903,387
Medical aid - company contributions	22,460,012	11,874,706
UIF	3,675,745	1,556,291
WCA	237,698	105,144
SDL	4,239,394	2,222,217
Leave pay provision charge	9,580,405	2,962,761
PEMA Interest cost	1,701,000	5,165,000
Temporary workers	9,073,159	13,443,744
Overtime payments	32,516,287	23,209,178
Long-service awards	43,060	649,860
Acting allowances	16,804,720	29,080,747
Car allowance	7,641,360	7,553,810
Housing benefits and allowances	197,183	-
Pension	34,183,947	32,617,954
Group Life Insurance	485,313	142,397
Standby Allowance	8,178,446	8,211,158
	328,662,006	**336,469,181**

Remuneration of Municipal Manager

Basic Salary	1,411,174	-
Bonus	117,598	-
Travel or Motor Vehicle	18,463	-
Unemployment Insurance	1,948	-
Skills Development Fund Levy	13,840	-
	1,563,023	**-**

OT Bojosinyane is currently the municipal manager of Ditsobotla Local Municipality from July 2024 to November 2027.

Remuneration of acting Municipal Manager

Acting Allowance	-	22,611
Basic Salary	-	740,038
Bonus	-	64,829
Housing Benefits	-	11,574
Travel or Motor Vehicle	-	132,042
Other- Public + Rural	-	148,144
Unemployment Insurance	-	2,125
Skills Development Fund Levy	-	9,172
Medical	-	41,871
	-	**1,172,406**

BD Dube was the acting Municipal Manager from September 2023 to November 2023.

RC Mooketsi- October 2023 to June 2024

Acting Allowance	-	16,252
Basic Salary	-	740,038
Bonus	-	61,670
Travel or Motor Vehicle	-	15,091
Other - Public+Rural	-	137
Unemployment Insurance Fund	-	2,125
Skills Development Fund Levy	-	9,230
	-	**844,543**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

32. Employee related costs (continued)

RC Mooketsi was the acting Municipal Manger from October 2023 to June 2024.

Remuneration of Acting Chief Finance Officer

Acting Allowance	21,038	-
Basic Salary	777,206	-
Bonus	68,187	-
Housing Benefits	14,500	-
Travel or Motor Vehicle	131,274	-
Other- Rural	185,341	-
Unemployment Insurance Fund	2,125	-
Skills Development Levy	9,165	-
	1,208,836	**-**

NL Moagi- December 2024, June to August 2025.

Remuneration of Acting Director Corporate Services

Acting Allowance	24,780	-
Basic Salary	777,729	-
Standby Allowance	13,894	-
Housing Benefits	14,500	-
Travel or Motor Vehicle	168,354	-
Pension	175,783	-
Unemployment Insurance Fund	2,125	-
Skills Development Levy	10,289	-
Medical	65,703	-
Other	15,577	-
	1,268,734	**-**

KP Dipholo was the Acting Director Corporate Services from December 2024 to March 2025.

Remuneration of Acting Director Technical

Acting Allowance	-	20,426
Basic Salary	777,206	-
Bonuses	65,412	-
Pension	169,764	-
Unemployment Insurance Fund	2,125	-
Bargaining Council	143	-
Medical	65,466	-
Skills Development Fund Levy	9,539	-
	1,089,655	**20,426**

RI Motlhabane is currently the acting director of technical services from June-August 2025.

Remuneration of Acting Director LED and Planning

Acting Allowance	24,780	-
Basic Salary	777,206	-
Bonus	64,445	-
Unemployment Insurance Fund	2,125	-
Travel or Motor Vehicle	130,922	-
Skills Development Fund Levy	9,780	-
Other	204,745	-

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

32. Employee related costs (continued)

	1,214,003	**-**

KN Mothibedi- was the acting directo LED and planning from December 2024 and January to March 2025.

Remuneration of Acting Director Community Services

Acting Allowance	24,780	-
Basic Salary	777,206	-
Unemployment Insurance Fund	2,125	-
Travel or Motor Vehicle	112,176	-
Other	181,014	-
	1,097,301	**-**

SS Nnete is currently the acting director of community services from December 2024, January to March and June to August 2025.

33. Remuneration of councillors

Executive Major	21,837	48,733
Councillors	17,031,165	17,394,595
	17,053,002	**17,443,328**

34. Depreciation and amortisation

Property, plant and equipment	33,817,827	74,163,965

35. Finance costs

Trade and other payables	28,492,353	20,533,710
Other interest paid	1,415,108	6,250,936
	29,907,461	**26,784,646**

36. Auditors' remuneration

Fees	4,916,129	-

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

37. Debt impairment

38. General expenses

Advertising	263,402	113,212
Auditors remuneration	4,916,129	-
Bank charges	435,307	487,037
Consumables	-	90,700
Remuneration of Ward Committees	-	2,090,000
Printing and stationery	52,073	260,140
Staff welfare	397,759	-
Training	70,256	674,696
Travel - local	241,586	99,642
Utilities - Eskom Small Accounts	2,923,299	1,299,303
Uniforms	-	262,196
Other expenses	10,500	81,267
EPWP	830,457	18,596
	10,140,768	**5,476,789**

39. Bulk purchases

Electricity - Eskom	206,970,795	209,358,691
Water	5,836,739	4,237,662
	212,807,534	**213,596,353**

40. Contracted services

Outsourced Services		
Business and Advisory	5,080,370	813,342
Personnel and Labour	877,283	859,299
Refuse Removal	10,728	-
Security Services	16,579,756	(740,220)
Water Takers	6,951	12,600
Consultants and Professional Services		
Business and Advisory	1,305,217	495,911
Legal Cost	9,893,891	1,310,345
Contractors		
Maintenance of Buildings and Facilities	84,637	-
Maintenance of Equipment	12,475,222	7,999,522
Maintenance of Unspecified Assets	41,138	112,200
	46,355,193	**10,862,999**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

41. Cash (used in) generated from operations

Deficit	(209,042,804)	(243,563,785)
Adjustments for:		
Depreciation and amortisation	33,817,827	74,163,965
Movements in retirement benefit assets and liabilities	4,649,739	51,235,522
Movements in provisions	4,445,228	15,589,109
Changes in working capital:		
Inventories	-	2,369,690
Consumer debtors	(88,425,759)	455,630,823
Other receivables from non-exchange transactions	(38,149,558)	80,849,163
Statutory receivables	50,746,286	(911,918)
Payables from exchange transactions	30,984,569	349,153,637
VAT	(2,074,884)	2,611,876
	(213,049,356)	**787,128,082**

42. Contingencies

Contigencies arsing from pending litigation on contractual disputes and claims for damages.

Litigation is in the process against the municipality relating to several contractual disputes and claims for damages. As the conclusion of the process is dependent on the setting of dates by the respective courts, timing of the economic outflow is therefore uncertain. Amounts disclosed do not include legal fees. Details of the claims are listed below;

Contingent Liabilities		
1. Arangies Attorneys- Section 40 of 2002 notice" Claim of car damage on municipal employees negligence, Mr L.P Oliver.	53,708	53,708
2. Bociamo (Pty) Ltd// DLM- The plantiff is claiming for provision	29,600	29,600
3. Ditsobotla Local Municipality// Kwende Construction CC: An urgent application by the municipality interdicting the respondant from termination and tampering with the electricity supply systems and/or infrastructure of the municipality.	7,518,171	7,518,171
6. Hans Nel Bande (Pty)Ltd//DLM- The municipality terminated the electricity supply of the plantiff due to illegal connections. As a results, the plantiff instituted urgent legal proceedings to interdict the Municipality to desist from such and to restore the electricity supply.	95,750	95,750
8. JVC Trading Enterprise- Outstanding invoices for services rendered for various services.	128,975	128,975
9. Kenneth Vuyo Manyaka- an employee has taken legal action against the employee for the breach of duty of care/ grounds of negligence.	16,000,000	16,000,000
10. Khutlhedi Martins Gabalemoge- An employee has taken legal action against the employee for the breach of duty of care/ grounds of negligence.	16,000,000	16,000,000
14. MK 63 Security Services (Pty)Ltd- Claim for outstanding invoices for services provided for rendering security services (DLM/MMSECU/SCM/23/23/2018/2020)	13,515,518	13,515,518
15. Mmatsatsi Construction- Claim for retention money on the repair of road under contract (DLM/PMU/ROADA/SCM/2019/2020)	198,510	198,510
16. MPM Molefe Attorneys//DLM- Claim on outstanding legal fees for various matters on behalf of the municipality.	2,390,512	2,390,512
17 Nurodilema Seopa Trading- Outstanding invoice on the services provision for security services (DLM/PSS/20/2015/16).	4,985,867	4,985,867
21. PONO Security & Projects//DLM- The plantiff is claiming for professional services rendered for the provision of security services.	3,012,040	3,012,040
24. T.J Ngwenya Attorneys- Claim on outstanding legal fees for various matters on behalf of the municipality for the matter of Kabelo Phillip Motlhaolwa/DLM (Case:NW/LTXRC6/2020).	124,000	124,000
	64,052,651	**64,052,651**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

43. Related parties

Relationships	
Accounting Officer	Refer to accounting officers' report note 4
Members of key management	Name
	Name

Compensation to accounting officer and other key management

	2025	2024
Short-term employee benefits	3,589,897	11,833,075

Notes to the Annual Financial Statements

Figures in Rand

43. Related parties (continued)

Remuneration of management

Management class: Councillors

2025

Name	Basic Salary	Travel Allowance	Telephone Allowance	Other Allowances/Contributions	Total
TJ Sehemo	317,471	79,368	40,800	4,218	441,857
J Modisakeng	391,732	97,933	37,400	5,075	532,140
TE Mere	282,489	70,622	37,400	2,953	393,464
DM Moruri	320,743	71,627	37,400	3,594	433,364
SI Thamaga	390,607	91,305	37,400	5,011	524,323
KI Rabeng	213,664	53,416	37,400	2,617	307,097
JW Pretorious	213,664	53,416	37,400	2,938	307,418
MV Kabai	85,952	9,712	6,800	1,005	103,469
JJ Van Tonder	213,664	53,416	37,400	2,938	307,418
AM Motloung	284,203	67,494	37,400	3,332	392,429
IE Lethoko	231,594	57,898	37,400	2,833	329,725
LA Bontes	308,170	77,042	40,800	4,106	430,118
GG Sebopelo	233,088	58,272	40,800	3,205	335,365
TKY Vogel	213,664	53,416	37,400	2,938	307,418
MW Morutse	243,795	60,985	13,600	1,946	320,326
RB Matlholoa	262,028	61,859	37,400	3,489	364,776
AR Schnepel	213,664	53,416	37,400	2,938	307,418
TB Mokhuane	343,941	73,653	40,800	4,025	462,419
JL Mthlhambe	415,735	103,934	37,400	4,115	561,184
IT Nkashe	548,789	137,260	40,800	7,268	734,117
KA Rajane	233,088	58,272	40,800	3,205	335,365
MA Tali	233,088	58,272	40,800	3,205	335,365
MP Mosete	363,452	86,656	40,800	4,386	495,294
KI Monoe	258,115	64,529	40,800	3,505	366,949
MJ Motsepo	194,240	48,560	40,800	2,286	285,886

Notes to the Annual Financial Statements

Figures in Rand

43. Related parties (continued)

ML Plaatjie	235,589	117,135	40,800	3,351	396,875
MV Kgalapa	552,636	138,161	40,800	5,451	737,048
BF Nkutha	213,664	53,416	37,400	2,617	307,097
JT Nthaudi	260,416	61,024	40,800	3,205	365,445
TS Maxongo	213,664	53,416	37,400	2,617	307,097
OE Modise	233,088	58,272	40,800	2,855	335,015
BR Phale	260,846	61,671	4,800	2,962	330,279
KP Moleme	439,159	102,476	40,800	5,270	587,705
SS Dithato	363,452	86,659	40,800	4,736	495,647
BL Mosiane	417,534	-	40,800	4,583	462,917
EM Bogatsu	401,854	100,463	40,800	5,230	548,347
MD Ngake	213,664	53,416	37,400	2,617	307,097
JR Theologo	19,424	4,856	3,400	444	28,124
SE Moeketsane	233,330	54,792	37,400	3,146	328,668
NMP Phokompe	135,968	33,992	23,800	1,870	195,630
SA Matshane	25,792	-	-	177	25,969
Y Laher	179,766	44,941	23,800	2,395	250,902
E Phillips	199,418	49,854	27,200	-	276,472
	11,609,904	**2,776,877**	**1,473,600**	**140,657**	**16,001,038**

2024

Name	Basic Salary	Travel Allowance	Telephone Allowance	Other allowances/contributions	Total
TJ Sehemo	589,224	161,419	40,800	7,479	798,921
J Modisakeng	233,088	64,871	40,800	3,205	341,964
TE Mere	308,170	77,042	40,800	3,222	429,234
DM Moruri	258,115	64,529	40,800	3,284	366,728
SI Thamaga	485,680	123,967	40,800	6,236	656,683
KI Rabeng	233,088	58,272	40,800	2,972	335,365
JW Pretorious	233,088	58,272	40,800	3,205	335,365
JJ Van Tonder	233,088	58,272	40,800	3,205	335,365
AM Motloung	308,170	77,042	40,800	3,798	429,810

Notes to the Annual Financial Statements

Figures in Rand

43. Related parties (continued)

IE Lethoko	233,088	58,272	40,800	2,972	335,132
LA Bontes	308,170	77,042	40,800	4,106	430,118
GG Sebopelo	233,088	58,272	40,800	3,205	335,365
TKY Vogel	233,088	58,575	40,800	3,205	335,365
RB Matlholoa	283,993	69,278	40,800	3,802	397,873
AR Schnepel	233,088	58,272	40,800	3,205	335,365
TB Mokhuane	233,088	58,727	40,800	2,972	335,132
JL Mthlhambe	536,194	134,049	40,800	5,301	716,344
IT Nkashe	733,637	182,954	40,800	9,574	966,965
KA Rajane	233,088	58,272	40,800	3,205	335,365
MA Tali	233,088	58,272	40,800	3,205	335,365
MP Mosete	233,088	58,272	40,800	2,972	335,132
KI Monoe	233,088	58,272	40,800	3,205	335,365
MJ Motsepo	283,142	70,786	40,800	3,498	398,226
ML Plaatjie	233,088	58,272	40,800	2,972	335,132
MV Kgalapa	552,636	138,161	40,800	5,980	737,577
BF Nkutha	233,088	58,272	40,800	2,972	335,132
JT Nthaudi	251,088	58,272	40,800	3,188	353,348
TS Maxongo	233,088	58,272	40,800	2,972	335,132
OE Modise	233,088	58,727	40,800	2,972	335,587
BR Phale	283,992	71,717	40,800	3,428	399,937
KP Moleme	233,088	58,272	40,800	2,972	335,132
SS Dithato	233,088	61,066	40,800	3,205	338,159
BL Mosiane	242,800	55,449	40,800	3,225	342,274
EM Bogatsu	308,170	77,042	40,800	4,106	430,118
MD Ngake	233,088	58,272	40,800	2,972	335,132
SE Moeketsane	233,088	58,272	40,800	3,205	335,365
MP Phokompe	233,088	58,272	40,800	3,205	335,365
Y Laher	308,170	77,042	40,800	4,106	430,118
E Phillips	276,431	65,868	37,400	-	379,699
	11,445,718	**2,874,249**	**1,587,800**	**142,513**	**16,049,754**

Notes to the Annual Financial Statements

44. Prior-year adjustments

Presented below are those items contained in the statement of financial position, statement of financial performance and cash flow statement that have been affected by prior-year adjustments:

Statement of financial position

2024

	Note	As previously reported	Correction of error	Restated
Inventories		718,948	-	718,948
Receivables from non-exchange transactions		447,306,142	(161,611,200)	285,694,942
Consumer debtors		244,732,590	84,390,502	329,123,092
Cash and Cash Equivalent		8,470,174	-	8,470,174
Investment Property		122,852,004	-	122,852,004
Property Plant and Equipment		865,190,705	22,119,129	887,309,834
Heritage Assets		506,795	-	506,795
Payables from exchnage transactions		(1,649,650,481)	(380,994,735)	(2,030,645,216)
VAT Receivable		-	533,252,851	533,252,851
Trade payables(non-exchange)		(62,007,646)	62,007,646	-
VAT Payables		(4,913,340)	4,913,340	-
Consumer Deposits		(3,583,815)	-	(3,583,815)
Employee Benefit Obligation-current		(1,432,302)	(1,381,179)	(2,813,481)
Unspent conditional Grants		(62,007,646)	-	(62,007,646)
Provisions-current		(57,340,874)	(43,909,239)	(101,250,113)
Employee Benefit obligation		(26,198,339)	(20,733,414)	(46,931,753)
Provision		(37,102,511)	-	(37,102,511)
Accumulated Surplus		(377,026,566)	(98,053,701)	(475,080,267)
		(591,486,162)	**-**	**(591,486,162)**

Statement of financial performance

2024

	Note	As previously reported	Correction of error	Restated
Rendering of Services		298,993	(298,993)	-
Service Charges		157,691,250	(31,549,524)	126,141,726
Rental of facilities and equipment		433,122	(11,460)	421,662
Interest received from investments		565,935	-	565,935
Agency Services		7,852	7,960,613	7,968,465
Lincenses and Permits		2,077,545	-	2,077,545
Property rates		81,050,507	2,151,970	83,202,477
Grant from district		19,428,793	(733,141)	18,695,652
Employee related cost		(296,367,978)	(40,101,203)	(336,469,181)
Remunration of councilors		(16,049,066)	(1,394,262)	(17,443,328)
Depreciation and amortisation		(39,288,762)	(34,875,203)	(74,163,965)
Finance costs		(53,107,555)	26,322,909	(26,784,646)
Lease rental on operating lease		(12,998,512)	12,738,522	(259,990)
Bulk purchases		(150,605,737)	(62,990,616)	(213,596,353)
General Expenses		(3,848,179)	(1,628,610)	(5,476,789)
Surplus for the year		**(310,711,792)**	**(124,408,998)**	**(435,120,790)**

45. Risk management

Financial risk management

Figures in Rand	2025	2024

45. 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.

Credit risk

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

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

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

The municipality is exposed to a number of guarantees for the overdraft facilities of economic entities and for guarantees issued in favour of the creditors of A (Pty) Ltd. Refer to note for additional details.

46. Fruitless and wasteful expenditure

Opening balance as previously reported	168,272,254	162,088,345
Add: Fruitless and wasteful expenditure identified - current	19,863,356	6,183,909
Closing balance	**188,135,610**	**168,272,254**

47. Irregular expenditure

Opening balance as previously reported	318,906,618	311,132,318
Add: Irregular expenditure - current	22,432,323	4,532,007
Add: Irregular expenditure - prior year corrections	-	3,242,293
Closing balance	**341,338,941**	**318,906,618**

48. Deviation from supply chain management regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved by the Accounting Officer and noted by Council. The expenses incurred as listedhereunder have been approved and noted by the municipal council.

Incident		
Deviations	12,200,927	-

49. SALGA

Current year fees	99,313	-
Interest Charged	100,201	-
	199,514	**-**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

50. Audit fees

External Audit fees		
Current year	4,916,129	-
Interest	1,057,419	-
	5,973,548	**-**

51. PAYE,UIF and SDL

Current year subscription fees	42,503,080	37,921,817
Amount paid-current year	(42,503,080)	(37,921,817)
	-	-

52. Pension and Medical aid deductions

Current year	38,088,735	36,217,041
Amount paid	(38,088,735)	(36,217,041)
	-	-

Ditsobotla Local Municipality

(Registration number NW 384)
Annual Financial Statements for the year ended June 30, 2025

Accounting Officer's Report

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

1. Going concern

We draw attention to the fact that at June 30, 2025, the municipality had an accumulated surplus (deficit) of (579,461,785) and that the municipality's total liabilities exceed its assets by (579,461,785).

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that the municipality will continue to receive grants from National and Provincial Governments as well as continue to levy rates and charge for services provided to consumers. The proceeds are presumed to be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business

The Municipality currently is technically insolvent as its current liabilities exceed its current assets.Eskom Debt has not been settled completely for over 5 years previously, the Municipality and Eskom have negotiated an affordable payment plan on terms that are yet to be agreed between the Municipality and Eskom.The Municipality is engaging on stringent credit control measures and metering audits to mitigate the risk of meter tempering leading to loss of revenue. The disinvestment of Clover - had negative economic impact , the Municipality has engaged provincial and national departments of agriculture with the view of getting local farmers to utilise facilities.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality and that the subordination agreement referred to in note XX of these annual financial statements will remain in force for so long as it takes to restore the solvency of the municipality.

2. Subsequent events

The accounting officers are not aware of any matter or circumstance arising since the end of the financial year that could require significant adjustments to the annual financial statements.

3. Accounting policies

The annual financial statements prepared in accordance with the South African Statements of Generally Accepted Accounting Practice (GAAP), including any interpretations of such Statements issued by the Accounting Practices Board, and in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board as the prescribed framework by National Treasury.

4.

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

Name	Nationality
OT Bojosinyane	South African

5. Auditors

The Auditor General of South Africa is mandated by the constitution to audit the public sector which includes the municipality and will therefore continue in the next fiancial period.

6. Non-compliance with applicable legislation

Instances of non-compliance with the MFMA and related regulations occurred and were identified during the year and include among others:
Non-compliance with SCM Regulations that resulted in Irregular expenditure reported these annual financial statements.

Monies owed by the municipality was not always paid within 30 days as required by section 65(2)(e) of the MFMA.
Unauthorised, Irregular, Fruitless and wasteful expenditure incurred by the municipality was not investigated to determine if any person is liable for the expenditure, as required by section.

The annual financial statements set out on page 5, which have been prepared on the going concern basis, were approved by the Accounting Officer on August 31, 2025 and were signed on its behalf by: