Knysna Municipality
Annual Financial Statements
for the year ended 30 June 2025

AUDITOR-GENERAL
SOUTH AFRICA
*Auditing to build public confidence*

30 November 2025

## General Information

| **Mayoral committee** | Previous | Current |
|---|---|---|
| Executive Mayor | A Tsengwa | T Matika |
| Deputy Executive Mayor | A Marbi | M Gericke |
| Speaker | M Skosana | M Willemse |
| Executive Councillor | A Marbi (Chairperson: Planning, Economic Development & Tourism Committee) | |
| Executive Councillor | B Charlie (Chairperson: Infrastructure Services Committee) | B Charlie (Chairperson: Infrastructure Services Committee) |
| Executive Councillor | W Grootboom (Chairperson: Community Services Committee) | R Arends (Chairperson: Community Services Committee) |
| Executive Councillor | T Matika (Chairperson: Finance and Governance Committee) | K Andrews (Chairperson: Finance and Governance Committee) |
| Executive Councillor | K Andrews (Chairperson: Integrated Human Settlements Committee) | N Louw (Chairperson: Integrated Human Settlements Committee) |

**Councillors**

| Ward | Current |
|---|---|
| 1 | L Davis |
| 2 | C Vanston |
| 4 | P Petros |
| 5 | H Stroebel |
| 6 | K Andrews |
| 7 | M Khumelwana |
| 9 | S Sabbagh |
| 10 | P Bester |
| 11 | R Arends |
| Proportional | A van Schalkwyk |
| Proportional | L Tyokolo |
| Proportional | J White |
| Proportional | N Louw |
| Proportional | S Campbell |
| Proportional | M Willemse |
| Proportional | B Charlie |
| Proportional | W Grootboom |
| Proportional | M Gericke |



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# General Information

| | |
|---|---|
| **Registered office** | Civic Centre<br>Clyde Street<br>Knysna<br>6570 |
| **Postal address** | PO Box 21<br>Knysna<br>6570 |
| **Bankers** | Standard Bank<br>PO Box 472<br>Knysna<br>6570 |
| **Auditors** | Auditor-General of South Africa<br>Private Bag X1<br>Chempet<br>7442 |
| **Website** | www.knysna.gov.za |
| **Contact numbers** | Tel: 044-302 6300<br>Fax: 044-302 6333 |
| **Jurisdiction** | Greater Knysna areas which includes:<br>Knysna<br>Sedgefield<br>Rheenendal<br>Karatara<br>Brenton<br>Belvidene<br>Knoetzie |
| **Relevant legislation** | Constitution of the Republic of South Africa (Act no 108 of 1996)<br>Municipal Finance Management Act (Act no 56 of 2003)<br>Division of Revenue Act (24 of 2024)<br>The Income Tax Act (58 of 1962)<br>Value Added Tax Act (89 of 1991)<br>Municipal Structures Act (Act no 117 of 1998)<br>Municipal Systems Act (Act no 32 of 2000)<br>Water Services Act (Act no 108 of 1997)<br>Housing Act (Act no 107 of 1997)<br>Municipal Property Rates Act (Act no 6 of 2004)<br>Electricity Act (Act no 41 of 1987)<br>Skills Development Levies Act (Act no 9 of 1999)<br>Employment Equity Act (Act no 55 of 1998)<br>Unemployment Insurance Act (Act no 30 of 1966)<br>Basic Conditions of Employment Act (Act no 75 of 1997) |



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**Abbreviations used:**

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



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# 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 were given unrestricted access to all financial records and related data.

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

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

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

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

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

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

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

The annual financial statements set out in terms of Section 126(1) of the Municipal Finance Management Act (Act 56 of 2003), on pages 5 to 117, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2025.

**Accounting Officer**

29/08/2025



AUDITOR-GENERAL SOUTH AFRICA
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# Statement of Financial Position as at 30 June 2025

| Figures in Rand | Note(s) | 2025 | 2024 Restated* |
|---|---|---|---|
| **Assets** | | | |
| **Current Assets** | | | |
| Inventories | 3 | 10,652,698 | 12,045,136 |
| Construction contracts and receivables | 4 | 8,292,300 | 6,917,520 |
| Receivables from exchange transactions | 5 | 89,383,117 | 111,773,805 |
| Receivables from non-exchange transactions | 6 | 111,252,094 | 103,487,065 |
| Prepayments | | 5,145 | 5,145 |
| Cash and cash equivalents | 9 | 106,001,005 | 23,608,756 |
| | | **325,586,359** | **257,837,427** |
| **Non-Current Assets** | | | |
| Long-term investments and receivables | 10 | 3,425,615 | 3,178,103 |
| Investment property | 11 | 67,370,408 | 67,506,428 |
| Property, plant and equipment | 12 | 1,473,156,863 | 1,464,655,163 |
| Intangible assets | 13 | 33,501 | 48,921 |
| Heritage assets | 14 | 14,613,046 | 14,613,046 |
| Operating lease asset | 15 | 3,869,248 | 3,671,787 |
| | | **1,562,468,681** | **1,553,673,448** |
| **Total Assets** | | **1,888,055,040** | **1,811,510,875** |
| **Liabilities** | | | |
| **Current Liabilities** | | | |
| Unspent conditional grants and receipts | 8 | 26,906,599 | 2,651,104 |
| Other financial liabilities | 17 | 51,197,154 | 46,349,310 |
| Finance lease obligation | 16 | 911,354 | - |
| Payables from exchange transactions | 18 | 190,559,645 | 229,057,643 |
| Consumer deposits | 19 | 15,872,226 | 15,537,654 |
| Employee benefit obligation | 20 | 43,234,127 | 38,568,633 |
| Provisions | 21 | 907,340 | 7,670,634 |
| | | **329,588,445** | **339,834,978** |
| **Non-Current Liabilities** | | | |
| Other financial liabilities | 17 | 243,785,981 | 305,354,811 |
| Finance lease obligation | 16 | 1,009,033 | - |
| Employee benefit obligation | 20 | 123,821,348 | 118,650,947 |
| Provisions | 21 | 18,261,010 | 17,362,338 |
| | | **386,877,372** | **441,368,096** |
| **Total Liabilities** | | **716,465,817** | **781,203,074** |
| **Net Assets** | | **1,171,589,223** | **1,030,307,801** |
| Accumulated surplus | | 1,171,589,223 | 1,030,307,801 |
| **Total Net Assets** | | **1,171,589,223** | **1,030,307,801** |

* See Note 46



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## Statement of Financial Performance

| Figures in Rand | Note(s) | 2025 | 2024 Restated* |
|---|---|---|---|
| **Revenue** | | | |
| **Revenue from exchange transactions** | | | |
| Service charges | 22 | 553,583,832 | 499,886,362 |
| Sales of goods and rendering of services | | 7,864,224 | 7,247,232 |
| Construction revenue | 4 | 23,032,395 | 24,126,303 |
| Rental of facilities and equipment | 23 | 7,758,224 | 7,390,489 |
| Interest received - outstanding debtors | | 29,520,070 | 26,964,970 |
| Interest received - external investments | | 5,307,557 | 2,131,444 |
| Agency services | | 3,663,094 | 3,988,270 |
| Licences and permits | | 1,797,687 | 1,534,135 |
| Third Party Payments (Insurance Claims) | | 263,577 | 541,354 |
| Operational revenue | 24 | 5,882,410 | 3,981,557 |
| Transfers and Subsidies - Operational | 26 | 9,663,348 | 9,546,087 |
| **Total revenue from exchange transactions** | | **648,336,418** | **587,338,203** |
| **Revenue from non-exchange transactions** | | | |
| **Taxation revenue** | | | |
| Property rates | 25 | 348,305,528 | 310,919,108 |
| **Transfer revenue** | | | |
| Transfers and subsidies - Operational | 26 | 142,202,846 | 136,525,247 |
| Public contributions and donations | 59 | 850,425 | - |
| **Other revenue** | | | |
| Fines, Penalties and Forfeits | 27 | 108,282,433 | 114,396,147 |
| Availability fees | 28 | 13,202,703 | 12,712,616 |
| **Total revenue from non-exchange transactions** | | **612,843,935** | **574,553,118** |
| **Total revenue** | | **1,261,180,353** | **1,161,891,321** |
| **Expenditure** | | | |
| Employee related costs | 29 | 333,976,574 | 325,240,219 |
| Remuneration of councillors | 30 | 9,684,105 | 9,821,278 |
| Debt Impairment | 31 | 126,780,470 | 159,616,280 |
| Depreciation and amortisation | 32 | 54,160,816 | 53,920,343 |
| Impairment of assets | 33 | 3,652,043 | 18,745,254 |
| Finance costs | 34 | 35,701,142 | 39,285,484 |
| Lease rentals on operating lease | 35 | 34,533,592 | 33,287,730 |
| Bulk purchases | 36 | 328,988,074 | 284,632,503 |
| Contracted Services | 37 | 149,112,479 | 156,454,102 |
| Transfers and Subsidies | 38 | 1,661,040 | 1,118,248 |
| Gain or loss on disposal of assets and liabilities | | 325,157 | 387,812 |
| Inventory consumed and adjustments | 39 | 40,896,347 | 55,671,723 |
| Operational cost | 40 | 47,132,900 | 51,077,507 |
| **Total expenditure** | | **1,166,604,739** | **1,189,258,483** |
| **Operating surplus (deficit)** | | **94,575,614** | **(27,367,162)** |
| Transfers and subsidies - Capital | | 46,705,808 | 64,893,999 |
| **Surplus for the year** | | **141,281,422** | **37,526,837** |

* See Note 46



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# Statement of Changes in Net Assets

| Figures in Rand | Accumulated surplus / deficit | Total net assets |
|---|---|---|
| Opening balance as previously reported | 995,471,383 | 995,471,383 |
| Adjustments | | |
| Correction of errors 46 | (2,690,439) | (2,690,439) |
| **Balance at 01 July 2023 as restated*** | **992,780,944** | **992,780,944** |
| Changes in net assets | | |
| Surplus for the year | 37,526,837 | 37,526,837 |
| Other | 20 | 20 |
| Total changes | 37,526,857 | 37,526,857 |
| **Restated* Balance at 01 July 2024** | **1,030,307,801** | **1,030,307,801** |
| Changes in net assets | | |
| Surplus for the year | 141,281,422 | 141,281,422 |
| Total changes | 141,281,422 | 141,281,422 |
| **Balance at 30 June 2025** | **1,171,589,223** | **1,171,589,223** |

Note(s)

* See Note 46



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## Cash Flow Statement

| Figures in Rand | Note(s) | 2025 | 2024 Restated* |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| **Receipts** | | | |
| Taxation | | 361,678,485 | 300,326,300 |
| Sale of goods and services | | 569,620,286 | 432,841,056 |
| Grants | | 222,827,496 | 210,361,410 |
| Interest income | | 22,417,742 | 8,174,938 |
| Construction contracts and receivables | | 21,657,615 | 23,915,668 |
| Other income | | 19,697,122 | 16,534,306 |
| | | 1,217,898,746 | 992,153,678 |
| **Payments** | | | |
| Employee costs | | (333,824,778) | (323,907,220) |
| Suppliers | | (646,193,288) | (520,856,703) |
| Finance costs | | (34,204,102) | (37,649,983) |
| | | (1,014,222,168) | (882,413,906) |
| **Net cash flows from operating activities** | 41 | **203,676,578** | **109,739,772** |
| **Cash flows from investing activities** | | | |
| Purchase of property, plant and equipment | 12 | (63,522,700) | (88,813,987) |
| Proceeds from sale of property, plant and equipment | 12 | 30,000 | 58,764 |
| Proceeds from sale of financial assets | | (247,512) | (246,451) |
| **Net cash flows from investing activities** | | **(63,740,212)** | **(89,001,674)** |
| **Cash flows from financing activities** | | | |
| Proceeds from other financial liabilities | | - | 25,005,000 |
| Repayment of other financial liabilities | | (56,720,986) | (41,598,634) |
| Finance lease payments | | (823,131) | (893,435) |
| **Net cash flows from financing activities** | | **(57,544,117)** | **(17,487,069)** |
| **Net increase/(decrease) in cash and cash equivalents** | | **82,392,249** | **3,251,029** |
| Cash and cash equivalents at the beginning of the year | | 23,608,756 | 20,357,727 |
| **Cash and cash equivalents at the end of the year** | 9 | **106,001,005** | **23,608,756** |

The accounting policies on page 14 and the notes on pages 42 to 120 form an integral part of the annual financial statements.

* See Note 46



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# Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

| Figures in Rand | Approved budget | Adjustments | Final Budget | Actual amounts on comparable basis | Difference between final budget and actual | Reference |
|---|---|---|---|---|---|---|
| **Statement of Financial Performance** | | | | | | |
| **Revenue** | | | | | | |
| **Revenue from exchange transactions** | | | | | | |
| Service charges | 570,664,832 | (24,644,678) | **546,020,154** | 553,583,832 | **7,563,678** | Less than 10% |
| Sale of goods and rendering of services | 6,410,880 | 798,818 | **7,209,698** | 7,864,224 | **654,526** | less than R1m |
| Construction contracts | 22,708,000 | 416,000 | **23,124,000** | 23,032,395 | **(91,605)** | less than R1m |
| Rental of facilities and equipment | 7,745,922 | 373,522 | **8,119,444** | 7,758,224 | **(361,220)** | less than R1m |
| Interest received - outstanding debtors | 21,043,958 | 9,028,484 | **30,072,442** | 29,520,070 | **(552,372)** | less than R1m |
| Agency services | 4,387,360 | (527,194) | **3,860,166** | 3,663,094 | **(197,072)** | less than R1m |
| Licences and permits | 1,626,001 | 134,960 | **1,760,961** | 1,797,687 | **36,726** | less than R1m |
| Third parties payment (insurance claims) | - | - | **-** | 263,577 | **263,577** | Less than R1mil |
| Operational revenue | 1,092,103 | 1,795,007 | **2,887,110** | 5,882,410 | **2,995,300** | Note 55 |
| Interest received - external investments | 1,915,779 | 1,161,170 | **3,076,949** | 5,307,557 | **2,230,608** | Note 55 |
| Gain or loss on disposal of assets and liabilities | 1,000,000 | 14,599,999 | **15,599,999** | - | **(15,599,999)** | Less than 10% |
| **Total revenue from exchange transactions** | **638,594,835** | **3,136,088** | **641,730,923** | **638,673,070** | **(3,057,853)** | |
| **Revenue from non-exchange transactions** | | | | | | |
| **Taxation revenue** | | | | | | |
| Property rates | 336,224,732 | 8,131,563 | **344,356,295** | 348,305,528 | **3,949,233** | Less than 10% |
| **Transfer revenue** | | | | | | |
| Transfers and subsidies - Operating | 163,537,348 | 5,570,379 | **169,107,727** | 151,866,194 | **(17,241,533)** | Note 55 |
| Fines, Penalties and Forfeits | 109,467,249 | 724,295 | **110,191,544** | 108,282,433 | **(1,909,111)** | Less than 10% |
| Public contributions and donations | - | - | **-** | 850,425 | **850,425** | less than R1m |
| Availability fees | 5,819,825 | 8,015,924 | **13,835,749** | 13,202,703 | **(633,046)** | less than R1m |
| **Total revenue from non-exchange transactions** | **615,049,154** | **22,442,161** | **637,491,315** | **622,507,283** | **(14,984,032)** | |
| **Total revenue** | **1,253,643,989** | **25,578,249** | **1,279,222,238** | **1,261,180,353** | **(18,041,885)** | |



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# Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

| Figures in Rand | Approved budget | Adjustments | Final Budget | Actual amounts on comparable basis | Difference between final budget and actual | Reference |
|---|---|---|---|---|---|---|
| **Expenditure** | | | | | | |
| Personnel | (325,141,735) | (3,864,569) | **(329,006,304)** | (333,976,574) | **(4,970,270)** | Less than 10% |
| Employee costs - Remuneration of councillors | (11,003,414) | 1,235,685 | **(9,767,729)** | (9,684,105) | **83,624** | less than R1m |
| Depreciation and amortisation | (58,383,147) | - | **(58,383,147)** | (54,160,816) | **4,222,331** | Less than 10% |
| Impairment loss/ Reversal of impairments | - | - | **-** | (3,652,043) | **(3,652,043)** | Note 55 |
| Finance costs | (34,930,633) | (3,598,658) | **(38,529,291)** | (35,701,142) | **2,828,149** | Less than 10% |
| Lease rentals on operating lease | (24,999,099) | (5,340,250) | **(30,339,349)** | (34,533,592) | **(4,194,243)** | Note 55 |
| Debt Impairment | (166,899,275) | 36,309,815 | **(130,589,460)** | (126,780,470) | **3,808,990** | Less than 10% |
| Bulk purchases | (318,560,364) | (10,617,712) | **(329,178,076)** | (328,988,074) | **190,002** | less than R1m |
| Contracted Services | (170,937,633) | 17,808,134 | **(153,129,499)** | (149,112,479) | **4,017,020** | Less than 10% |
| Transfers and Subsidies | (1,122,870) | (11,047,935) | **(12,170,805)** | (1,661,040) | **10,509,765** | Note 55 |
| Inventory consumed and adjustments | (59,983,466) | 9,806,217 | **(50,177,249)** | (40,896,347) | **9,280,902** | Note 55 |
| Gain or loss on disposal of assets and liabilities | - | - | **-** | (325,157) | **(325,157)** | less than R1m |
| Operational cost | (56,767,172) | 6,570,314 | **(50,196,858)** | (47,132,900) | **3,063,958** | Less than 10% |
| **Total expenditure** | **(1,228,728,808)** | **37,261,041** | **(1,191,467,767)** | **(1,166,604,739)** | **24,863,028** | |
| **Surplus / (Deficit)** | **24,915,181** | **62,839,290** | **87,754,471** | **94,575,614** | **6,821,143** | |
| Transfers and subsidies - Capital | 65,521,652 | 5,481,391 | **71,003,043** | 46,705,808 | **(24,297,235)** | |
| **Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement** | **90,436,833** | **68,320,681** | **158,757,514** | **141,281,422** | **(17,476,092)** | |



AUDITOR-GENERAL SOUTH AFRICA
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# Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

| Figures in Rand | Approved budget | Adjustments | Final Budget | Actual amounts on comparable basis | Difference between final budget and actual | Reference |
|---|---|---|---|---|---|---|
| **Statement of Financial Position** | | | | | | |
| **Assets** | | | | | | |
| **Current Assets** | | | | | | |
| Inventories | 12,693,440 | (648,309) | **12,045,131** | 10,652,698 | **(1,392,433)** | Note 55 |
| Construction contracts and receivables | 3,591,260 | 1,136,000 | **4,727,260** | 8,292,300 | **3,565,040** | Note 55 |
| Receivables from non-exchange transactions | 92,930,695 | 17,890,595 | **110,821,290** | 111,252,094 | **430,804** | less than R1m |
| Prepayments | 2,890,954 | (2,885,809) | **5,145** | 5,145 | **-** | |
| Receivables from exchange transactions | 98,078,714 | 31,235,560 | **129,314,274** | 89,383,117 | **(39,931,157)** | Note 57 |
| Cash and cash equivalents | (11,286,040) | 95,968,659 | **84,682,619** | 106,001,005 | **21,318,386** | Note 55 |
| | **198,899,023** | **142,696,696** | **341,595,719** | **325,586,359** | **(16,009,360)** | |
| **Non-Current Assets** | | | | | | |
| Investment property | 67,516,070 | (136,020) | **67,380,050** | 67,370,408 | **(9,642)** | less than R1m |
| Property, plant and equipment | 1,488,268,654 | 25,890,442 | **1,514,159,096** | 1,473,156,863 | **(41,002,233)** | Less than 10% |
| Intangible assets | (9,431) | (15,419) | **(24,850)** | 33,501 | **58,351** | less than R1m |
| Heritage assets | 14,613,046 | - | **14,613,046** | 14,613,046 | **-** | |
| Long-term investments and receivables | 2,931,652 | 246,451 | **3,178,103** | 3,425,615 | **247,512** | less than R1m |
| Operating lease asset | 3,218,371 | 453,415 | **3,671,786** | 3,869,248 | **197,462** | less than R1m |
| | **1,576,538,362** | **26,438,869** | **1,602,977,231** | **1,562,468,681** | **(40,508,550)** | |
| **Total Assets** | **1,775,437,385** | **169,135,565** | **1,944,572,950** | **1,888,055,040** | **(56,517,910)** | |
| **Liabilities** | | | | | | |
| **Current Liabilities** | | | | | | |
| Other financial liabilities | (3,026,208) | 49,999,572 | **46,973,364** | 51,197,154 | **4,223,790** | Less than 10% |
| Finance lease obligation | 893,435 | (893,435) | **-** | 911,354 | **911,354** | Less than 10% |
| Payables from exchange transactions | 209,593,387 | 3,263,542 | **212,856,929** | 186,753,713 | **(26,103,216)** | Note 55 |
| Consumer deposits | 14,927,636 | 610,018 | **15,537,654** | 15,872,226 | **334,572** | less than R1m |
| Employee benefit obligation | 36,046,177 | 489,303 | **36,535,480** | 43,234,127 | **6,698,647** | Note 55 |
| Unspent conditional grants and receipts | (11,642,327) | 12,103,171 | **460,844** | 26,906,599 | **26,445,755** | Note 55 |
| Provisions | 907,340 | 6,763,294 | **7,670,634** | 907,340 | **(6,763,294)** | Note 55 |
| | **247,699,440** | **72,335,465** | **320,034,905** | **325,782,513** | **5,747,608** | |



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# Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

| Figures in Rand | Approved budget | Adjustments | Final Budget | Actual amounts on comparable basis | Difference between final budget and actual | Reference |
|---|---|---|---|---|---|---|
| **Non-Current Liabilities** | | | | | | |
| Other financial liabilities | 319,523,385 | (14,792,629) | **304,730,756** | 243,785,981 | **(60,944,775)** | Note 55 |
| Finance lease obligation | - | - | **-** | 1,009,033 | **1,009,033** | Note 55 |
| Employee benefit obligation | 99,588,328 | 10,665,078 | **110,253,406** | 123,821,348 | **13,567,942** | Note 55 |
| Provisions | 21,842,435 | (4,480,097) | **17,362,338** | 18,261,010 | **898,672** | less than R1m |
| | **440,954,148** | **(8,607,648)** | **432,346,500** | **386,877,372** | **(45,469,128)** | |
| **Total Liabilities** | **688,653,588** | **63,727,817** | **752,381,405** | **712,659,885** | **(39,721,520)** | |
| **Net Assets** | **1,086,783,797** | **105,407,748** | **1,192,191,545** | **1,175,395,155** | **(16,796,390)** | |
| **Net Assets** | | | | | | |
| **Net Assets Attributable to Owners of Controlling Entity** | | | | | | |
| **Reserves** | | | | | | |
| Accumulated surplus | 1,088,228,033 | 104,976,001 | **1,193,204,034** | 1,171,589,237 | **(21,614,797)** | Less than 10% |
| **Total Net Assets** | **1,088,228,033** | **104,976,001** | **1,193,204,034** | **1,171,589,237** | **(21,614,797)** | |



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# Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

| Figures in Rand | Approved budget | Adjustments | Final Budget | Actual amounts on comparable basis | Difference between final budget and actual | Reference |
|---|---|---|---|---|---|---|
| **Cash Flow Statement** | | | | | | |
| **Cash flows from operating activities** | | | | | | |
| **Receipts** | | | | | | |
| Ratepayers and other | 1,064,702,989 | 31,635,588 | **1,096,338,577** | 950,661,321 | **(145,677,256)** | Note 55 |
| Government grants, conditional receipts and construction contracts | 234,904,835 | 8,916,399 | **243,821,234** | 244,485,111 | **663,877** | less than R1m |
| Interest | 1,915,779 | 1,161,170 | **3,076,949** | 22,417,742 | **19,340,793** | Note 57 |
| | **1,301,523,603** | **41,713,157** | **1,343,236,760** | **1,217,564,174** | **(125,672,586)** | |
| **Payments** | | | | | | |
| Suppliers and employees | (1,052,767,098) | (22,350,390) | **(1,075,117,488)** | (978,357,012) | **96,760,476** | Less than 10% |
| Finance charges | (34,930,633) | (3,598,658) | **(38,529,291)** | (34,204,102) | **4,325,189** | Note 55 |
| Transfers and Grants | (1,122,870) | (11,100,935) | **(12,223,805)** | (1,661,040) | **10,562,765** | Note 55 |
| | **(1,088,820,601)** | **(37,049,983)** | **(1,125,870,584)** | **(1,014,222,154)** | **111,648,430** | |
| **Net cash flows from operating activities** | **212,703,002** | **4,663,174** | **217,366,176** | **203,342,020** | **(14,024,156)** | |
| **Cash flows from investing activities** | | | | | | |
| **Receipts** | | | | | | |
| Proceeds on disposal of assets | 1,000,000 | 14,599,999 | **15,599,999** | 30,000 | **(15,569,999)** | Note 55 |
| Decrease (increase) in non-current investments | - | - | **-** | (247,512) | **(247,512)** | less than R1m |
| **Payments** | | | | | | |
| Capital assets | (88,818,583) | (30,664,081) | **(119,482,664)** | (63,522,700) | **55,959,964** | |
| **Net cash flows from investing activities** | **(87,818,583)** | **(16,064,082)** | **(103,882,665)** | **(63,740,212)** | **40,142,453** | |
| **Cash flows from financing activities** | | | | | | |
| **Receipts** | | | | | | |
| Increase (decrease) in consumer deposits | - | - | **-** | 334,572 | **334,572** | Less than R1mil |
| **Payments** | | | | | | |
| Repayment of borrowings | (50,503,435) | (1,906,211) | **(52,409,646)** | (57,544,117) | **(5,134,471)** | Note 55 |
| **Net cash flows from financing activities** | **(50,503,435)** | **(1,906,211)** | **(52,409,646)** | **(57,209,545)** | **(4,799,899)** | |
| Net increase/(decrease) in cash and cash equivalents | 74,380,984 | (13,307,119) | **61,073,865** | 82,392,263 | **21,318,398** | |
| Cash and cash equivalents at the beginning of the year | 20,357,727 | 3,251,028 | **23,608,755** | 23,608,756 | **1** | |
| **Cash and cash equivalents at the end of the year** | **94,738,711** | **(10,056,091)** | **84,682,620** | **106,001,019** | **21,318,399** | |



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# Significant Accounting Policies

### 1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Municipal Finance Management Act (MFMA) and effective Standards of Generally Recognised Accounting Practice (GRAP), including any interpretations, guidelines and directives 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.

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

### 1.1 Presentation currency

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

### 1.2 Going concern assumption

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

### 1.3 Materiality

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

### 1.4 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements in conformity with GRAP, 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:

**Impairment of receivables**

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors.



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# Significant Accounting Policies

### 1.4 Significant judgements and sources of estimation uncertainty (continued)

**Property, plant and equipment**

The useful lives of property, plant and equipment are based on management's estimation. Infrastructure's useful lives are based on technical estimates of the practical useful lives for the different infrastructure types, given engineering technical knowledge of the infrastructure types and service requirements. For other assets and buildings management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their useful lives and in what condition they will be at that time.

Management referred to the following when making assumptions regarding useful lives and residual values of property, plant and equipment:

- The useful life of movable assets was determined using the age of similar assets available for sale in the active market. Discussions with people within the specific industry were also held to determine useful lives.
- Local Government Industry Guides were used to assist with the deemed cost and useful life of infrastructure assets.
- The Municipality referred to buildings in other municipal areas to determine the useful life of buildings. The Municipality also consulted with engineers to support the useful life of buildings, with specific reference to the structural design of buildings.

**Componentisation of Infrastructure assets**

All infrastructure assets are unbundled into their significant components in order to depreciate all major components over the expected useful lives. The cost of each component is estimated based on the current market price of each component, depreciated for age and condition and recalculated to cost at the acquisition date if known or to the date of initially adopting the standards of GRAP.

**Intangible assets**

The useful lives of intangible assets are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate.

Reference was made to intangibles used within the Municipality and other municipalities to determine the useful life of the assets.

**Post-retirement medical obligations, long service awards and ex-gratia pension benefits**

The cost of post-retirement medical obligations, long service awards and ex-gratia gratuities are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 20.



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# Significant Accounting Policies

### 1.4 Significant judgements and sources of estimation uncertainty (continued)

**Provisions**

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities. Provisions are discounted where the time value effect is material. Additional disclosure of these estimates of provisions and contingent liabilities are included in note 21 - Provisions and note 44 - Contingencies.

**Provision for Landfill Sites**

The provision for rehabilitation of the landfill site is recognised as and when the environmental liability arises. The provision is calculated by a qualified environmental engineer. The provision represents the net present value at the reporting date of the expected future cash flows to rehabilitate the landfill site. To the extent that the obligations relate to an asset, it is capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset are recognised in the Statement of Financial Performance.

Management referred to the following when making assumptions regarding provisions:

- Professional engineers are utilised annually to determine the cost of rehabilitation of landfill sites as well as the remaining useful life of each specific landfill site.
- Interest rates linked to appropriate government bond rates were used to calculate the effect of time value of money.

**Pre-paid electricity estimation**

Pre-paid electricity is only recognised as income once the electricity is consumed. The pre-paid electricity balance (included under payables) represents the best estimate of electricity sold at year-end that is still unused. The average pre-paid electricity sold per day during the year under review is used and the estimate is calculated using between 5 and 10 days' worth of unused electricity.

**IGRAP 18 Recognition and Derecognition of land**

In some instances the municipality is not the legal owner or the custodian of land appointed in terms of legislation, but assessed that it controls such land. Key judgements made and assumptions applied to conclude that it controls such land, are as follows (IGRAP 18 par 40):

Land controlled by the municipality as a result of a past event and from which future economic benefit or service potential is expected to flow to the entity are recognised by the municipality. Control is evidenced by the municipality's ability to use, or direct others to use the land and also by the right to direct access to the land and to restrict or deny access of other to the 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 (IGRAP 18 par 41):

Land not controlled by the municipality as a result of a past event and from which future economic benefit or service potential will not flow to the entity. The municipality does not have the ability to use, or direct others to use the land. The municipality does not have right to direct access to the land, and to restrict or deny access of other to the land. There are various housing scheme land where the municipality are still the legal owner per the deeds office, but control and substantive rights were transferred. These land are not recognised by the municipality.



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# Significant Accounting Policies

### 1.4 Significant judgements and sources of estimation uncertainty (continued)

**Segment reporting**

The municipality is structured in terms of core functions mandated in legislation. Information regarding progress in the performance of mandated functions, is reported to management for the purpose of evaluating segment performance and the allocation of resources to various activities in lieu of strategic objectives. Where more than one set of segments has been identified, management may report such information separately or as a matrix. In addition, management may choose to adopt a primary and secondary reporting structure with limited disclosures made about secondary segments.

The segment information has been prepared on the accrual basis of accounting in accordance with the historical cost convention, unless specified otherwise.

GRAP 18 permits the aggregation of two or more segments into a single segment where segments have similar economic characteristics and share a majority of the following:
a.) the nature of the goods and/or services delivered;
b.) the type or class of customer or consumer to which goods and services are delivered;
c.) the methods used to distribute the goods or provide the services; or
d.) the nature of the regulatory environment that applies to the segment.

In accordance with section 153 of the Constitution of South Africa, the municipality's administration, budget and planning processes are structured in order to give priority to the basic needs of the community, as well as to promote the social and economic development of the community. Management has thus decided to organise segments around the nature of goods and/or services delivered in accordance with the objects of local government as stipulated in section 152(1) of the Constitution.

### 1.5 Investment property

**Initial Recognition**

Investment property shall be recognised as an asset when, and only when:

- it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the entity, and
- the cost of the investment property can be measured reliably.

Investment property includes property (land or a building, or part of a building, or both land and buildings held under an operating lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations. Property with a currently undetermined use is also classified as investment property.

At initial recognition, the Municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition. The cost of self-constructed investment property is measured at cost.

Transfers are made to or from investment property only when there is a change in use.

**Subsequent Measurement - Cost model**

Subsequent to initial recognition, items of investment property are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

**Cost model**

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

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

| Item | Useful life |
|---|---|
| Property - land | indefinite |
| Property - buildings | 100 years |



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# Significant Accounting Policies

**1.5 Investment property (continued)**

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

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

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

The municipality separately discloses expenditure to repair and maintain investment property in the notes to the annual financial statements (refer to note 11).

Investment property is not used as security unless stated otherwise in the notes.

**1.6 Property, plant and equipment**

**Initial recognition**

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

The cost of an item of property, plant and equipment is recognised as an asset when:

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

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.

Major spare parts and servicing equipment qualify as property, plant and equipment when the Municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

**Subsequent Measurement - Cost Model**

Subsequent to initial recognition, items of Property, plant and equipment are carried at cost less accumulated depreciation and any impairment losses.

Where the Municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits or service potential associated with the asset.



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# Significant Accounting Policies

**1.6 Property, plant and equipment (continued)**
**Depreciation and impairment**

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

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

| Item | Depreciation method | Average useful life |
|---|---|---|
| Operational buildings | None | Indefinite |
| Buildings | Straight line | 100 years |
| Infrastructure - Sewerage | Straight line | 10 - 100 years |
| Infrastructure - Electricity | Straight line | 10 - 100 years |
| Infrastructure - Water | Straight line | 10 - 182 years |
| Infrastructure - Roads | Straight line | 7 - 100 years |
| Infrastructure - Security measures | Straight line | 5 - 80 years |
| Community asset | Straight line | 5 - 100 years |
| Leased assets | Straight line | 2 - 6 years |
| Other assets - Bins and containers | Straight line | 15 years |
| Other assets - Other | Straight line | 3 - 100 years |
| Other assets - Office Equipment | Straight line | 2 - 35 years |
| Other assets - Vehicles and specialised vehicles | Straight line | 7 - 50 years |

Should the useful life of an asset be adjusted after review, annual depreciation will be calculated on the carrying value divided by the opening balance of the remaining useful life of that asset for the reporting period.

The residual value, and the useful life and depreciation method of each asset are assessed based on the occurrence of certain indicators. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

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

The depreciation charge for each period is recognised in the Statement of Financial Performance unless it is included in the carrying amount of another asset.

Property, plant and equipment are reviewed for any indication of impairment. If any such indication exists, the accounting policy as disclosed under 1.15 or 1.16 (whichever is relevant) is applied.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of an impairment is recognised in the Statement of Financial Performance.

**De-recognition**

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 the Statement of Financial Performance 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.



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# Significant Accounting Policies

### 1.7 Intangible assets

**Initial Recognition**

An intangible asset is an identifiable non-monetary asset without physical substance.

An asset meets the identifiability criterion in the definition of an intangible asset when it:

- is separable, i.e. is capable of being separated or divided from the municipality 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.

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 of the asset can be measured reliably.

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 initially recognised at cost.

**Subsequent Measurement - Cost model**

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

The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

**Amortisation**

Amortisation is charged so as to write-off the cost of intangible assets over its estimated useful lives using the straight line method. Amortisation of an asset begins when it is available for use, i.e. when it is in the condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are amortised separately. The estimated useful lives, residual values and amortisation method are assessed based on the occurrence of certain indicators, with the effect of any changes in estimate accounted for on a prospective basis.

The annual amortisation rates are based on the following estimated useful lives:

| Item | Useful life |
|---|---|
| Computer software, other | 5 - 10 years |

**Derecognition**

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.



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# Significant Accounting Policies

### 1.7 Intangible assets (continued)

The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

### 1.8 Heritage assets

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

The municipality separately discloses expenditure to repair and maintain heritage assets in the notes to the financial statements (refer to note 14).

**Initial recognition**

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

**Initial measurement**

Heritage assets are initially 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 - Cost model**

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

Heritage assets are not depreciated.

**Derecognition**

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

The gain or loss arising on the disposal or retirement of a heritage asset is determined as the difference between the sales proceeds and the carrying value of the heritage asset and is recognised in the Statement of Financial Performance.



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# Significant Accounting Policies

### 1.9 Financial instruments

Financial instruments recognised on the Statement of Financial Position include receivables, cash and cash equivalents, annuity loans and payables and non-current investments.

**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 |
|---|---|
| Long-term investments and receivables | Financial asset measured at amortised cost |
| Receivables from exchange transactions | Financial asset measured at amortised cost |
| Cash and cash equivalents | 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 |
|---|---|
| Long-term liabilities | Financial liability measured at amortised cost |
| Trade and other payables from exchange transactions | Financial liability measured at amortised cost |

**Initial recognition**

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

The entity recognises financial assets using trade date accounting.

**Initial measurement of financial assets and financial liabilities**

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

**Subsequent measurement of financial assets and financial liabilities**

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

- Financial instruments at amortised cost.

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

**Receivables**

Receivables are classified as financial assets at amortised cost, and are initially measured at fair value and subsequently measured at amortised cost using the effective interest rate method.

For amounts due from receivable carried at amortised cost, the Municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant at the end of each reporting period. Objective evidence of impairment includes significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 90 days overdue). If the Municipality determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.



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# Significant Accounting Policies

### 1.9 Financial instruments (continued)

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

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

**Payables and long term liabilities**

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

**Cash and cash equivalents**

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

**Non-Current Investments**

Investments which include fixed deposits invested in registered commercial banks, are stated at amortised cost.

**Gains and losses**

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

**Derecognition**

**Financial assets**

The entity derecognises a financial asset only when:

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

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

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Municipality could be required to repay.



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# Significant Accounting Policies

### 1.9 Financial instruments (continued)

**Financial liabilities**

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

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the Statement of Financial Performance.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance note 1.23

**Offsetting of financial instruments**

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

### 1.10 Statutory receivables

**Identification**

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

**Initial Recognition**

Statutory receivables are recognised when the related revenue is recognised or when the receivable meets the definition of an asset when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the transaction amount can be measured reliably.

**Initial measurement**

The municipality initially measures statutory receivables at their transaction amount.

**Subsequent measurement**

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

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

**Impairment losses**

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.

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 through the use of an allowance account. The amount of the losses are recognised in surplus or deficit.



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# Significant Accounting Policies

**1.10 Statutory receivables (continued)**

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 entity discounts the estimated future cash flows using a rate that reflects the current risk free rate and, if applicable, any risks specific to the statutory receivable, or group of statutory receivables, for which the future cash flow estimates have not been adjusted.

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

Any previously recognised impairment loss is adjusted 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.

**1.11 Taxes - Value Added Tax**

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

From 1 April 2018 value added tax is levied at the standard rate of 15% on the supply of goods and services.

Value added tax is recognised on the payments basis.

**1.12 Leases**

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

**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 assets 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 interest rate implicit in the lease.

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 return on the remaining balance of the liability. The accounting policies relating to derecognition of financial instruments are applied to lease payables.

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

**Operating leases - lessor**

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term. The difference between the straight-lined revenue and actual payments received will give rise to an asset or liability.

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



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# Significant Accounting Policies

**1.12 Leases (continued)**

**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.

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

**1.13 Inventories**

**Initial measurement**

Inventories comprise of current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the Municipality, and the cost of the inventories can be measured reliably.

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.

Cost generally refers to the purchase price, plus non-recoverable taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

**Subsequent measurement**

Inventories, consisting of consumable stores, maintenance materials and water are subsequently measured at the lower of cost and net realisable value.

Water inventory is being measured by multiplying the cost per kilo litre of purified water by the amount of water in storage.

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.

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

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

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



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# Significant Accounting Policies

### 1.14 Construction contracts and receivables

Construction contract is a contract, or a similar binding arrangement, specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and function or their ultimate purpose or use.

Contractor is an entity that performs construction work pursuant to a construction contract.

Cost plus or cost based contract is a construction contract in which the contractor is reimbursed for allowable or otherwise defined costs and, in the case of a commercially-based contract, an additional percentage of these costs or a fixed fee, if any.

Fixed price contract is a construction contract in which the contractor agrees to a fixed contract price, or a fixed rate per unit of output, which in some cases is subject to cost escalation clauses.

A contractor is an entity that enters into a contract to build structures, construct facilities, produce goods, or render services to the specifications of another entity either itself or through the use of sub-contractors. The term “contractor” thus includes a general or prime contractor, a subcontractor to a general contractor, or a construction manager.

The entity assesses the terms and conditions of each contract concluded with customers to establish whether the contract is a construction contract or not. In assessing whether the contract is a construction contract, an entity considers whether it is a contractor.

Where the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting date, as measured by completion of a physical proportion of the contract work.

Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent that contract costs incurred are recoverable. Contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected deficit is recognised as an expense immediately.

### 1.15 Impairment of cash-generating assets

Cash-generating assets are assets managed with the objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented entity.

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).

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.

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



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# Significant Accounting Policies

**1.15 Impairment of cash-generating assets (continued)**

**Identification**

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

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

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

(a) External sources of information

- During the period, an asset's market value has declined significantly more than would be expected as a result of the passage of time or normal use.
- Significant changes with an adverse effect on the Municipality have taken place during the period, or will take place in the near future, in the technological, market, economic or legal environment in which the Municipality operates or in the market to which an asset is dedicated.
- Market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating an asset's value in use and decrease the asset's recoverable amount materially.

(b) Internal sources of information

- Evidence is available of obsolescence or physical damage of an asset.
- Significant changes with an adverse effect on the Municipality have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, plans to dispose of an asset before the previously expected date, and reassessing the useful life of an asset as finite rather than indefinite.
- Evidence is available from internal reporting that indicates that the economic performance of an asset is, or will be, worse than expected.

**Value in use**

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

**Discount rate**

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

**Recognition and measurement (individual asset)**

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

An impairment loss is recognised immediately in surplus or deficit.

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

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



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# Significant Accounting Policies

**1.15 Impairment of cash-generating assets (continued)**

**Reversal of impairment loss**

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

**Redesignation**

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

**1.16 Impairment of non-cash-generating assets**

**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.

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

(a) External sources of information
- Cessation, or near cessation, of the demand or need for services provided by the asset.
- Significant long-term changes with an adverse effect on the Municipality have taken place during the period or will take place in the near future, in the technological, legal or government policy environment in which the Municipality operates.

(b) Internal sources of information
- Evidence is available of physical damage of an asset.
- Significant long-term changes with an adverse effect on the Municipality have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, or plans to dispose of an asset before the previously expected date.
- A decision to halt the construction of the asset before it is complete or in a usable condition.
- Evidence is available from internal reporting that indicates that the service performance of an asset is, or will be, significantly worse than expected.



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# Significant Accounting Policies

**1.16 Impairment of non-cash-generating assets (continued)**

**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 approaches, depending on the nature of the asset in question:

**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 reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

**Restoration cost approach**

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

**Service units approach**

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

**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.

**Reversal of an impairment loss**

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.



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# Significant Accounting Policies

### 1.17 Employee benefits

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

Termination benefits are employee benefits payable as a result of either:
- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

**Short-term employee benefits**

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

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

When an employee has rendered service to the municipality during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:
- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

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

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

**Long service awards**

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the Municipality. The Municipality's obligation under these plans is valued by independent qualified actuaries annually and the corresponding liability is raised. Payments are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are recognised in the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is recognised in the Statement of Financial Performance in the period that it occurs.

**Accrual for staff leave**

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year-end and also on the total remuneration package of the employee for compulsory leave and basic salary for accumulated non-compulsory leave.

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

Accumulated leave is vesting.



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# Significant Accounting Policies

**1.17 Employee benefits (continued)**

**Staff bonuses accrued**

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

**Provision for performance bonuses**

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

**Post-employment benefits**

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

**Post-retirement medical obligations**

The Municipality provides post-retirement medical benefits by subsidizing the medical aid contributions of certain retired staff according to the rules of the medical aid funds. Council pays 70% as contribution and the remaining 30% is paid by the members. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The present value of the net defined benefit liability is actuarially determined in accordance with GRAP 25 – "Employee Benefits" (using a discount rate applicable to high quality government bonds). The plan is unfunded.

These contributions are recognised in the Statement of Financial Performance when employees have rendered the service entitling them to the contribution. The liability was calculated by means of the projected unit credit actuarial valuation method. The liability in respect of current pensioners is regarded as fully accrued and is therefore not split between a past (or accrued) and future in-service element. The liability is recognised at the present value of the net defined benefit obligation at the reporting date, minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly, plus any liability that may arise as a result of minimum funding requirements. Payments made by the Municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are recognised in the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is recognised in the Statement of Financial Performance in the period that it occurs. These obligations are valued annually by independent qualified actuaries.

**Ex gratia gratuities**

Ex gratia gratuities are provided to employees that were not previously members of a pension fund. The Municipality's obligation under these plans is valued by independent qualified actuaries and the corresponding liability is raised. Payments made by the Municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are recognised in the Statement of Financial Performance as employee benefits upon valuation.

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

**Pension and retirement fund obligations**

The Municipality provides retirement benefits for its employees and councillors. Defined contribution plans are post-employment benefit plans under which the Municipality 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. The contributions to fund obligations for the payment of retirement benefits are recognised in the Statement of Financial Performance in the year they become payable. The defined benefit funds, which are administered on a provincial basis, are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities. The contributions and lump sum payments are recognised in the Statement of Financial Performance in the year they become payable.



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# Significant Accounting Policies

**1.17 Employee benefits (continued)**

**Post-employment benefits: Defined contribution plans**

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:

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

**Post-employment benefits: Defined benefit plans**

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

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

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

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

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

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

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

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

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



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# Significant Accounting Policies

### 1.18 Unspent grants and receipts

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

A liability for unspent conditional grants and receipts is recognised only to the extent that the conditions attached to the grant have not been satisfied and are separately reflected on the Statement of Financial Position. They represent unspent government grants, subsidies and contributions from the public.

Unspent conditional grants and receipts are not considered to be financial instruments as there are no amount to be settled through cash or another financial instrument as required per GRAP 104. Once the conditional grant becomes repayable to the donor due to conditions not met, the remaining portion of the unspent conditional grant is reclassified as payables, which is considered to be a financial instrument.

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

- Unspent conditional grants are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met is transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the liability is invested as individual investment or part of the operating account of the Municipality until it is utilised.
- Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the liability. If it is the Municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

### 1.19 Unpaid grants and receipts

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

### 1.20 Provisions and contingencies

**Provisions**

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.

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 finance cost.

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

Provisions are not recognised for deficits arising from future operating activities.

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.



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# Significant Accounting Policies

**1.20 Provisions and contingencies (continued)**

**Contingent liabilities and contingent assets**

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

A contingent asset is a possible asset that arises from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

Contingent assets and contingent liabilities are not recognised. A contingent liability is disclosed unless the probability of an outflow of resources embodying economic benefits or service potential is remote. A contingent asset is disclosed where the inflow of economic benefits or service potential is probable. Contingencies are disclosed in note 44.

Management judgement is required when recognising and measuring contingent liabilities.

**1.21 Commitments**

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

Capital commitments disclosed in the financial statements represents the contractual balance committed to capital projects on reporting date that will be incurred in the period subsequent to the specific reporting date.

**1.22 Revenue from exchange transactions**

Revenue from exchange transactions refers to revenue that accrued to the Municipality directly in return for services rendered or goods sold, the value of which approximates the consideration received or receivable.

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

**Measurement**

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

**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.



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# Significant Accounting Policies

**1.22 Revenue from exchange transactions (continued)**

**Service charges**

Service charges relating to electricity and water are based on consumption and a basic charge as per Council resolution. Meters are read on a monthly basis and are recognised as revenue when invoiced. Where the Municipality was unable to take the actual month's reading of certain consumers, a provisional estimate of consumption for that month will be created based on past patterns. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Service charges relating to refuse removal are recognised on an annual basis in advance by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage.

Service charges from sanitation (sewerage) are recognised on an annual basis in advance by applying the approved tariff to each property that has improvements.

**Pre-paid electricity**

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

**Interest earned**

Interest revenue is recognised in surplus and deficit as it accrues, using the effective interest rate method.

**Rentals received**

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

**Tariff charges**

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

**Agency services**

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

**Third party payments**

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

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

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

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

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

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

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



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# Significant Accounting Policies

### 1.23 Revenue from non-exchange transactions

Revenue from non-exchange transactions refers to transactions where the Municipality received value from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

**Measurement**

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

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date. 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.

**Rates and taxes**

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

Penalty interest on unpaid rates is recognised on a time proportionate basis.

Rates are levied both monthly and annually and payable by the last day of the following month. Interest is levied at the prime rate plus one percent on outstanding monthly instalments.

**Fines**

Fine Revenue constitutes both spot fines and summonses. Fine revenue is recognised when the offence occurs to the extent that the municipality expects legal entitlement.



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# Significant Accounting Policies

**1.23 Revenue from non-exchange transactions (continued)**

**Public donations and contributions**

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

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

**Revenue from recovery of unauthorised, irregular and fruitless and wasteful expenditure**

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

**Unconditional grants**

Grants without any conditions attached are recognised as revenue when the grant is receivable.

**Conditional grants and receipts**

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

The liability is transferred to revenue as and when the conditions attached to the grant are met.

**Other receipts**

All unclaimed deposits are initially recognised as a liability. After 12 months all unclaimed deposits into the Municipality's bank account will be treated as revenue. Historical patterns have indicated that minimal unidentified deposits are reclaimed after a period of twelve months. This assessment is performed annually at 30 June. Therefore the substance of these transactions indicate that even though the prescription period for unclaimed monies is legally three years, it is reasonable to recognise all unclaimed monies older than twelve months as revenue.

**1.24 Borrowing costs**

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

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

**1.25 Accounting by principals and agents**

**Identification**

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

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

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



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# Significant Accounting Policies

**1.25 Accounting by principals and agents (continued)**

**Identifying whether an entity is a principal or an agent**

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

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

**Binding arrangement**

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

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

**Assessing which entity benefits from the transactions with third parties**

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

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

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

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

**Recognition**

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

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

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

**1.26 Unauthorised expenditure**

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in a form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003).

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

**1.27 Fruitless and wasteful expenditure**

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



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# Significant Accounting Policies

### 1.27 Fruitless and wasteful expenditure (continued)

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

### 1.28 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 municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure.

Irregular expenditure is recorded in the notes to the financial statements when confirmed. The amount recorded is equal to the value of the irregular expenditure incurred, unless it is impractical to determine, in which case reasons therefore must be provided in the notes.

Irregular expenditure receivables are measured at the amount that is expected to be recovered and are de-recognised when settled or written-off as irrecoverable.

### 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.

**Measurement**

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

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

### 1.30 Budget information

The Municipality is subject to budgetary limits in the form of a council approved budget, which is given effect through authorising legislation.

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

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

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



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# Significant Accounting Policies

### 1.30 Budget information (continued)

Explanations for material variances between the final budget amounts and comparable actual amounts are included the Notes to the Financial Statements. Material variances are being defined by Management as 10% of a specific line-item with a minimum threshold of R1 million.

Explanations for variances between the approved and final budget are included in the Notes to the Financial Statements as well as the Statements of Comparison of Budget and Actual Amounts.

### 1.31 Related parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions or if the related party entity and another entity are subject to common control.

The Municipality previously resolved to adopt the disclosure requirements as per GRAP 20 – "Related Party Disclosures".

A related party is a person or entity:
- with the ability to control or jointly control the other party;
- or exercise significant influence over the other party in making financial and operating decisions;
- or if the related party entity and another entity are subject to common control.

Related parties include:
- Entities that directly, or indirectly through one or more intermediaries, control, or are controlled by the reporting entity;
- Individuals owning, directly or indirectly, an interest in the reporting entity that gives them significant influence over the entity, and close members of the family of any such individual;
- Key management personnel, and close members of the family of key management personnel; and
- Entities in which a substantial ownership interest is held, directly or indirectly, by any person described in the 2nd and 3rd bullet, or over which such a person is able to exercise significant influence.

Key management personnel include:
- All directors or members of the governing body of the entity, being the Executive Mayor, Deputy Mayor, Speaker and members of the Mayoral Committee.
- Other persons having the authority and responsibility for planning, directing and controlling the activities of the reporting entity being the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

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

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

### 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.



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| Figures in Rand | 2025 | 2024 |
|---|---|---|

## 2. New standards and interpretations

### 2.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has not adopted any new standards or interpretations that had a material effect on its financial statements.

### 2.2 Standards and interpretations issued, but not yet effective

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

| Standard/ Interpretation: | Effective date: Years beginning on or after | Expected impact: |
|---|---|---|
| • GRAP 2023 Improvements to the Standards of GRAP 2023 | Unknown | Unlikely there will be a material impact |
| • GRAP 1 (amended): Presentation of Financial Statements (Going Concern) | Unknown | Unlikely there will be a material impact |
| • GRAP 103 (amended): Heritage Assets | Unknown | Unlikely there will be a material impact |
| • GRAP 104 (as revised): Financial Instruments | 01 April 2025 | Impact is currently being assessed |

## 3. Inventories

| | | |
|---|---|---|
| Consumable stores | 1,376,416 | 1,982,036 |
| Maintenance materials | 8,636,772 | 9,310,467 |
| Water for distribution | 639,510 | 752,633 |
| | **10,652,698** | **12,045,136** |
| Dormant and slow moving stock at year end | 261,354 | 577,087 |
| Inventories recognised as an expense during the year | 39,190,062 | 53,277,573 |
| Consumable stores materials (losses)/surpluses identified during the annual stores count | (1,706,285) | (2,394,150) |

**Inventory pledged as security**

No inventory assets were pledged as security for liabilities.

## 4. Construction contracts and receivables

**Contracts in progress at statement of financial position date**

| | | |
|---|---|---|
| Opening balance | 6,917,521 | 6,706,885 |
| Contracted revenue | 23,032,394 | 24,126,303 |
| Payments (Tranches) received during the period | (21,657,615) | (23,915,668) |
| Retention withheld* | - | - |
| | **8,292,300** | **6,917,520** |

* Contracts with the Provincial Department and its beneficiaries are not subject to any retention.

The aggregate amount of costs incurred to date is R 580,380,871 (2024: R 557,348,477).

The current year costs are included in contracted services R 23,032,394.
The municipality recognised contracted revenue as the cost incurred.



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# Notes to the Annual Financial Statements

| Figures in Rand | 2025 | 2024 |
|---|---|---|

## 5. Receivables from exchange transactions

| | | |
|---|---|---|
| **Gross balances** | | |
| Electricity | 115,369,253 | 100,827,102 |
| Water | 92,416,595 | 85,143,475 |
| Sewerage | 73,986,038 | 67,820,099 |
| Refuse | 63,569,269 | 57,703,799 |
| Input VAT Accrual | 19,133,051 | 39,853,262 |
| Housing rental | 8,812,437 | 8,648,542 |
| Other (Sundry amounts) | 14,608,451 | 15,068,920 |
| | **387,895,094** | **375,065,199** |
| **Less: Allowance for impairment** | | |
| Electricity | (82,380,119) | (63,919,121) |
| Water | (73,728,983) | (66,309,610) |
| Sewerage | (66,961,010) | (62,364,682) |
| Refuse | (56,494,042) | (50,984,619) |
| Housing rental | (7,033,124) | (7,041,750) |
| Other (Sundry amounts) | (11,914,699) | (12,671,612) |
| | **(298,511,977)** | **(263,291,394)** |
| **Net balance** | | |
| Electricity | 32,989,134 | 36,907,981 |
| Water | 18,687,612 | 18,833,865 |
| Sewerage | 7,025,028 | 5,455,417 |
| Refuse | 7,075,227 | 6,719,180 |
| Input VAT Accrual | 19,133,051 | 39,853,262 |
| Housing rental | 1,779,313 | 1,606,792 |
| Other (Sundry amounts) | 2,693,752 | 2,397,308 |
| | **89,383,117** | **111,773,805** |
| **Electricity** | | |
| Current (0 -30 days) | 21,586,986 | 21,137,162 |
| 31 - 60 days | 8,185,457 | 6,546,728 |
| 61 - 90 days | 4,440,720 | 4,356,705 |
| 91 + days | 81,156,090 | 68,786,507 |
| Allowance for impairment | (82,380,119) | (63,919,121) |
| | **32,989,134** | **36,907,981** |
| **Water** | | |
| Current (0 -30 days) | 7,433,355 | 8,814,085 |
| 31 - 60 days | 4,735,059 | 4,228,776 |
| 61 - 90 days | 2,483,201 | 3,111,315 |
| 91 + days | 77,764,980 | 68,989,299 |
| Allowance for impairment | (73,728,983) | (66,309,610) |
| | **18,687,612** | **18,833,865** |
| **Sewerage** | | |
| Current (0 -30 days) | 2,779,515 | 2,471,994 |
| 31 - 60 days | 1,492,593 | 1,523,978 |
| 61 - 90 days | 1,195,762 | 1,231,378 |
| 91 + days | 68,518,168 | 62,592,749 |
| Allowance for impairment | (66,961,010) | (62,364,682) |
| | **7,025,028** | **5,455,417** |



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| Figures in Rand | 2025 | 2024 |
|---|---|---|

**5. Receivables from exchange transactions (continued)**

| | | |
|---|---|---|
| **Refuse** | | |
| Current (0 -30 days) | 1,017,024 | 1,909,136 |
| 31 - 60 days | 1,523,696 | 1,346,479 |
| 61 - 90 days | 1,181,677 | 1,074,323 |
| 91 + days | 59,846,873 | 53,373,861 |
| Allowance for impairment | (56,494,043) | (50,984,619) |
| | **7,075,227** | **6,719,180** |
| **Housing rental** | | |
| Current (0 -30 days) | 464,700 | 485,968 |
| 31 - 60 days | 148,038 | 182,824 |
| 61 - 90 days | 67,852 | 104,359 |
| 91 + days | 8,131,847 | 7,875,391 |
| Allowance for impairment | (7,033,124) | (7,041,750) |
| | **1,779,313** | **1,606,792** |
| **Other (specify)** | | |
| Current (0 -30 days) | 135,088 | 168,236 |
| 31 - 60 days | 228,048 | 134,212 |
| 61 - 90 days | 119,499 | 103,189 |
| 91 + days | 14,125,816 | 14,663,282 |
| Allowance for impairment | (11,914,699) | (12,671,611) |
| | **2,693,752** | **2,397,308** |
| **Total** | | |
| Current (0 -30 days) | 21,750,241 | 33,003,084 |
| 31 - 60 days | 16,312,891 | 13,962,997 |
| 61 - 90 days | 9,488,710 | 9,981,269 |
| 91 + days | 321,210,201 | 278,264,587 |
| Allowance for impairment | (298,511,977) | (263,291,394) |
| | 70,250,066 | 71,920,543 |
| Input VAT Accrual | 19,133,051 | 39,853,262 |
| | **89,383,117** | **111,773,805** |

| **30 June 2025** | Residential, Industrial & Commercial | Other debtors | National and Provincial Government | Total |
|---|---|---|---|---|
| Total receivables | 350,346,759 | 7,092,429 | 11,322,855 | 368,762,043 |
| Less: Allowance for impairment | (292,631,673) | (5,880,304) | - | (298,511,977) |
| | **57,715,086** | **1,212,125** | **11,322,855** | **70,250,066** |

| **30 June 2024** | Residential, Industrial & Commercial | Other debtors | National and Provincial Government | Total |
|---|---|---|---|---|
| Total receivables | 320,208,002 | 7,693,790 | 7,310,145 | 335,211,937 |
| Less: Allowance for impairment | (257,333,508) | (5,957,886) | - | (263,291,394) |
| | **62,874,494** | **1,735,904** | **7,310,145** | **71,920,543** |



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**5. Receivables from exchange transactions (continued)**

**Credit quality of receivables from exchange transactions**

Consumer debtors are payable within 30 days. This credit period is considered to be consistent with the terms used in the public sector, through established practices and legislation.

Concentrations of credit risk with respect to trade receivables are limited due to the customer base being large and unrelated. The municipality's historical experience in collection of receivables transactions falls within recorded allowances. Accordingly, management believes no further credit provisions are required in excess of the present allowance for doubtful debts.

**Receivables from exchange transactions past due but not impaired**

All services are payable within 30 days from the invoice date. At 30 June 2025, R 43,316,535 (2024: R 43,487,192) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

| | | |
|---|---|---|
| 1 month past due | 12,962,307 | 10,263,170 |
| 2 months past due | 30,354,228 | 33,224,022 |

**Receivables from exchange transactions impaired**

As of 30 June 2025, consumer debtors of R 298,511,977 (2024: R 263,291,394) were impaired and provided for.

**Reconciliation of allowance for impairment of receivables from exchange transactions**

| | | |
|---|---|---|
| Opening balance | 263,291,394 | 222,571,920 |
| Allowance for impairment | 45,282,312 | 58,559,097 |
| Amounts written off as uncollectible | (10,061,729) | (17,839,623) |
| | **298,511,977** | **263,291,394** |

**6. Receivables from non-exchange transactions**

| | | |
|---|---|---|
| **Gross balances** | | |
| Rates | 144,647,447 | 131,110,581 |
| Fines | 203,163,302 | 183,712,019 |
| Miscellaneous | 6,667,601 | 7,197,195 |
| Availability fees | 12,969,732 | 11,460,868 |
| | **367,448,082** | **333,480,663** |
| **Less: Allowance for impairment** | | |
| Rates | (62,769,929) | (58,226,430) |
| Fines | (183,840,799) | (163,974,434) |
| Availability fees | (9,585,260) | (7,792,734) |
| | **(256,195,988)** | **(229,993,598)** |
| **Net balance** | | |
| Rates | 81,877,518 | 72,884,151 |
| Fines | 19,322,503 | 19,737,585 |
| Miscellaneous | 6,667,601 | 7,197,195 |
| Availability fees | 3,384,472 | 3,668,134 |
| | **111,252,094** | **103,487,065** |



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|---|---|---|

**6. Receivables from non-exchange transactions (continued)**

Ageing of receivables from non-exchange transactions:

| | | |
|---|---|---|
| **Rates** | | |
| Current (0-30 days) | 24,314,278 | 21,119,420 |
| 31 - 60 days | 8,228,221 | 8,293,347 |
| 61 - 90 days | 5,044,746 | 5,018,113 |
| 91 + days | 107,060,202 | 96,679,701 |
| | 144,647,447 | 131,110,581 |
| Less: Allowance for impairment | (62,769,929) | (58,226,430) |
| | **81,877,518** | **72,884,151** |
| **Fines and Other** | | |
| Current (0-30 days) | 15,343,651 | 13,449,995 |
| 31 - 60 days | 10,890,950 | 7,873,380 |
| 61 - 90 days | 3,745,000 | 8,568,000 |
| 91 + days | 179,851,302 | 161,017,839 |
| | 209,830,903 | 190,909,214 |
| Less: Allowance for impairment | (183,840,799) | (163,974,434) |
| | **25,990,104** | **26,934,780** |
| **Availability charges** | | |
| Current (0-30 days) | 816,266 | 794,440 |
| 31 - 60 days | 448,313 | 474,540 |
| 61 - 90 days | 342,737 | 382,213 |
| 91 + days | 11,362,417 | 9,809,675 |
| | 12,969,733 | 11,460,868 |
| Less: Allowance for impairment | (9,585,261) | (7,792,733) |
| | **3,384,472** | **3,668,135** |
| **Total** | | |
| Current (0-30 days) | 40,474,195 | 35,363,855 |
| 31 - 60 days | 19,567,484 | 16,641,267 |
| 61 - 90 days | 9,132,483 | 13,968,326 |
| 91 + days | 298,273,921 | 267,507,215 |
| | 367,448,083 | 333,480,663 |
| Less: Allowance for impairment | (256,195,989) | (229,993,597) |
| | **111,252,094** | **103,487,066** |

Availability fees with regards to rates, are grouped under "rates" in this note.

**Credit quality of receivables from non-exchange transactions**

Consumer debtors are payable within 30 days. This credit period is considered to be consistent with the terms used in the public sector, through established practices and legislation.

Concentrations of credit risk with respect to trade receivables are limited due to the customer base being large and unrelated. The municipality's historical experience in collection of trade receivables falls within recorded allowances. Accordingly, management believes no further credit provisions are required in excess of the present allowance for doubtful debts.



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## 6. Receivables from non-exchange transactions (continued)

### Receivables from non-exchange transactions past due but not impaired

All rates are payable within 30 days from the invoice date. At 30 June 2025, R 117,773,819 (2024: R 92,829,367) were past due but not impaired.

The ageing of rates, availability fees and fines past due but not impaired is as follows:

| | | |
|---|---|---|
| 1 month past due | 22,542,556 | 14,382,419 |
| 2 months past due | 95,231,263 | 78,446,948 |

### Receivables from non-exchange transactions impaired

As of 30 June 2025, other receivables from non-exchange transactions of R256,195,990 (2024: R229,993,598) were impaired and provided for.

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

| | | |
|---|---|---|
| Opening balance | 229,993,598 | 186,553,596 |
| Provision for impairment | 86,331,193 | 104,621,367 |
| Amounts written off as uncollectible | (60,128,801) | (61,181,365) |
| | **256,195,990** | **229,993,598** |

In terms of the requirements of GRAP 23 and IGRAP1, all fines issued during the year less any cancellations or reductions identified are recognised as revenue. The outstanding fine receivable balance at year end is reduced to its recoverable amount by recognising a provision for impairment against the receivable raised. The provision for impairment is based on current and past collection rates applicable to fines. Any fine reductions or cancellations subsequent to the financial year-end is recorded as a write off against the provision raised.

All Non-Government debtors were either specifically impaired or subject to collective impairment.

Debts are required to be settled after 30 days. Interest is charged on all classes of receivables except fines and other receivables at prime +1%.

## 7. Statutory receivables

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:

| | | |
|---|---|---|
| Consumer debtors - Rates | 81,877,518 | 72,884,151 |
| Fines | 19,322,503 | 19,737,585 |
| | **101,200,021** | **92,621,736** |

### Statutory receivables general information

### Transaction(s) arising from statute

Rates - Municipal Property Rates Act (MPR Act) section 2 states that a metropolitan or local municipality may levy a rate on property in its area.

Fines - Fines are issued in terms of the National Road Traffic Regulations of 2000 and the National Road Traffic Act 93 of 1996.

VAT - VAT is received and paid as required per the Value Added Tax Act No 89 of 1991.



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**7. Statutory receivables (continued)**

**Determination of transaction amount**

Rates - Rates amount are determined in terms of section 11 of the MPR act and the approved rates policy of the municipality.

Fines - All fines are governed by the specific regulation which is applicable to the offence.

VAT - VAT is applied to all relevant goods or services as stated in the VAT act and the amount thereof is determined in terms of the VAT act.

**Interest or other charges levied/charged**

Rates - Interest is charged on outstanding rates.

Fines - No interest or other charges are charged on outstanding fines.

VAT - VAT is submitted and paid on a monthly basis thus no interest is charged on outstanding VAT amounts.

No discount rate applied on the above mentioned statutory receivables to estimate future cash flows.

**Statutory receivables past due but not impaired**

Rates - Payment percentage of receivables are used to assess whether the receivable is impaired.
Refer to note 6 for more detail on the impairment and ageing of statutory receivable past due not impaired.

Fines - Payment percentage of fines are used to assess whether the fines are impaired.
Refer to note 6 for more detail on the impairment provision and ageing of statutory receivables past due not impaired.

VAT - VAT receivables from SARS is not impaired as South African Receiver of Revenue has sufficient funds to pay any outstanding amounts. VAT on output provision is assessed with the debtors impairment provision and included therein.
Refer to note  for more detail on the impairment provision.



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### 8. Unspent conditional grants and receipts

| | | |
|---|---|---|
| **Unspent Grants and receipts** | | |
| National Government Grants | 23,909,154 | 2,728,806 |
| Provincial Government Grants | 6,317,586 | 716,148 |
| Other organisational Grants | 601,249 | 112,890 |
| | **30,827,989** | **3,557,844** |
| **Less: Unpaid Grants** | | |
| Provincial Government Grants | 3,921,390 | 906,740 |
| **Net unspent/(unpaid) grants and receipts** | **26,906,599** | **2,651,104** |

**Unspent and unpaid grants and receipts comprises of:**

| | | |
|---|---|---|
| **Unspent conditional grants and receipts** | | |
| National: Municipal Infrastructure Grant (MIG) | 8,846,888 | 2,456 |
| National: Energy Efficiency and Demand Side Management Grant (EEDSMG) | 56,884 | 56,884 |
| National: Disaster Management Grants | 331,730 | 2,600,000 |
| National: Neighbourhood Development Partnership Grant (NDPG) | 5,740,117 | - |
| National: Water Services Infrastructure Grant | 110,922 | 69,466 |
| National: Integrated National Electrification Program | 8,822,613 | - |
| Provincial: Integrated Housing and Human Settlement Grant (IHHS) | (3,921,390) | (906,740) |
| Provincial: Other Provincial Grants | 6,317,586 | 716,148 |
| Other Organisational Grants | 601,249 | 112,890 |
| | **26,906,599** | **2,651,104** |

Unspent grants can mainly be attributed to projects that are work in progress on the relevant financial year-ends.

Also refer to appendix "B" for a reconciliation of grants from other sources. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised.

**Unconditional Grants**

**Equitable share**

| | | |
|---|---|---|
| Current year receipts | 130,575,000 | 122,358,000 |
| Transferred to revenue - operating | (130,575,000) | (122,358,000) |
| | - | - |

The Equitable Share is the unconditional share of the revenue raised nationally and is being allocated in terms of Section 214 of the Constitution (Act 108 of 1996) to the municipality by the National Treasury.

**Conditional Grants**

**National: Financial Management Grant (FMG)**

| | | |
|---|---|---|
| Current year receipts | 1,800,000 | 1,771,000 |
| Conditions met - transferred to revenue - operating | (1,800,000) | (1,771,000) |
| | - | - |

The FMG grant is a conditional grant to promote and support reforms in financial management by building capacity in municipalities to implement the Municipal Finance Management Act (MFMA).



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## 8. Unspent conditional grants and receipts (continued)

### National: Municipal Infrastructure Grant (MIG)

| | | |
|---|---|---|
| Opening Balance | 2,458 | 1,918,398 |
| Current year receipts | 28,487,000 | 24,202,000 |
| Conditions met - transferred to revenue - operating | (3,784,327) | (4,382,250) |
| Conditions met - transferred to revenue - capital | (15,858,243) | (19,817,245) |
| Adjustments | - | (1,918,447) |
| | **8,846,888** | **2,456** |

The MIG grant is a conditional grant to provide specific capital finance for eradicating basic municipal infrastructure backlogs for poor households, micro enterprises and social institutions servicing poor communities.

The adjustments above relates to repayments of unspent grants to National treasury based on the roll over application of grants

### National: Energy Efficiency and Demand Side Management Grant (EEDSMG)

| | | |
|---|---|---|
| Opening balance | 56,884 | 56,884 |

The EEDSM grant is a conditional grant to focus on the determination of energy consumption baseline, supply and installation of energy efficient technologies within Municipal facilities.

### National: Integrated National Electrification Program Grant (INEP)

| | | |
|---|---|---|
| Opening balance | - | 36 |
| Current year receipts | 9,900,000 | 40,000,000 |
| Conditions met - transferred to revenue - operating | (140,529) | (5,217,396) |
| Conditions met - transferred to revenue - capital | (936,858) | (34,782,640) |
| | **8,822,613** | **-** |

The INEP grant is a conditional grant to provide capital subsidies to municipalities to address the electrification backlog of occupied residential dwellings and the installation of bulk infrastructure.



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## 8. Unspent conditional grants and receipts (continued)

**National: Extended Public Works Program (EPWP)**

| | | |
|---|---|---|
| Current year receipts | 1,279,000 | 1,264,000 |
| Conditions met - transferred to revenue - operating | (1,279,000) | (1,264,000) |
| | - | - |

The EPWP grant is a conditional grant to incentivise municipalities to expand work creation efforts through the use of labour intensive delivery methods in the identified focus areas in compliance with the EPWP guidelines.

**National: Neighbourhood Development Partnership Grant (NDPG)**

| | | |
|---|---|---|
| Opening balance | - | 2,095,553 |
| Current year receipts | 20,477,000 | 8,397,000 |
| Conditions met - transferred to revenue - operating | (1,922,202) | (1,092,102) |
| Conditions met - transferred to revenue - capital | (12,814,681) | (7,304,898) |
| Adjustments | - | (2,095,553) |
| | **5,740,117** | **-** |

The NDPG grant is a conditional grant to fund, support and facilitate the planning and development of neighbourhood development programmes and projects that will be catalysts for further development in these areas. The adjustments above relates to repayments of unspent grants to National Treasury based on the roll over application of grants.

**Provincial: Integrated Housing and Human Settlement Grant (IHHS)**

| | | |
|---|---|---|
| Opening balance | (906,740) | (906,740) |
| Conditions met - transferred to revenue - capital | (3,014,650) | - |
| | **(3,921,390)** | **(906,740)** |

The housing allocation is a conditional grant to support the creation of sustainable human settlements that enables and improve quality of household life, provision of basic infrastructure, top structures and basic social and economic amenities.

**Provincial: Other Provincial Grants**

| | | |
|---|---|---|
| Opening balance | 716,148 | 67,859 |
| Current year receipts | 10,418,000 | 737,323 |
| Conditions met - transferred to revenue - operating | (967,974) | (89,034) |
| Conditions met - transferred to revenue - capital | (3,793,848) | - |
| Adjustments | (54,740) | - |
| | **6,317,586** | **716,148** |

The other provincial grants is mainly allocated to provide financial assistance to municipalities to improve overall financial governance within municipalities, improving credibility and responsiveness of municipal budgets, improving audit outcomes and addressing institutional challenges, to cover operational and capital costs pertaining to the line functions of CDW's, to ensure functional and compliant performance management systems. The unspent portion relates to conditions not yet met at year-end.

The adjustments above relates to repayments of unspent grants to provincial treasury based on the roll over application of grants.



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**8. Unspent conditional grants and receipts (continued)**

**Other Organisational Grants**

| | | |
|---|---|---|
| Opening balance | 112,890 | 23,038 |
| Current year receipts | 1,133,625 | 100,000 |
| Conditions met - transferred to revenue - operating | (573,529) | (10,148) |
| Adjustment | (71,737) | - |
| | **601,249** | **112,890** |

The grants relates to Nedbank SMME incubator and SANBI

**National: Water Services Infrastructure Grant**

| | | |
|---|---|---|
| Opening balance | 69,466 | - |
| Current year receipts | 8,937,000 | 3,400,000 |
| Conditions met - transferred to revenue - operating | (1,160,285) | (376,101) |
| Conditions met - transfer to revenue - capital | (7,735,259) | (2,954,433) |
| | **110,922** | **69,466** |

The Water Services Infrastructure Grant is conditional grant to facilitate the planning and implementation of various water and sanitation projects to accelerate backlog reduction and enhance the sustainability of services.

**Provincial: Community Library Service Grant**

| | | |
|---|---|---|
| Current year receipts | 9,663,348 | 10,978,000 |
| Conditions met - transferred to revenue - operating | (9,663,348) | (10,938,000) |
| Conditions met - transferred to revenue - capital | - | (40,000) |
| | **-** | **-** |

The grant relates to transform urban and rural public library infrastructure, facilities and services (primarily targeting previously disadvantaged communities) through a recapitalised programme at provincial level in support of local government and national initiatives.

**National - Municipal Disaster Recovery Grant**

| | | |
|---|---|---|
| Opening balance | 2,600,000 | - |
| Current year receipts | 114,000 | 2,600,000 |
| Conditions met - transferred to revenue - operating | (310,731) | - |
| Conditions met - transferred to revenue - Capital | (2,071,539) | - |
| | **331,730** | **2,600,000** |

The grant relates to disaster recovery.

**District - Security cameras Grant**

| | | |
|---|---|---|
| Current year receipts | 170,000 | - |
| Conditions met - transfer to revenue - capital | (170,000) | - |
| | **-** | **-** |

The grant relates to security cameras



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### 9. Cash and cash equivalents

Cash and cash equivalents consist of:

| | | |
|---|---|---|
| Cash on hand | 10,350 | 10,350 |
| Short-term deposits | 40,437,484 | 20,887 |
| Bank balances | 65,553,171 | 23,577,519 |
| | **106,001,005** | **23,608,756** |

**Credit quality of cash at bank and short term deposits, excluding cash on hand**

The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings.

| | | |
|---|---|---|
| **Credit rating** | | |
| Ba2 (Nedbank, ABSA, Standard Bank and Investec | 65,553,171 | 23,577,519 |

**Cash and cash equivalents pledged as collateral**

Cash and cash equivalents to an amount of R 30,827,989 (2024: R 3,557,844) are held to fund the Unspent Conditional Grants. Refer to note 8.

| | | |
|---|---|---|
| **Guarantees Issued** | | |
| | 156,100 | 156,100 |

**The municipality had the following bank accounts**

| Account number / description | Bank statement balances | | | Cash book balances | | |
|---|---|---|---|---|---|---|
| | **30 June 2025** | **30 June 2024** | **30 June 2023** | **30 June 2025** | **30 June 2024** | **30 June 2023** |
| Nedbank - Primary bank account - 162 656 1826 | - | 8,129 | 1,563,706 | - | 8,129 | 1,563,705 |
| Nedbank - Tertiary account (SARS VAT receipts) - 162 657 1139 | - | - | - | - | - | - |
| Nedbank - Emergency Fund - 114 792 0699 | - | - | - | - | - | 5 |
| Standard Bank - Primary bank account - 303265043 | 65,035,113 | 22,448,111 | 18,346,406 | 65,553,171 | 22,514,406 | 18,764,400 |
| Standard Bank - Secondary bank account - 303265612 | - | 1,063,107 | - | - | 1,063,107 | - |
| **Total** | **65,035,113** | **23,519,347** | **19,910,112** | **65,553,171** | **23,585,642** | **20,328,110** |

| | | |
|---|---|---|
| **Call Investment Deposits consist of the following accounts:** | | |
| Investec - 021941-503 | 22,513 | 20,885 |
| Investec - 021941-500 | - | 2 |
| Standard bank - 338568115001 | 14,902,911 | - |
| Standard bank - 288567420033 | 25,512,059 | - |
| | **40,437,483** | **20,887** |



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## 10. Long-term investments and receivables

| | | |
|---|---|---|
| **At amortised cost** | | |
| Fixed Deposits | 3,423,201 | 3,175,689 |
| Staff Housing Loans | 3,866 | 3,866 |
| Old Age Homes / Creche | 426,245 | 426,245 |
| Sundry deposits | 6,800 | 6,800 |
| | 3,860,112 | 3,612,600 |
| Impairments | (434,497) | (434,497) |
| | **3,425,615** | **3,178,103** |
| **Non-current assets** | | |
| At amortised cost | 3,425,615 | 3,178,103 |

**Fixed Deposits**

Included in Non-Current Investments is the Investec Fixed Deposit (Acc 021941500) of R 3,423,201 (2024: R 3,175,689) which have been pledged to DBSA as guarantees on external loans taken up. Refer to note 17. These loans are non-current and consequently it is highly unlikely that the Investment will be redeemable in the following financial year.

Investments are made in terms of the municipality's Cash Management and Investment Policy, as required by means of Regulation R 308 of 1 April 2005 gazetted in the Government Gazette No 27431 of 1 April 2005 and issued by the Minister of Finance.

**Staff Housing Loans**

Staff housing loans are no longer granted. The outstanding amount relates to prior years and is impaired.

**Old Age Homes / Creche**

New loans are not granted to organisations. The loans are repayable over periods up to forty years at a rate of 1% per annum, with the last loan redeemable in 2032.

**Financial assets at amortised cost impaired**

The allowance for impairment on financial assets exists due to the possibility that not all these debts will be recovered. Financial assets and amortised cost were assessed individually and grouped together at the Statement of Financial position date as financial assets with similar credit risk characteristics and collectively assessed for impairment.

As of 30 June 2025, financial assets of R 434,497 (2024: R 434,497) were impaired and provided for.

**Reconciliation of provision for impairment of financial assets at amortised cost**

| | | |
|---|---|---|
| Opening balance | 434,497 | 434,497 |



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## 11. Investment property

| | 2025 | | | 2024 | | |
|---|---|---|---|---|---|---|
| | Cost | Accumulated depreciation and accumulated impairment | Carrying value | Cost | Accumulated depreciation and accumulated impairment | Carrying value |
| Investment property | 150,199,108 | (82,828,700) | 67,370,408 | 150,199,108 | (82,692,680) | 67,506,428 |

**Reconciliation of investment property - 2025**

| | Opening balance | Depreciation | Total |
|---|---|---|---|
| Investment property | 67,506,428 | (136,020) | 67,370,408 |

**Reconciliation of investment property - 2024 - Restated**

| | Opening balance | Disposals | Depreciation | Total |
|---|---|---|---|---|
| Investment property | 67,661,447 | (19,000) | (136,019) | 67,506,428 |

**Investment property in the process of being constructed or developed**

No investment property is in the process of being constructed or developed.

**Amounts recognised in surplus or deficit**

| | | |
|---|---|---|
| Rental revenue from Investment property | 6,355,128 | 6,281,237 |
| **From Investment property that generated rental revenue** | | |
| Contracted services | - | 90,337 |
| Operational cost | 110,514 | 33,850 |
| | **110,514** | **124,187** |

**Land appointed in terms of legislation which entity controls without legal ownership or custodianship (IGRAP 18 par 40)**

In some instances the municipality is not the legal owner or the custodian of land appointed in terms of legislation, but assessed that it controls such land. Key judgements made and assumptions applied to conclude that it controls such land, are disclosed in Note 1.4. The land of the municipality are under the control of the municipality due to a vesting substantive right over the land. These land represents mainly public open spaces and roads vesting to the municipality.

| | | |
|---|---|---|
| Carrying value of land included in the carrying value of Investment property | 11,189,000 | 11,189,000 |

**Other**

The ownership of Erf 216/54 Brenton with a fair value of R10,600,000 is the subject of a legal dispute and according to the legal opinion obtained by the Municipality, ownership of this property vests with the Municipality. There are no other restrictions on the realisability of Investment Property or the remittance of revenue and proceeds of disposal.

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



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## 12. Property, plant and equipment

| | 2025 | | | 2024 | | |
|---|---|---|---|---|---|---|
| | Cost | Accumulated depreciation and accumulated impairment | Carrying value | Cost | Accumulated depreciation and accumulated impairment | Carrying value |
| Operational land | 299,286,407 | (174,793,690) | 124,492,717 | 299,236,407 | (174,793,690) | 124,442,717 |
| Operational buildings | 49,539,736 | (13,442,268) | 36,097,468 | 49,539,737 | (12,743,045) | 36,796,692 |
| Infrastructure | 1,678,528,303 | (542,280,143) | 1,136,248,160 | 1,626,394,786 | (498,636,826) | 1,127,757,960 |
| Community assets | 148,752,472 | (25,278,032) | 123,474,440 | 139,279,252 | (23,391,477) | 115,887,775 |
| Computer equipment | 15,586,904 | (12,111,892) | 3,475,012 | 15,206,265 | (11,360,296) | 3,845,969 |
| Furniture and office equipment | 17,215,882 | (12,030,671) | 5,185,211 | 14,113,041 | (10,524,812) | 3,588,229 |
| Machinery and equipment | 44,379,700 | (29,046,990) | 15,332,710 | 43,907,381 | (24,985,358) | 18,922,023 |
| Transport assets | 81,430,631 | (52,579,486) | 28,851,145 | 81,238,159 | (47,824,361) | 33,413,798 |
| **Total** | **2,334,720,035** | **(861,563,172)** | **1,473,156,863** | **2,268,915,028** | **(804,259,865)** | **1,464,655,163** |

**Reconciliation of property, plant and equipment - 2025**

| | Opening balance | Additions | Disposals | iGrap2 adjustment | Depreciation | Depreciation - disposals | Impairments* | Total |
|---|---|---|---|---|---|---|---|---|
| Operational land | 124,442,717 | 50,000 | - | - | - | - | - | 124,492,717 |
| Operational buildings | 36,796,692 | - | - | - | (699,224) | - | - | 36,097,468 |
| Infrastructure | 1,127,757,960 | 52,731,885 | (93,031) | (598,368) | (44,174,478) | - | 624,192 | 1,136,248,160 |
| Community assets | 115,887,775 | 9,511,621 | (38,400) | - | (1,898,804) | 12,248 | - | 123,474,440 |
| Computer equipment | 3,845,969 | 472,761 | (92,122) | - | (797,217) | 45,621 | - | 3,475,012 |
| Furniture and office equipment | 3,588,229 | 3,102,841 | - | - | (1,505,859) | - | - | 5,185,211 |
| Machinery and equipment | 18,922,023 | 582,835 | (110,515) | - | (3,048,182) | 57,375 | (1,070,826) | 15,332,710 |
| Transport assets | 33,413,798 | 664,700 | (472,227) | - | (1,885,613) | 335,896 | (3,205,409) | 28,851,145 |
| | **1,464,655,163** | **67,116,643** | **(806,295)** | **(598,368)** | **(54,009,377)** | **451,140** | **(3,652,043)** | **1,473,156,863** |



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**12. Property, plant and equipment (continued)**

**Reconciliation of property, plant and equipment - 2024 - Restated**

| | Opening balance | Additions | Disposals | Transfer to completed | iGrap2 adjustment | Depreciation | Disposals - Depreciation | Impairments* | Total |
|---|---|---|---|---|---|---|---|---|---|
| Operational land | 124,422,717 | 20,000 | - | - | - | - | - | - | 124,442,717 |
| Operational buildings | 38,457,104 | 44,205 | - | 214,997 | - | (1,919,614) | - | - | 36,796,692 |
| Infrastructure | 1,093,695,582 | 83,418,469 | - | (214,997) | (1,240,874) | (43,444,523) | - | (4,455,697) | 1,127,757,960 |
| Community assets | 115,144,020 | 2,380,693 | - | - | - | (2,007,086) | - | 370,148 | 115,887,775 |
| Computer equipment | 4,256,403 | 452,835 | (106,401) | - | - | (859,752) | 102,884 | - | 3,845,969 |
| Furniture and office equipment | 4,849,545 | 151,088 | (113,419) | - | - | (1,391,145) | 92,160 | - | 3,588,229 |
| Machinery and equipment | 19,933,843 | 880,029 | (320,378) | - | - | (884,363) | 220,073 | (907,181) | 18,922,023 |
| Transport assets | 49,883,688 | 1,466,668 | (332,532) | - | - | (3,262,421) | 35,655 | (14,377,260) | 33,413,798 |
| | **1,450,642,902** | **88,813,987** | **(872,730)** | **-** | **(1,240,874)** | **(53,768,904)** | **450,772** | **(19,369,990)** | **1,464,655,163** |



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**12. Property, plant and equipment (continued)**

**Pledged as security**

Carrying value of assets pledged as security:

| | | |
|---|---|---|
| Furniture and office equipment | 2,743,518 | - |

**Other information**

On 12 December 2023, the Municipal Council inter alia resolved to dispose the following five immovable properties:
(i) Erf 160, Buffalo Bay;
(ii) Erf 2463, Knysna;
(iii) Erf 3534, Knysna;
(iv) Erf 150, Karatara; and
(v) Erf 535, Rheenendal.

All five properties have been included in the 2024/2025 Budget Funding Plan.

During the 2024/2025 auction process, the following two properties were requested by Senior Management to be removed from the auction list as they were required for other municipal purposes.
(i) Erf 2463, Knysna (to be used by the Deputy Mayor for residential purposes); and
(ii) Erf 3534, Knysna (to be used by the Municipality for office accommodation purposes).

The auction of the remaining three properties was subsequently held on 21 May 2025, and resulted in the following final hammer prices offered at the auction.
(i) Erf 160 Buffalo Bay: R16 200 000
(ii) Erf 150 Karatara: R2 450 000
(iii) Erf 535 Rheendendaal: R55 000

On 05 June 2025, Council resolved to accept the bid of R16 200 000 offered for Erf 160 Buffalo Bay. The property will be transferred in the 2025/2026 financial year. Council further resolved that in relation to Erf 150 Karatara and Erf 535 Rheenendaal, comprehensive reports be submitted for consideration prior to a final resolution on the bids received.

In the event that Council declines the bids for Erf 150 Karatara and Erf 535 Rheenendaal, the Municipality will be liable for the payment of auctioneer costs.

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

| **Cumulative expenditure recognised in the carrying value of property, plant and equipment** | | |
|---|---|---|
| Buildings | 249,009 | 249,009 |
| Infrastructure | 208,115,222 | 197,073,730 |
| Community | 15,594,995 | 6,457,793 |
| Transport assets | 51,040 | 51,040 |
| | **224,010,266** | **203,831,572** |

| **Carrying value of property, plant and equipment that is taking a significantly longer period of time to complete than expected** | | |
|---|---|---|
| Knysna Cemetery professional fees - Community asset | 1,129,955 | 1,129,955 |
| Still in progress of land identification | | |
| | **1,129,955** | **1,129,955** |



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|---|---|---|

**12. Property, plant and equipment (continued)**

| | | |
|---|---|---|
| **Carrying value of property, plant and equipment where construction or development has been halted either during the current or previous reporting period(s)** | | |
| CBD Pipe replacement<br>Inadequate budget for Phase 2 construction<br>No impairment loss has been recognised as the project will continue as and when funding becomes available. | 1,486,622 | 2,364,556 |
| Erf 7057 Upgrade Bongani Sportsfield - Community<br>This project is not completed due to the funds that were reallocated<br>No impairment loss has been recognised as the project will continue as and when funding becomes available. | 11,829,160 | 5,235,476 |
| Upgrade Main Sewer Pump Station<br>Inadequate budget for Phase 2 construction<br>No impairment loss has been recognised as the project will continue as and when funding becomes available. | 16,485,116 | 14,509,893 |
| Upgrade CBD Sewer<br>Inadequate budget for Phase 2 construction<br>No impairment loss has been recognised as the project will continue as and when funding becomes available. | 1,476,740 | 1,476,740 |
| Rheenendal Civil Services<br>Inadequate budget.<br>No impairment loss has been recognised as the project will continue as and when funding becomes available. | 57,407 | - |
| Sedgefield WWTW Rehab<br>Inadequate budget.<br>No impairment loss has been recognised as the project will continue as and when funding becomes available. | 1,022,380 | - |
| Eastford/Charlesford Substation Phase 2<br>Inadequate budget.<br>No impairment loss has been recognised as the project will continue as and when funding becomes available. | 1,455,849 | - |
| Damsebos to Hlalani Bulk Sewer Link<br>Inadequate budget.<br>No impairment loss has been recognised as the project will continue as and when funding becomes available. | 464,404 | - |
| Upgrade gravel roads<br>Inadequate budget.<br>No impairment loss has been recognised as the project will continue as and when funding becomes available. | 23,071,617 | - |
| Brenton on Lake to Belvedere Sewer Link<br>Inadequate budget.<br>No impairment loss has been recognised as the project will continue as and when funding becomes available. | 900,740 | - |
| Rehabilitate Sewer Pipe Bridge in Khayalethu<br>Inadequate budget.<br>No impairment loss has been recognised as the project will continue as and when funding becomes available. | 345,801 | - |
| Knysna Dam Phasing Kruisvallei<br>Inadequate budget.<br>No impairment loss has been recognised as the project will continue as and when funding becomes available. | 850,000 | - |
| | **59,445,836** | **23,586,665** |




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|---|---|---|

**12. Property, plant and equipment (continued)**

**Expenditure incurred to repair and maintain property, plant and equipment**

| **Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance** | | |
|---|---|---|
| Contracted services | 32,129,250 | 41,484,089 |
| Sale of goods/Inventory | 151,784 | 603,976 |
| General expenses | 7,205,854 | 5,862,179 |
| | **39,486,888** | **47,950,244** |

**Land appointed in terms of legislation which entity controls without legal ownership or custodianship**

In some instances the municipality is not the legal owner or the custodian of land appointed in terms of legislation, but assessed that it controls such land. Key judgements made and assumptions applied to conclude that it controls such land, are disclosed in Note 1.4. The land of the municipality are under the control of the municipality due to vesting substantive right over the land.

| | | |
|---|---|---|
| Carrying value of land included in the carrying value of Property, plant and equipment | 14,145,100 | 14,145,100 |



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|---|---|---|

## 13. Intangible assets

| | 2025 | | | 2024 | | |
|---|---|---|---|---|---|---|
| | Cost | Accumulated amortisation and accumulated impairment | Carrying value | Cost | Accumulated amortisation and accumulated impairment | Carrying value |
| Computer software and website | 184,239 | (150,738) | 33,501 | 184,239 | (135,318) | 48,921 |

**Reconciliation of intangible assets - 2025**

| | Opening balance | Additions | Amortisation | Total |
|---|---|---|---|---|
| Computer software and website | 48,921 | - | (15,420) | 33,501 |

**Reconciliation of intangible assets - 2023**

| | Opening balance | Additions | Amortisation | Total |
|---|---|---|---|---|
| Computer software and website | 64,340 | - | (15,419) | 48,921 |

**Pledged as security**

There are no intangible assets pledged as security for liabilities.

**Intangible assets in the process of being constructed or developed**

No intangible assets in the process of being constructed or developed.

**Restricted title**

There are no intangible assets whose title is restricted.

**Other information**

No intangible assets were assessed having an indefinite useful life.

There are no contractual commitments for the acquisition of intangible assets.



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|---|---|---|

## 14. Heritage assets

| | 2025 | | | 2024 | | |
|---|---|---|---|---|---|---|
| | Cost | Accumulated impairment losses | Carrying value | Cost | Accumulated impairment losses | Carrying value |
| Land of historical significance and conservation areas | 22,322,000 | (9,711,000) | 12,611,000 | 22,322,000 | (9,711,000) | 12,611,000 |
| Historical buildings | 1,671,952 | (13,952) | 1,658,000 | 1,671,952 | (13,952) | 1,658,000 |
| Works of art | 83,550 | - | 83,550 | 83,550 | - | 83,550 |
| Historical monuments | 18,871 | - | 18,871 | 18,871 | - | 18,871 |
| Book collection of historical significance | 241,625 | - | 241,625 | 241,625 | - | 241,625 |
| **Total** | **24,337,998** | **(9,724,952)** | **14,613,046** | **24,337,998** | **(9,724,952)** | **14,613,046** |

**Reconciliation of heritage assets 2025**

| | Opening balance | Total |
|---|---|---|
| Works of art | 83,550 | 83,550 |
| Historical monuments | 18,871 | 18,871 |
| Land of historical significance and conservation areas | 12,611,000 | 12,611,000 |
| Historical buildings | 1,658,000 | 1,658,000 |
| Book collection of historical significance | 241,625 | 241,625 |
| | **14,613,046** | **14,613,046** |

**Reconciliation of heritage assets 2024 - Restated**

| | Opening balance | Total |
|---|---|---|
| Works of art | 83,550 | 83,550 |
| Historical monuments | 18,871 | 18,871 |
| Land of historical significance and conservation areas | 12,611,000 | 12,611,000 |
| Historical buildings | 1,658,000 | 1,658,000 |
| Book collection of historical significance | 241,625 | 241,625 |
| | **14,613,046** | **14,613,046** |

**Details of heritage assets**

Heritage assets consist mainly of land, historical buildings and monuments older than 50 years.

There are no restrictions on the realisability of Heritage Assets or the remittance of revenue and proceeds of disposal.

There are no contractual obligations to purchase, construct or develop heritage assets or for repairs, maintenance or enhancements.

There are no heritage assets pledged as security for liabilities.

There are no third party payments received for losses and impairments incurred.



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## 14. Heritage assets (continued)

**Land appointed in terms of legislation which entity controls without legal ownership or custodianship (IGRAP 18 par 40)**

In some instances the municipality is not the legal owner or the custodian of land appointed in terms of legislation, but assessed that it controls such land. Key judgements made and assumptions applied to conclude that it controls such land, are disclosed in Note 1.4. The land of the municipality are under the control of the municipality due to a vesting substantive right over the land.

| | | |
|---|---|---|
| Carrying value of land included in the carrying value of Heritage assets | 8,000 | 8,000 |

**Heritage assets used for more than one purpose**

The following heritage assets are used by the entity for more than one purpose:

| | | |
|---|---|---|
| Erf 1003 Knysna: Old goal heritage building, museum and municipal offices | 3,900,000 | 3,900,000 |

**Heritage assets in the process of being constructed or developed**

No heritage assets are in the process of being constructed or developed.

**Expenditure incurred to repair and maintain heritage assets**

| | | |
|---|---|---|
| **Expenditure incurred to repair and maintain heritage assets included in Statement of Financial Performance** | | |
| Sale of goods/Inventory | 1,486 | - |
| General expenses | 9,000 | 13,569 |
| | **10,486** | **13,569** |

## 15. Operating lease asset (liability)

| | | |
|---|---|---|
| Non-current assets | 3,869,248 | 3,671,787 |

Refer to note 43 for additional disclosure relating to the operating lease asset and accrual.



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## 16. Finance lease obligation

| | | |
|---|---|---|
| **Minimum lease payments due** | | |
| - within one year | 1,065,788 | - |
| - in second to fifth year inclusive | 1,065,788 | - |
| | 2,131,576 | - |
| less: future finance charges | (211,189) | - |
| **Present value of minimum lease payments** | **1,920,387** | **-** |
| **Present value of minimum lease payments due** | | |
| - within one year | 911,354 | - |
| - in second to fifth year inclusive | 1,009,033 | - |
| | **1,920,387** | **-** |
| Non-current liabilities | 1,009,033 | - |
| Current liabilities | 911,354 | - |
| | **1,920,387** | **-** |

It is municipality policy to lease certain equipment under finance leases. The office equipment is leased from Konica Minolta.

The average lease term was 3 years and the average effective borrowing rate was 10.22% (2024: -%).

Interest rates are fixed at the contract date. All leases have fixed repayments and no arrangements have been entered into for contingent rent.

The maturity date of the leases is 30 June 2027 for the office equipment.

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer note 12.

## 17. Long-term liabilities

| | | |
|---|---|---|
| **At amortised cost** | | |
| Annuity loans | 294,983,135 | 351,704,121 |

**Annuity loans**

Annuity loans bear interest at rates between 6.07% and 11.69% per annum. Investec Fixed Deposit (Acc 021941-500) of R 3,423,201 has been pledged to DBSA as guaranty for external loans taken up. Refer to note 10.

The cession agreement includes provisions confirming that the agreement remains valid despite any leniency or failure by the Cessionary to enforce its rights. The Cedent's indebtedness may be certified by an authorised representative of the Cessionary and serves as prima facie proof for legal purposes.

Each clause is severable, notices must be in writing, and any amendments require written agreement by both parties. The Cedent is liable for all enforcement costs. The agreement falls under the non-exclusive jurisdiction of the High Court of South Africa. The Cedent may not dispose of assets outside the ordinary course of business without the Cessionary's consent. Stamp duty, if applicable, is payable by the Cedent. The total Indebtedness of R271 746 to DBSA will be settled on 31 December 2025.

| | | |
|---|---|---|
| **Non-current liabilities** | | |
| At amortised cost | 243,785,981 | 305,354,811 |
| **Current liabilities** | | |
| At amortised cost | 51,197,154 | 46,349,310 |



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## 18. Payables from exchange transactions

| | | |
|---|---|---|
| Accrued interest on loans | 478,227 | 4,224,572 |
| Trade payables | 124,095,987 | 151,449,160 |
| Payments received in advanced | 23,041,836 | 22,631,374 |
| Retentions | 16,479,362 | 15,570,553 |
| Hoarding fees | 9,485,539 | 8,274,499 |
| Other payables | 6,167,763 | 6,590,040 |
| Deposits: Other | 854,555 | 831,466 |
| Operating lease payables | 4,180,169 | 1,098,164 |
| VAT Payable | 3,805,924 | 16,399,248 |
| Statutory Payable: VAT due to SARS | 1,970,283 | 1,988,567 |
| | **190,559,645** | **229,057,643** |

### VAT Payable

| | | |
|---|---|---|
| Output VAT Accrual | 49,463,992 | 57,224,282 |
| Provision for doubtful debt impairment | (45,658,068) | (40,825,034) |
| | **3,805,924** | **16,399,248** |

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

Discounting of trade and other payables on initial recognition is not deemed necessary.

All payables are unsecured.

Included in other payables is unidentified traffic fines paid, group scheme accruals and salary accruals.

Other deposits include Hall and Tender Deposits.

## 19. Consumer deposits

| | | |
|---|---|---|
| Electricity | 8,960,577 | 8,761,986 |
| Water | 6,519,745 | 6,336,463 |
| Other deposits | 282,005 | 243,928 |
| Town Hall rental | 109,899 | 195,277 |
| | **15,872,226** | **15,537,654** |



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|---|---|---|

## 20. Employee benefit obligations

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

| | | |
|---|---|---|
| **Non-current liabilities** | | |
| Post-Retirement Medical Aid benefits liability | 102,704,000 | 98,730,000 |
| Ex-gratia pension benefits liability | 56,948 | 54,948 |
| Long service awards | 21,060,400 | 19,865,999 |
| | **123,821,348** | **118,650,947** |
| **Current liabilities** | | |
| Post-Retirement Medical Aid benefits liability | 6,008,000 | 5,704,000 |
| Ex-gratia pension benefits liability | 11,052 | 11,052 |
| Long service awards | 2,761,599 | 1,801,000 |
| Performance bonus | 1,025,054 | 777,699 |
| Staff annual bonus | 9,048,796 | 8,156,520 |
| Staff leave | 24,379,626 | 22,118,362 |
| | **43,234,127** | **38,568,633** |
| **Total liabilities** | | |
| Post-Retirement Medical Aid benefits liability | 108,712,000 | 104,434,000 |
| Ex-gratia pension benefits liability | 68,000 | 66,000 |
| Long service awards | 23,821,999 | 21,666,999 |
| Performance bonus | 1,025,054 | 777,699 |
| Staff annual bonus | 9,048,796 | 8,156,520 |
| Staff leave | 24,379,626 | 22,118,362 |
| | **167,055,475** | **157,219,580** |

Risks relating to the net defined benefit obligation plans:

Inflation: The risk that future CPI inflation and earnings inflation are higher than assumed and present in an uncontrolled manner.

Volatility of open-ended, long-term DBO: The risk that the DBO may be volatile which is exacerbated by its long-term nature.

Enforcement of eligibility criteria and rules: The risk that eligibility criteria and rules are not strictly or consistently enforced, to the detriment of the Municipality.

Future changes in legislation: The risk that changes to legislation with respect to the ex-gratia benefits may increase the DBO for the Municipality.

**Post-retirement medical aid benefit liability**

The Post-retirement benefit plan is a wholly unfunded net defined benefit plan, of which the members are made up as follows:

| | | |
|---|---|---|
| In-service (Employees) members | 336 | 335 |
| In-service (Employees) non-members | 300 | 300 |
| Continuation members | 75 | 74 |
| **Total members** | **711** | **709** |
| In-service members | 50,881,000 | 49,388,000 |
| Continuation members | 54,743,000 | 52,447,000 |
| Non-members | 3,088,000 | 2,599,000 |
| **Total unfunded liability** | **108,712,000** | **104,434,000** |



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**20. Employee Benefit Obligations (continued)**

Valuation of assets
As at the valuation date, the medical aid liability of the Municipality was unfunded, i.e., no dedicated assets have been set aside to meet this liability.

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

- Bonitas
- LA Health
- Hosmed
- Keyhealth
- Samwumed

The service cost for the year ending 30 June 2026 is estimated to be R 2 855 000 (2025: R 2 723 000 whereas the net interest cost for the same year is estimated to be R 13 037 000 (2025: R13 948 000).

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

| | | |
|---|---|---|
| i) Rate of interest | | |
| Discount rate | 12.16 % | 13.54 % |
| Health care cost inflation rate | 8.08 % | 9.46 % |
| CPI (Consumer Price Inflation) | 6.58 % | 7.96 % |
| Net effective discount rate | 3.78 % | 3.73 % |
| | | |
| Average retirement age - females | 62 | 62 |
| Average retirement age - males | 62 | 62 |

The discount rate used is a composite of all government bonds and is calculated using a technique known as "bootstrapping".

The discount rate was determined by deducing from the yield curve from the Bond Exchange of South Africa after the market closed at the reporting date.

The next contribution increase was assumed to occur on 1 January 2025.

ii) Continuation assumption

It was assumed that 80% of In-Service Members that are currently on a Medical Aid Plan would continue to be on a plan on Retirement and receive subsidies from the Municipality.

Furthermore, it was assumed that 5% of In-Service Members that are currently not on a Medical Aid Plan would be on a plan upon Retirement and receive subsidies from the Municipality. These members are assumed to form part of the Samwumed B plan upon Retirement.

These assumptions are in line with the assumptions used in the previous valuation.

iii) Mortality rates

Pre-retirement: SA 85-90 mortality table
Post-retirement: PA (90) -1 ultimate mortality table

iv) Normal retirement age

It has been assumed that in-service members will retire at age 65, which then implicitly allows for expected rates of early and ill-health retirement.

v) Actuarial Valuation Method

The Projected Unit Credit Method has been used to value the liabilities.



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## 20. Employee Benefit Obligations (continued)

vi) Decrements: withdrawal
A table setting out the assumed rates of withdrawal from service is set out below:

| Age Band | Withdrawal Rate Males | Withdrawal Rate Females |
|---|---|---|
| 20 - 24 | 9 % | 9 % |
| 25 - 29 | 8 % | 8 % |
| 30 - 34 | 6 % | 6 % |
| 35 - 39 | 5 % | 5 % |
| 40 - 44 | 5 % | 5 % |
| 45 - 49 | 4 % | 4 % |
| 50 - 54 | 3 % | 3 % |
| 55 - 59 | - % | - % |
| 60+ | - % | - % |

These assumptions are in line with the assumptions used in the previous valuation.

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

| | | |
|---|---|---|
| Present value of unfunded obligations | 108,712,000 | 104,434,000 |

Amounts recognised in the Statement of Financial Performance are as follows:

| | | |
|---|---|---|
| Service Cost and reduction in minimum membership transactions | 2,723,000 | 2,628,000 |
| Actuarial (Gains)/Losses | (6,865,788) | (576,087) |
| Interest cost | 13,948,000 | 12,732,000 |
| | **9,805,212** | **14,783,913** |

The movement in the net defined benefit obligation over the year is as follows:

| | | |
|---|---|---|
| Balance at the beginning of the year | 104,433,999 | 94,722,000 |
| - Service cost | 2,723,000 | 2,628,000 |
| - Net interest cost | 13,948,000 | 12,732,000 |
| - Actuarial losses/(gains) | (6,865,788) | (576,087) |
| Benefits paid | (5,527,212) | (5,071,914) |
| **Balance at the end of the year** | **108,711,999** | **104,433,999** |

| | | |
|---|---|---|
| **Remeasurement of net defined benefit liability** | | |
| Actuarial (gains)/losses from financial assumptions | (5,767,000) | (1,926,000) |
| Actuarial (gains)/losses from demographic assumptions | (1,098,788) | 1,349,913 |
| | **(6,865,788)** | **(576,087)** |

The table below summarises the accrued liabilities for the current period and the previous four periods.

| **Liability History** | 30 June 2021 | 30 June 2022 | 30 June 2023 | 30 June 2024 | 30 June 2025 |
|---|---|---|---|---|---|
| Accrued liability | 95,885,000 | 100,290,000 | 94,772,000 | 104,434,000 | 108,712,000 |
| | **(95,885,000)** | **(100,290,000)** | **(94,772,000)** | **(104,434,000)** | **(108,712,000)** |

The table below summarises the experience adjustments for the current period and the previous four periods. Experience adjustments are the effects of differences between the previous actuarial assumptions and what has actually occurred.



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|---|---|---|

### 20. Employee Benefit Obligations (continued)

| **Experience adjustments** | 30 June 2021 | 30 June 2022 | 30 June 2023 | 30 June 2024 | 30 June 2025 |
|---|---|---|---|---|---|
| Liabilities: (Gain) / Loss | (3,312,000) | (4,407,000) | 5,568,000 | (1,349,913) | 1,098,788 |
| | **(3,312,000)** | **(4,407,000)** | **5,568,000** | **(1,349,913)** | **1,098,788** |

| **Sensitivity analysis on the accrued liability** | Change | In-service | Continuation | Total | % change |
|---|---|---|---|---|---|
| Central assumptions | | 53,969,000 | 54,743,000 | 108,712,000 | |
| Health care inflation | 1 % | 64,140,000 | 58,796,000 | 122,936,000 | 13 % |
| Health care inflation | (1)% | 45,723,000 | 51,105,000 | 96,828,000 | (11)% |
| Discount rate | 1 % | 46,056,000 | 51,255,000 | 97,311,000 | (10)% |
| Discount rate | (1)% | 63,831,000 | 58,684,000 | 122,515,000 | 13 % |
| Post-retirement mortality | 1 year | 52,526,000 | 52,787,000 | 105,313,000 | (3)% |
| Post-retirement mortality | -1 year | 55,402,000 | 56,717,000 | 112,119,000 | 3 % |
| Average retirement age | -1 year | 59,968,000 | 54,743,000 | 114,711,000 | 6 % |
| Continuation of membership at retirement | (10)% | 47,609,000 | 54,743,000 | 102,352,000 | (6)% |

| **Sensitivity analysis on service cost and net interest cost** | Change | Service cost | Net Interest cost | Total | % change |
|---|---|---|---|---|---|
| Central assumptions | | 2,856,000 | 13,037,000 | 15,893,000 | |
| Health care inflation | 1 % | 3,468,000 | 14,804,000 | 18,272,000 | 15 % |
| Health care inflation | (1)% | 2,368,000 | 11,562,000 | 13,930,000 | (12)% |
| Discount rate | 1 % | 2,388,000 | 11,622,000 | 14,010,000 | (12)% |
| Discount rate | (1)% | 3,450,000 | 14,752,000 | 18,202,000 | 15 % |
| Post-retirement mortality | 1 year | 2,779,000 | 12,619,000 | 15,398,000 | (3)% |
| Post-retirement mortality | -1 year | 2,932,000 | 13,456,000 | 16,388,000 | 3 % |
| Average retirement age | -1 year | 3,050,000 | 13,772,000 | 16,822,000 | 6 % |
| Continuation of membership at retirement | (10)% | 2,524,000 | 12,245,000 | 14,769,000 | (7)% |

| **Maturity analysis** | Liability value |
|---|---|
| Within one year from valuation date | 5,569,671 |
| Between 1 and 5 years from valuation date | 18,061,205 |
| Longer than 5 years from valuation date | 115,725,956 |
| | **139,356,832** |

**Ex-gratia pension liability**

The Ex-gratia pension benefit plan is a net defined benefit plan. As at 30 June 2025, 1 pensioners (2024: 1) were eligible for payments in terms of this plan. In-Service members are not eligible.

There is no future-service costs as there are no current in-service members eligible for ex-gratia payments, whereas the net interest cost for the year ending 30 June 2026 is estimated to be R 7 000 (2025: R 8 000).

| | | |
|---|---|---|
| Pensioners | 1 | 1 |



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|---|---|---|

**20. Employee Benefit Obligations (continued)**

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

i) Rate of interest

| | | |
|---|---|---|
| Discount rate | Yield curve | Yield curve |

The discount rate used is a composite of all government bonds and is calculated using a technique is known as "bootstrapping".

The discount rate was determined by deducing from the yield curve from the Bond Exchange of South Africa after the market closed at the reporting date.

ii) Post-retirement: PA (90) -1 ultimate mortality table

iii) Actuarial valuation method

The Projected Unit Credit Method has been used to value the liabilities.

iv) Withdrawal decements
A Table setting out the assumed rates of withdrawal from service is set out below:

| **Age band** | Withdrawal Rate Males | Withdrawal Rate Females |
|---|---|---|
| 20 - 24 | 16 | 24 |
| 25 - 29 | 12 | 18 |
| 30 - 34 | 10 | 15 |
| 35 - 39 | 8 | 10 |
| 40 - 44 | 6 | 6 |
| 45 - 49 | 4 | 4 |
| 50 - 54 | 2 | 2 |
| 55+ | 1 | 1 |
| | **59** | **80** |

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

| | | |
|---|---|---|
| Post-Retirement Housing Subsidy obligation | 68,000 | 66,000 |

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

| | | |
|---|---|---|
| Net interest cost | 7,000 | 8,000 |
| Recognised actuarial losses / (gains) | 6,052 | 2,052 |
| | **13,052** | **10,052** |



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**20. Employee Benefit Obligations (continued)**

The movement in the net defined benefit obligation over the year is as follows:

| | | |
|---|---|---|
| Balance at the beginning of the tear | 66,000 | 67,000 |
| - Actuarial (Gains)/Losses | 6,052 | 2,052 |
| - Net interest cost | 7,000 | 8,000 |
| - Benefits paid | (11,052) | (11,052) |
| | **68,000** | **66,000** |

| | | |
|---|---|---|
| **Remeasurement of net defined benefit liability** | | |
| Actuarial (gains)/losses from financial assumptions | 3,000 | 1,000 |
| Actuarial (gains)/losses from demographic assumptions | 3,052 | 1,052 |
| | **6,052** | **2,052** |

The table below summarises the accrued liabilities for the current period and the previous four periods:

| **Liability History** | 30 June 2021 | 30 June 2022 | 30 June 2023 | 30 June 2024 | 30 June 2025 |
|---|---|---|---|---|---|
| Accrued liability | 88,900 | 77,910 | 67,000 | 66,000 | 68,000 |
| **Surplus / (Deficit)** | **(88,900)** | **(77,910)** | **(67,000)** | **(66,000)** | **(68,000)** |

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

| **Experience adjustment** | 30 June 2021 | 30 June 2022 | 30 June 2023 | 30 June 2024 | 30 June 2025 |
|---|---|---|---|---|---|
| Liabilities: (Gain) / Loss | 1,655 | 2,272 | 3,208 | (1,052) | (3,052) |
| | **1,655** | **2,272** | **3,208** | **(1,052)** | **(3,052)** |

| **Sensitivity analysis on the unfunded accrued liability** | Change | Total liability | % change |
|---|---|---|---|
| Central assumptions | | 68,000 | |
| Discount rate | 1 % | 68,000 | - % |
| Discount rate | (1)% | 68,000 | - % |
| Post-retirement mortality | 1 year | 67,000 | -1% |
| Post-retirement mortality | - 1 year | 70,000 | 3 % |

| **Sensitivity analysis on the net interest cost** | Change | Net interest cost | % change |
|---|---|---|---|
| Central assumptions | | 7,000 | % |
| Discount rate | 1 % | 8,000 | 14 % |
| Discount rate | (1)% | 7,000 | - % |
| Post-retirement mortality | 1 year | 7,000 | - % |
| Post-retirement mortality | - 1 year | 8,000 | 14 % |

| **Maturity analysis** | Liability value |
|---|---|
| Within one year from valuation date | 11,052 |
| Between 1 and 5 years from valuation date | 30,165 |
| Longer than 5 years from valuation date | 26,783 |
| | **68,000** |

**Long service awards**

The municipality's obligation for Long Service Awards is a net defined benefit plan. This plan is wholly unfunded as no contributions are made by the municipality into funds that are legally separate from the municipality and from which the employee benefits are paid (each subsequent financial year's expected payments of long service bonuses are budgeted for).



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**20. Employee Benefit Obligations (continued)**

The municipality, in substance, underwrites the actuarial and investment risks associated with the plan. Consequently, the expense recognised for the net defined benefit plan is the full additional liability accrued due to additional benefit entitlement. The municipality's net obligation in respect of the net defined benefit long service allowances is the present value of the net defined benefit obligation. The present value of the net defined benefit obligation is determined by discounting the estimated future cash outflows of the benefits that will be paid to employees and using suitable interest rates.

The calculation is performed by registered actuaries using the projected unit credit method. The most recent actuarial valuations of the present value of the defined benefit obligation were carried out at 30 June 2025.

**Valuation of Assets**
As at the valuation date, the long service leave award liability of the Municipality was unfunded, i.e., no dedicated assets have been set aside to meet this liability. We therefore did not value any assets as part of our valuation.

At year end, 636 (2024: 627) employees were eligible for Long-services awards.

The future service cost for the ensuing year is estimated to be R 1,594,000 (2025: R 1,500,000), whereas the interest cost for the ensuing year is estimated to be R 2,247,000 (2025: R 2,324,000).

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

| i) Rate of interest | 2025 | 2024 |
|---|---|---|
| Discount rate | 9.48 % | 10.99 % |
| CPI (Consumer Price Inflation) | 4.25 % | 5.67 % |
| General salary inflation (long-term) | 5.25 % | 6.67 % |
| Net effective discount rate | 4.02 % | 4.05 % |

The discount rate used is a composite of all government bonds and is calculated using a technique is known as "bootstrapping".

The discount rate was determined by deducing from the yield curve from the Bond Exchange of South Africa after the market closed at the reporting date.

Pre-retirement: SA 85-90 (mixed) ultimate mortality table

iii) Normal retirement age

It has been assumed that in-service members will retire at the average age of 65.

iv) Withdrawal decements
A table setting out the assumed rates of withdrawal from service is set out below:

| **Age band** | Withdrawal Rate Males | Withdrawal Rates Female |
|---|---|---|
| 20 - 24 | 9 % | 9 % |
| 25 - 29 | 8 % | 8 % |
| 30 - 34 | 6 % | 6 % |
| 35 - 39 | 5 % | 5 % |
| 40 - 44 | 5 % | 5 % |
| 45 - 49 | 4 % | 4 % |
| 50 - 54 | 3 % | 3 % |
| 55 - 59 | - % | - % |
| 60+ | - % | - % |

Amounts recognised in the Statement of Financial Performance are as follows:

| | | |
|---|---|---|
| Unfunded Long-Service Awards obligation | 23,821,999 | 21,666,999 |



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**20. Employee Benefit Obligations (continued)**

Amounts recognised in the Statement of Financial Performance are as follows:

| | | |
|---|---|---|
| Current service cost | 1,500,000 | 1,486,000 |
| Interest cost | 2,324,000 | 2,302,000 |
| Actuarial (Gains)/Losses | (128,351) | (988,991) |
| | **3,695,649** | **2,799,009** |

The movement in the net defined benefit obligation over the year is as follows:

| | | |
|---|---|---|
| | 21,666,999 | 21,073,999 |
| - Service cost | 1,500,000 | 1,486,000 |
| - Net interest cost | 2,324,000 | 2,302,000 |
| - Recognised actuarial losses / (gains) | (128,351) | (988,991) |
| - Benefits paid | (1,540,649) | (2,206,009) |
| | **23,821,999** | **21,666,999** |

| **Remeasurement of net defined benefit liability** | 2025 | 2024 |
|---|---|---|
| Actuarial (gains)/losses from financial assumptions | (26,000) | (317,000) |
| Actuarial (gains)/losses from demographic assumptions | (36,950) | (671,991) |
| | **(62,950)** | **(988,991)** |

The table below summarises the accrued liabilities and the plan assets for the current period and the previous four periods:

| **Liability History** | 30 June 2021 | 30 June 2022 | 30 June 2023 | 30 June 2024 | 30 June 2025 |
|---|---|---|---|---|---|
| Accrued Liability | 17,445,000 | 18,556,517 | 21,073,999 | 21,667,000 | 23,822,000 |
| **Surplus / (Deficit)** | **(17,445,000)** | **(18,556,517)** | **(21,073,999)** | **(21,667,000)** | **(23,822,000)** |

The table below summarises the experience adjustments for the current and previous four periods. Experience adjustments are the effects of differences between the previous actuarial assumptions and what has actually occurred:

| **Experience adjustment** | 30 June 2021 | 30 June 2022 | 30 June 2023 | 30 June 2024 | 30 June 2025 |
|---|---|---|---|---|---|
| Liabilities: (Gain) / Loss | (295,392) | 355,688 | (1,313,734) | (671,991) | (36,950) |
| | **(295,392)** | **355,688** | **(1,313,734)** | **(671,991)** | **(36,950)** |



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**20. Employee Benefit Obligations (continued)**

| **Sensitivity analysis on the unfunded accrued liability** | Change | Liability | % change |
|---|---|---|---|
| Central assumptions | | 23,822,000 | |
| General salary inflation | 1 % | 25,326,000 | 6 % |
| General salary inflation | (1)% | 22,449,000 | (6)% |
| Discount rate | 1 % | 22,513,000 | (5)% |
| Discount rate | (1)% | 25,277,000 | 6 % |
| Average retirement age | 2 years | 26,405,000 | 11 % |
| Average retirement age | -2 years | 20,368,000 | (14)% |
| Withdrawal rates | +100% | 20,270,000 | (15)% |
| Withdrawal rates | -50% | 26,133,000 | 10 % |

| **Sensitivity analysis on service and net interest costs** | Change | Service cost | Net Interest cost | Total | % change |
|---|---|---|---|---|---|
| Central assumptions | | 1,594,000 | 2,247,000 | 3,841,000 | |
| General salary inflation | 1 % | 1,712,000 | 2,395,000 | 4,107,000 | 7 % |
| General salary inflation | (1)% | 1,488,000 | 2,111,000 | 3,599,000 | (6)% |
| Discount rate | 1 % | 1,492,000 | 2,118,000 | 3,610,000 | (6)% |
| Discount rate | (1)% | 1,708,000 | 2,390,000 | 4,098,000 | 7 % |
| Average retirement age | 2 years | 1,745,000 | 2,499,000 | 4,244,000 | 10 % |
| Average retirement age | -2 years | 1,407,000 | 1,910,000 | 3,317,000 | (14)% |
| Withdrawal rates | 100% | 1,284,000 | 1,895,000 | 3,179,000 | (17)% |
| Withdrawal rates | -50% | 1,806,000 | 2,476,000 | 4,282,000 | 11 % |

| **Maturity analysis** | Liability value |
|---|---|
| Within one year from valuation date | 2,620,749 |
| Between 1 and 5 years from valuation date | 10,376,234 |
| Longer than 5 years from valuation date | 22,769,890 |
| | **35,766,873** |

**Multi-employer retirement benefit information**

Both the Consolidated Retirement Fund for local government and LA Retirement Fund are multi-employer plans. This means that there are multiple local authorities that participate in these funds. In terms of GRAP 25, multi-employer plans are defined as defined benefit plans. GRAP 25 also states that when sufficient information is not available to use defined benefit accounting for a multi-employer plan, an entity will account for the plan as if it were a net defined contribution plan.

The Municipality requested detailed employee and pensioner information as well as information on the Municipality's share of the Pension and Retirement Funds' assets from the fund administrator. The fund administrator confirmed that assets of the Pension and Retirement Funds are not split per participating employer. Therefore, the Municipality is unable to determine the value of the plan assets as defined in GRAP 25.

As part of the Municipality's process to value the net defined benefit liabilities, the Municipality requested pensioner data from the fund administrator. The fund administrator claims that the pensioner data is confidential and was not willing to share the information with the Municipality. Without detailed pensioner data the Municipality was unable to calculate a reliable estimate of the accrued liability in respect of pensioners who qualify for a defined benefit pension.

Therefore, although the LA Retirement Fund is a Multi-Employer fund defined as a defined benefit plan, it will be accounted for as a defined contribution plan.



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## 20. Employee Benefit Obligations (continued)

### LA Retirement Fund

The LA Retirement Fund's contribution rate payable is 9% by the members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2024 revealed that the fund is in a sound financial position with a funding level of 117.3%.

| | | |
|---|---|---|
| Council Contributions paid recognised in the Statement of Financial Performance | 141,790 | 131,851 |
| Employee Contributions paid recognised in the Statement of Financial Performance | 70,895 | 65,925 |
| | **212,685** | **197,776** |

### Consolidated Retirement Fund for local government

The contribution rate payable is 9% by members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2024 revealed that the fund is in a sound financial position with a funding level of 118.5%.

| | | |
|---|---|---|
| Council Contributions paid recognised in the Statements of Financial Performance | 31,833,587 | 30,156,861 |
| Employee Contributions paid recognised in the Statements of Financial Performance | 16,140,582 | 15,307,918 |
| | **47,974,169** | **45,464,779** |

### Municipal Councillors Pension Fund

Council contribute to the Municipal Council Pension Fund which is a defined contribution fund. The retirement benefit fund is subject to the Pension Fund Act, 1956, with pension being calculated on the pensionable remuneration paid. Current contributions by Council are charged against expenditure on the basis of current service costs.

### Performance bonuses

The movement on the performance bonus obligation consist of the following:

| | | |
|---|---|---|
| Balance at the beginning of the year | 777,700 | 1,154,172 |
| Adjustment to performance bonus accrual during the year | 247,355 | (376,472) |
| | **1,025,055** | **777,700** |

Performance bonuses are paid to the municipal Manager and section 56 Directors after an evaluation of performance by the council.

### Staff annual bonus

The movement on the annual bonus accrual consist of the following:

| | | |
|---|---|---|
| Balance at the beginning of the year | 8,156,520 | 8,036,427 |
| Payments | (8,241,844) | (7,967,152) |
| Additional bonus accrual recognised during the year | 9,134,120 | 8,087,245 |
| | **9,048,796** | **8,156,520** |

Annual bonuses are paid to all staff during November of each year. There is no possibility of reimbursement.



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|---|---|---|

### 20. Employee Benefit Obligations (continued)

**Staff leave**

The movement on the leave accrual consist of the following:

| | | |
|---|---|---|
| Balance at the beginning of the year | 22,118,362 | 21,011,708 |
| Payments | (2,708,681) | (1,979,914) |
| Additional staff leave accrual recognised during the year | 4,969,945 | 3,086,568 |
| | **24,379,626** | **22,118,362** |

Staff leave accrues to employees according to a collective agreement. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave or resign. There is no possibility of reimbursement.

### 21. Provisions

**Reconciliation of provisions - 2025**

| | Opening Balance | Additions | Unwinding of discount | Reversed during the year | iGrap2 Adjustment | Total |
|---|---|---|---|---|---|---|
| Landfill site | 18,269,678 | - | 1,497,040 | - | (598,368) | 19,168,350 |
| VAT on Libraries | 6,763,294 | 483,260 | - | (7,246,554) | - | - |
| | **25,032,972** | **483,260** | **1,497,040** | **(7,246,554)** | **(598,368)** | **19,168,350** |

**Reconciliation of provisions - 2024 - Restated**

| | Opening Balance | Additions | Unwinding of discount | iGrap2 Adjustment | Total |
|---|---|---|---|---|---|
| Landfill site | 17,875,055 | - | 1,635,497 | (1,240,874) | 18,269,678 |
| VAT on Libraries | 5,331,381 | 1,431,913 | - | - | 6,763,294 |
| | **23,206,436** | **1,431,913** | **1,635,497** | **(1,240,874)** | **25,032,972** |

| | | |
|---|---|---|
| Non-current liabilities | 18,261,010 | 17,362,338 |
| Current liabilities | 907,340 | 7,670,634 |
| | **19,168,350** | **25,032,972** |



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**21. Employee Benefit Obligations (continued)**

**Landfill sites**

The provision is for the rehabilitation of 1 landfill sites and 2 refuse transfer stations. The municipality discontinued dumping waste within the municipal area and transport all waste to the Petro SA waste disposal site in Mossel Bay.

Rehabilitation cost was estimated using criteria for closure detailed in the Minimum Requirement for Waste Disposal by Landfill. Provision is made in terms of the municipality's licensing stipulations on the landfill waste sites, for the estimated cost of rehabilitating the waste sites. The provision has been determined on the basis of a recent independent study. The cost factors derived from the study by Delta Built Environment Consultants have been applied.

It is estimated that the rehabilitation process will be finalised in 2026 for the Old place landfill site. The rehabilitation process was finalised in 2022 for the Brenton on Sea landfill site.

The movement in the provision of the landfill site in the 2025 financial year is due to a new calculation obtained from engineers who calculated the estimate costs to rehabilitate the landfill site. The change in discount rates and estimates also impacted the IGRAP 2 adjustment.

The contribution to the provision is based on the average Consumer Price Index which is calculated at 3.27% (2024: 5.26%).

The cost as at 30 June 2025 has been escalated annually with the average Consumer Price Index until the estimated time of closure and discounted to present value using the relevant South African Government Bond rates. All other adjustments are in line with the provisions of IGRAP 2.

**VAT on Libraries**

The municipality has never declared output VAT on the Library Grants received from Department of Culture and Sports (DCAS) as it was deemed to also meet the definition of a grant for VAT purposes. The grant received was therefore not regarded as a taxable supply. Following various technical consultations, the general consensus is that payments received from the Western Cape Provincial Department of Cultural Affairs (DCAS) are not considered a grant as per the VAT Act. Due to uncertainty regarding the VAT treatment of funding received from DCAS, the municipality has applied for a VAT ruling from SARS. As of 30 June 2024, the municipality has not yet received the outcome of this ruling, and therefore a provision has been disclosed pending the final decision from SARS. Although a provision is recognised for the VAT payable to SARS, the municipality continues to be in consultation with provincial government regarding the recovery of the VAT liability.

The municipality, subsequently after SARS issued a Binding General Ruling 74 on the 3rd of October 2024 (BGR 74), declared for the 15% VAT on grant received as Output VAT and paid over to SARS. The provision was reversed and accounted for as a net VAT accrual.

**22. Service charges**

| | | |
|---|---|---|
| Sale of electricity | 392,044,275 | 347,884,136 |
| Sale of water | 96,026,566 | 94,438,162 |
| Sewerage and sanitation charges | 29,882,873 | 28,884,736 |
| Refuse removal | 35,630,118 | 28,679,328 |
| | **553,583,832** | **499,886,362** |

The amounts disclosed above for revenue from service charges are in respect of services rendered which are billed to the consumers on a monthly basis according to the approved tariffs.



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## 23. Rental of facilities and equipment

| | | |
|---|---|---|
| **Premises** | | |
| Hire of halls | 150,001 | 137,405 |
| Investment property | 6,355,128 | 6,281,237 |
| | **6,505,129** | **6,418,642** |
| **Facilities and equipment** | | |
| Rental of equipment | 88,495 | 64,197 |
| Bulk containers | (685) | 7,530 |
| Caravan park | 1,165,285 | 900,120 |
| | **1,253,095** | **971,847** |
| | **7,758,224** | **7,390,489** |

## 24. Operational revenue

| | | |
|---|---|---|
| Collection charges | - | (46,329) |
| Incidental cash surpluses | 5,256 | 2,334 |
| Merchandising, jobbing and contracts | 3,912,268 | 3,088,373 |
| Skills Development Levy Refund | 1,072,107 | - |
| Request for information - Municipal information and statistics | 99,501 | 59,945 |
| Sundries | 793,278 | 877,234 |
| | **5,882,410** | **3,981,557** |

## 25. Property rates

**Rates received**

| | | |
|---|---|---|
| **Rateable land and buildings** | | |
| Residential | 266,915,938 | 241,318,355 |
| Commercial | 41,961,136 | 39,217,117 |
| State | 9,566,039 | 9,272,341 |
| Agricultural / Rural | 8,606,430 | 1,986,909 |
| Accommodation | 31,214,743 | 33,126,080 |
| Church | 2,340,932 | 2,253,446 |
| Light industrial | 5,743,848 | 5,421,896 |
| Others - Pensioners etc. | 739,665 | 498,216 |
| **Rebates** | | |
| Less: Income forgone / Rebates | (18,783,203) | (22,175,252) |
| | **348,305,528** | **310,919,108** |



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## 25. Property rates (continued)

### Valuations (R'000)

| | | |
|---|---|---|
| Residential | 32,416,801 | 31,945,763 |
| Commercial | 2,455,750 | 2,426,033 |
| State | 864,580 | 855,036 |
| Municipal | 697,926 | 660,240 |
| Agricultural / Rural | 1,239,903 | 1,102,652 |
| Accommodation | 1,900,255 | 2,102,437 |
| Church | 154,283 | 146,648 |
| Light industrial | 359,363 | 353,972 |
| Others - Pensioners etc. | 134,398 | 130,101 |
| | **40,223,259** | **39,722,882** |

Assessment Rates are levied on the fair market value basis. The last valuation came into effect on 1 July 2024. Revaluations will be undertaken in terms of the Municipal Property Rates Act. Interim valuations are processed to take into account changes in individual property values due to alterations and subdivisions and also to accommodate growth in the rate base due mostly to private development.

A rate in the Rand for domestic properties of R 0.007889 was charged on the total market value. Businesses were charged at a rate of R 0.0157799 on the total market value.

Properties used for domestic purposes and consisting of both land and improvements are subject to a R 15 000 valuation reduction. There are also different rebates and phased in tariffs for different sectors of the community. Interest on arrear accounts is charged at bank rate plus one percent.

Rates are levied monthly and payable by the last day of the following month. Interest is levied at the prime rate plus one percent on outstanding monthly instalments.

## 26. Transfers and subsidies

### Operating grants

| | | |
|---|---|---|
| Equitable share | 130,575,000 | 122,358,000 |
| National : Financial Management Grant (FMG) | 1,800,000 | 1,771,000 |
| National : Municipal Infrastructure Grant (MIG) | 3,784,327 | 4,382,249 |
| National: Integrated National Electrification Program Grant (INEP) | 140,529 | 5,217,396 |
| National Extended Public Works Program (EPWP) | 1,279,000 | 1,264,000 |
| Other Provincial Grants | 967,974 | 89,034 |
| National: Water Services Infrastructure Grant | 1,160,285 | 376,101 |
| National: Neighbourhood Development Partnership Grant (NDPG) | 1,922,202 | 1,092,102 |
| Other Organisational Grants: Nedbank: SMME Incubator | 573,529 | - |
| Provincial: Community Library Service Grant | 9,663,348 | 9,511,304 |
| Other Organisational Grants: SANBI | - | 10,148 |
| | **151,866,194** | **146,071,334** |

### Capital grants

| | | |
|---|---|---|
| National: Municipal Infrastructure Grant (MIG) | 15,858,243 | 19,817,245 |
| National : Integrated National Electrification Program Grant (INEP) | 936,858 | 34,782,640 |
| Provincial: Integrated Housing and Human Settlement Grant (IHHS) | 3,014,650 | - |
| Provincial: Other Provincial Grants | 3,793,848 | - |
| District : Garden Route District Municipal Grants | 170,000 | - |
| National: Water Services Infrastructure Grant | 7,735,259 | 2,954,433 |
| National: Neighbourhood Development Partnership Grant (NDPG) | 12,814,681 | 7,304,898 |
| Provincial: Community Library Service Grant | - | 34,783 |
| National: Disaster Management Grants | 2,382,269 | - |
| | **46,705,808** | **64,893,999** |
| | **198,572,002** | **210,965,333** |



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|---|---|---|

### 26. Transfers and subsidies (continued)

| | | |
|---|---|---|
| **Classification of revenue** | | |
| **Transfer and subsidies - Operating** | | |
| Revenue from exchange transactions* | 9,663,348 | 9,546,087 |
| Revenue from non-exchange transactions | 142,202,846 | 136,525,247 |
| Transfer and subsidies - Capital | 46,705,808 | 64,893,999 |
| | **198,572,002** | **210,965,333** |

* Relates to Provincial: Community Library Service Grant

**Conditional and Unconditional**

Included in above are the following grants and subsidies recognised:

| | | |
|---|---|---|
| Conditional grants received | 67,997,002 | 88,607,333 |
| Unconditional grants received | 130,575,000 | 122,358,000 |
| | **198,572,002** | **210,965,333** |

| | | |
|---|---|---|
| **Revenue recognised / expensed per vote as required by Section 123 (c) of the MFMA** | | |
| Equitable share | 130,575,000 | 122,358,000 |
| Community share | 16,977,439 | 9,635,121 |
| Finance | 1,800,000 | 1,771,000 |
| Planning | 4,867,179 | 1,274,148 |
| Technical | 44,352,384 | 75,927,064 |
| | **198,572,002** | **210,965,333** |

| | | |
|---|---|---|
| **Grants received per directorate during the year (Excluding equitable share)** | | |
| Community services | 20,365,348 | 14,315,323 |
| Finance | 1,800,000 | 1,771,000 |
| Planning | 2,412,625 | 1,364,000 |
| Technical | 67,801,000 | 75,999,000 |
| | **92,378,973** | **93,449,323** |

### 27. Fines, Penalties and Forfeits

| | | |
|---|---|---|
| Traffic Fines | 96,401,010 | 102,714,250 |
| Property Rates Penalties | 11,092,660 | 10,687,133 |
| Other fines | 298,749 | 94,923 |
| Deposits Forfeits | 490,014 | 899,841 |
| | **108,282,433** | **114,396,147** |

### 28. Availability fees

| | | |
|---|---|---|
| Electricity | 5,776,276 | 5,308,926 |
| Water | 3,356,470 | 3,444,354 |
| Refuse | 2,244,950 | 2,134,955 |
| Sewerage | 1,825,007 | 1,824,381 |
| | **13,202,703** | **12,712,616** |

The availability fees with regards to rates are disclosed under property rates, note 25



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|---|---|---|

### 29. Employee related costs

| | | |
|---|---|---|
| Salaries and Wages | 194,569,035 | 188,254,237 |
| Contributions for UIF, Pensions and Medical Aids | 53,638,940 | 52,376,451 |
| Travel, motor car, accommodation, subsistence and other allowances | 22,596,641 | 21,515,799 |
| Housing benefits and allowances | 2,789,792 | 2,596,560 |
| Overtime payments | 26,435,479 | 26,305,248 |
| Performance bonuses | 301,522 | (290,089) |
| Bonus | 15,161,305 | 13,802,470 |
| Leave pay provision charge | 4,969,947 | 3,086,569 |
| Defined Benefit Plan Expenses: Post-Retirement Medical Aid | - | - |
| Current Service Cost | 2,723,000 | 2,628,000 |
| Actuarial (Gains)/Losses | (6,865,788) | (576,087) |
| Interest cost | 13,948,000 | 12,732,000 |
| Defined Benefit Plan Expenses: Ex-gratia pension | - | - |
| Actuarial (Gains)/Losses | 6,052 | 2,052 |
| Interest cost | 7,000 | 8,000 |
| Defined Benefit Plan Expenses: Long service awards | - | - |
| Current Service Cost | 1,500,000 | 1,486,000 |
| Actuarial (Gains)/Losses | (128,351) | (988,991) |
| Interest cost | 2,324,000 | 2,302,000 |
| | **333,976,574** | **325,240,219** |

**Remuneration of the Municipal Manager:**

**Remuneration of the Municipal Manager - LH Mapholoba (01 December 2024 to 30 June 2025)**

| | | |
|---|---|---|
| Annual Remuneration | 629,425 | - |
| Contributions to UIF, Medical and Pension Funds | 120,974 | - |
| Car and travel allowance | 88,746 | - |
| | **839,145** | **-** |

**Remuneration of the Municipal Manager - OP Sebola**

| | | |
|---|---|---|
| Annual Remuneration | 40,417 | 1,040,257 |
| Non Pensionable Allowance | 20,340 | - |
| Contributions to UIF, Medical and Pension Funds | 671 | 196,087 |
| Car allowance and travel allowance | 350 | 220,350 |
| Telephone allowance | 6,015 | 17,015 |
| Leave Pay | 89,517 | - |
| | **157,310** | **1,473,709** |

**Remuneration of the Acting Municipal Manager - SPS Malepeng (18 June 2024 to 27 November 2024)**

| | | |
|---|---|---|
| Annual Remuneration | 624,866 | 56,077 |
| Contributions to UIF, Medical and Pension Funds | 7,972 | 2,350 |
| Leave Pay | 66,061 | - |
| | **698,899** | **58,427** |

**Remuneration of the Director Financial Services:**

**Remuneration of the Director Financial Services - Mr C Julies (1 Jan 2024 to June 2024)**

| | | |
|---|---|---|
| Annual Remuneration | 916,534 | 460,152 |
| Non Pensionable Allowance | 10,170 | 86,744 |
| Contributions to UIF, Medical and Pension Funds | 176,970 | 30,000 |
| Car and travel allowance | 93,333 | 50,000 |



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| **29. Employee related costs (continued)** | | |
| Housing allowances | 66,667 | - |
| | **1,263,674** | **626,896** |
| **Remuneration of the Acting Director Financial Services - AK Jagaysor** | | |
| Acting allowance | - | 23,270 |
| **Remuneration of the Director Planning and Development:** | | |
| **Remuneration of the Acting Director Planning and Development - Mr RL Daames** | | |
| Acting allowance | - | 18,972 |
| **Remuneration of the Acting Director Planning and Development - JH Smit** | | |
| Acting allowance | - | 3,067 |
| **Remuneration of the Director Planning and Development - Ms PAX Dunywa** | | |
| Annual remuneration | 1,092,544 | 915,248 |
| Non Pensionable Allowance | 16,950 | - |
| Annual Bonus | 60,000 | - |
| Car and travel allowance | 102,000 | 85,000 |
| Contributions to UIF, Medical and Pension Funds | 14,665 | 11,108 |
| | **1,286,159** | **1,011,356** |



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**29. Employee related costs (continued)**

**Remuneration of the Director Technical Services:**

| | | |
|---|---|---|
| **Remuneration of the Director Technical Services - Mr P Hariparsad** | | |
| Annual Remuneration | - | 248,616 |
| Car Allowance | - | 39,000 |
| Contributions to UIF, Medical and Pension Funds | - | 10,795 |
| | **-** | **298,411** |
| **Remuneration of the Acting Director Technical Services - Mr GE Macdonald** | | |
| Annual Remuneration | - | 527,325 |
| Contributions to UIF, Medical and Pension Funds | 620 | 6,786 |
| Leave Pay | 44,305 | - |
| | **44,925** | **534,111** |
| **Remuneration of the Acting Director Technical Services - Mr ELH Mackenzie (April 2024 to June 2024)** | | |
| Annual Remuneration | - | 268,113 |
| Car and travel allowance | - | 24,000 |
| Contributions to UIF, Medical and Pension Funds | - | 3,440 |
| Telephone Allowance | - | 3,600 |
| | **-** | **299,153** |
| **Remuneration of the Director Technical Services - Mr RR Wesso (01 February 2025 to 30 June 2025)** | | |
| Annual Remuneration | 385,680 | - |
| Car and travel allowance | 31,000 | - |
| Contributions to UIF, Medical and Pension Funds | 97,342 | - |
| | **514,022** | **-** |
| **Remuneration of the Acting Director Director Technical Services - Mr FS Maree** | | |
| Acting Allowance | 7,918 | - |
| **Remuneration of the Acting Director Director Technical Services - Mr Nzuzo** | | |
| Acting Allowance | 13,776 | - |



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**29. Employee related costs (continued)**

**Remuneration of the Director Corporate Services:**

| | | |
|---|---|---|
| **Remuneration of the Acting Director Corporate Services - Mr BW Kannemeyer** | | |
| Annual Remuneration | - | 235,222 |
| Contributions to UIF, Medical and Pension Funds | - | 3,023 |
| Leave pay | - | 13,861 |
| | **-** | **252,106** |
| **Remuneration of the Director Corporate Services - Mr L Loliwe** | | |
| Annual Remuneration | 31,260 | 908,864 |
| Non Pensionable Allowance | 16,950 | - |
| Contributions to UIF, Medical and Pension Funds | 506 | 11,242 |
| Car and travel allowance | 3,000 | 111,000 |
| Leave Pay | 19,656 | - |
| | **71,372** | **1,031,106** |
| **Remuneration of the Acting Director Corporate services - Mr J Kalani** | | |
| Acting Allowance | - | 2,918 |
| **Remuneration of the Acting Director Corporate Services - Ms ZI Moon (01 July 2024 to 31 December 2024)** | | |
| Annual Remuneration | 642,733 | - |
| Contributions to UIF, Medical and Pension Funds | 8,334 | - |
| Leave Pay | 48,958 | - |
| | **700,025** | **-** |
| **Remuneration of the Director Corporate Services - Ms M Boyce (01 March 2025 to 30 June 2025)** | | |
| Annual Remuneration | 292,593 | - |
| Contributions to UIF, Medical and Pension Funds | 78,478 | - |
| Car and travel allowance | 20,000 | - |
| | **391,071** | **-** |



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**29. Employee related costs (continued)**

**Remuneration of the Director Community Services**

| | | |
|---|---|---|
| **Remuneration of the Director Community Services - Mr SW Ngqele** | | |
| Annual Remuneration | 98,747 | 996,358 |
| Non Pensionable Allowance | 20,340 | - |
| Car and travel allowance | 6,000 | 72,000 |
| Contributions to UIF, Medical and Pension Funds | 22,988 | 270,961 |
| Leave Pay | 48,172 | - |
| | **196,247** | **1,339,319** |
| **Remuneration of the Acting Director Community Services - Mr R Meyer** | | |
| Acting Allowance | 18,004 | 7,490 |
| **Remuneration of the Director Community Services - Mr JB Douglas (01 April 2025 to 30 June 2025)** | | |
| Annual Remuneration | 225,838 | - |
| Car and travel allowance | 24,000 | - |
| Contributions to UIF, Medical and Pension Funds | 43,429 | - |
| | **293,267** | **-** |
| **Remuneration of the Acting Director Community Services - Mr I van Wyk** | | |
| Acting Allowance | 3,228 | - |
| **Remuneration of the Acting Director Community Services - Mr MR Abdullah (23 August 2024 to 09 September 2024)** | | |
| Annual Remuneration | 56,866 | - |
| Contributions to UIF, Medical and Pension Funds | 2,453 | - |
| | **59,319** | **-** |
| **Remuneration of the Acting Director Community Services - Mr CG Botha** | | |
| Acting Allowance | 18,940 | - |



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**29. Employee related costs (continued)**

**Remuneration of the Director Integrated Human Settlement**

| | | |
|---|---|---|
| Remuneration of the Acting Director Housing - LA Petuna | | |
| Acting allowance | - | 31,600 |
| **Remuneration of the Director of Human Settlement - DR RE Martin (01 December 2024 to 30 June 2025)** | | |
| Annual Remuneration | 659,896 | - |
| Contributions to UIF, Medical and Pension Funds | 31,604 | - |
| | **691,500** | **-** |
| **Remuneration of the Acting Manager - Supply Chain Management Services : MR MB Mato** | | |
| Acting Allowance | - | 82,617 |
| **Remuneration of the Manager - Supply Chain Management Services (SCM): MR TS Mampana** | | |
| Annual Remuneration | 867,480 | 550,656 |
| Car and travel allowance | 107,508 | 71,672 |
| Annual Bonus | 71,930 | 5,736 |
| Contributions to UIF, Medical and Pension Funds | 260,299 | 160,114 |
| | **1,307,217** | **788,178** |
| **The aggregated effect of remuneration of key management personnel** | | |
| Annual Remuneration | 6,564,880 | 6,251,989 |
| Non Pensionable Allowance | 84,750 | - |
| Car and travel Allowance | 475,937 | 653,022 |
| Housing Allowance | 66,667 | 50,000 |
| Contributions to UIF, Medical and Pension Funds | 867,305 | 762,651 |
| Telephone Allowance | 6,015 | 20,615 |
| Acting Allowance | 61,866 | 169,934 |
| Bonuses | 131,930 | 5,736 |
| Leave pay | 316,667 | 13,861 |
| | **8,576,017** | **7,927,808** |



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|---|---|---|

### 30. Remuneration of councillors

| | | |
|---|---|---|
| Councillor - H Stroebel | 303,124 | 306,367 |
| Councillor - PJ Bester | 321,403 | 321,403 |
| Councillor - L Davis | 316,391 | 306,367 |
| Councillor - Petros PE | 303,124 | 305,447 |
| Councillor - Vanston C | 316,391 | 305,447 |
| Councillor - MD Skosana | 671,016 | 735,113 |
| Councillor - ST Sabbagh | 321,403 | 321,403 |
| Councillor - NA Tsengwa | 622,567 | 912,449 |
| Councillor - L Tyokolo | 303,124 | 314,870 |
| Councillor - NG Louw | 678,628 | 566,064 |
| Councillor - M Willemse | 439,806 | 320,483 |
| Councillor - JG White | 303,124 | 305,447 |
| Councillor - A van Schalkwyk | 82,902 | - |
| Councillor - AC Marbi | 510,973 | 734,194 |
| Councillor - TC Matika | 762,349 | 690,779 |
| Councillor - MR Gericke | 189,136 | - |
| Councillor - KC Andrews | 687,536 | 689,860 |
| Councillor - RW Arends | 324,480 | 305,447 |
| Councillor - MS Campbell | 321,403 | 320,483 |
| Councillor - LB Charlie | 687,536 | 679,181 |
| Councillor - W Grootboom | 605,994 | 679,181 |
| Councillor - M Khumelwana | 393,520 | 395,843 |
| Councillor - E Maxim | 218,175 | 305,450 |
| | **9,684,105** | **9,821,278** |

| **2025 - Remuneration paid to councillors can be summarised as follows** | Annual Remunera-tion | Car Allowance | Medical Aid | Pension | Telephone allowance | Total |
|---|---|---|---|---|---|---|
| Executive Mayor | 694,880 | 51,287 | 39,310 | 93,819 | 22,521 | 901,817 |
| Executive deputy mayor | 678,911 | - | - | - | 21,198 | 700,109 |
| Speaker | 566,474 | 5,933 | 60,189 | 76,972 | 24,179 | 733,747 |
| Mayoral Committee Members | 2,249,935 | 58,521 | 52,754 | 177,336 | 86,600 | 2,625,146 |
| Councillors | 2,952,523 | 153,240 | 2,399 | 242,647 | 366,161 | 3,716,970 |
| Council Whip | 322,602 | - | - | 48,397 | 22,521 | 393,520 |
| Chair of Sec 79 | 402,677 | 129,952 | 14,608 | 39,805 | 25,754 | 612,796 |
| | **7,868,002** | **398,933** | **169,260** | **678,976** | **568,934** | **9,684,105** |

| **2024 - Remuneration paid to councillors can be summarised as follows** | Annual Remunera-tion | Car Allowance | Medical Aid | Pension | Telephone Allowance | Total |
|---|---|---|---|---|---|---|
| Executive Mayor | 681,648 | 78,028 | 24,761 | 102,245 | 25,764 | 912,446 |
| Executive deputy mayor | 709,349 | - | - | - | 24,845 | 734,194 |
| Speaker | 561,747 | - | 63,329 | 84,273 | 25,764 | 735,113 |
| Mayoral Committee Members | 2,353,920 | - | 57,550 | 168,263 | 96,004 | 2,675,737 |
| Councillors | 3,027,645 | 160,617 | - | 246,447 | 367,170 | 3,801,879 |
| Council Whip | 322,602 | - | - | 48,397 | 24,845 | 395,844 |
| Chair of Sec 79 | 367,041 | 119,115 | - | 55,064 | 24,845 | 566,065 |
| | **8,023,952** | **357,760** | **145,640** | **704,689** | **589,237** | **9,821,278** |

### 31. Debt impairment

| | | |
|---|---|---|
| Receivables from exchange transactions - Refer to note 5 | 45,282,312 | 58,559,097 |
| Receivables from non-exchange transactions - Refer to note 6 | 86,331,193 | 104,621,367 |
| Contributions from Value Added Tax - Refer to note | (4,833,035) | (3,564,184) |
| | **126,780,470** | **159,616,280** |



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### 32. Depreciation and amortisation

| | | |
|---|---|---|
| Property, plant and equipment | 54,009,377 | 53,768,904 |
| Investment property | 136,019 | 136,019 |
| Intangible assets | 15,420 | 15,420 |
| | **54,160,816** | **53,920,343** |

### 33. Impairment loss

| | | |
|---|---|---|
| **Impairments** | | |
| Property, plant and equipment | 3,717,284 | 18,745,254 |
| **Reversal of impairments** | | |
| Property, plant and equipment | (65,241) | - |
| Describe the events and circumstances that led to the recognition or reversal of the impairment loss. The recoverable amount [recoverable service amount] of the asset was based on its fair value less costs to sell or [its value in use.] | | |
| **Total impairment losses (recognised) reversed** | **3,652,043** | **18,745,254** |

The recoverable amount of the asset impaired was based on its value in use.
The impairment loss / (gain) recognised for Property, Plant and Equipment relates to rehabilitation cost associated with landfill sites capitalised in terms of IGRAP 2. The portion being impaired relates to the fact that all landfill sites in the municipality already reached the end of its useful life. No further economic benefits is expected from these assets.

### 34. Finance costs

| | | |
|---|---|---|
| Annuity loans | 33,869,484 | 37,534,193 |
| Finance leases | 242,656 | 44,581 |
| Landfill Sites | 1,497,040 | 1,635,498 |
| Other | 91,962 | 71,212 |
| | **35,701,142** | **39,285,484** |

### 35. Lease rentals on operating lease

| | | |
|---|---|---|
| **Premises** | | |
| Contractual amounts | 5,825,952 | 7,016,536 |
| **Equipment** | | |
| Contractual amounts | 28,707,640 | 26,271,194 |
| | **34,533,592** | **33,287,730** |

### 36. Bulk purchases

| | | |
|---|---|---|
| Electricity - Eskom | 328,988,074 | 284,632,503 |



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| **37. Contracted services** | | |
| **Outsourced Services** | | |
| Administrative and Support Staff | 2,379,620 | 4,094,756 |
| Alien Vegetation Control | 331,844 | 365,681 |
| Business and Advisory | 2,022,963 | 2,480,333 |
| Clearing and Grass Cutting Services | 3,561,586 | 2,651,578 |
| Internal Auditors | 1,605,032 | 1,586,158 |
| Litter Picking and Street Cleaning | 1,059,962 | 652,386 |
| Meter Management | 566,102 | 1,567,756 |
| Refuse Removal | 2,318,368 | 1,586,800 |
| Security Services | 27,574,318 | 23,384,447 |
| Traffic Fines Management | 9,715,195 | 5,939,260 |
| Other | 9,271,256 | 6,746,489 |
| **Consultants and Professional Services** | | |
| Business and Advisory: Project Management | (22,376) | 3,168,135 |
| Business and Advisory: Business and Financial Services | 512,195 | 182,000 |
| Business and Advisory: Valuer and Assessors | 449,394 | 464,500 |
| Business and Advisory: Other | 3,455,807 | 2,700,655 |
| Infrastructure and Planning: Engineering | 793,719 | 2,916,760 |
| Infrastructure and Planning: Other | 129,233 | 58,000 |
| Legal Cost | 5,053,871 | 10,001,756 |
| Other | 95,590 | 96,834 |
| **Contractors** | | |
| Building | 27,506,511 | 25,032,834 |
| Electrical | 6,706,303 | 8,925,104 |
| Maintenance | 22,554,963 | 31,028,544 |
| Management of Informal Settlements | - | 523,000 |
| Prepaid Electricity Vendors | 14,223,498 | 13,347,691 |
| Sewerage Services | 32,272 | 286,290 |
| Prepaid Water Vendors | 554,712 | 841,550 |
| Other | 6,660,541 | 5,824,805 |
| | **149,112,479** | **156,454,102** |
| **38. Transfers and subsidies** | | |
| **Other subsidies** | | |
| Grants-in-aid and donations | 741,414 | 697,170 |
| Bursaries | 300,401 | 32,034 |
| Social relief | 619,225 | 389,044 |
| | **1,661,040** | **1,118,248** |
| **39. Inventory consumed and adjustments** | | |
| Consumables - Standard rated | 9,849,204 | 9,571,080 |
| Consumables - Zero rated | 9,366,239 | 17,736,197 |
| Materials and supplies | 19,974,619 | 25,970,296 |
| Inventory adjustments | 1,706,285 | 2,394,150 |
| | **40,896,347** | **55,671,723** |



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### 40. Operational costs

| | | |
|---|---|---|
| Advertising and media | 344,211 | 790,309 |
| Auditors remuneration | 8,825,006 | 7,624,208 |
| Bank charges | 1,360,698 | 1,820,529 |
| Clearing of alien vegetation | 449,955 | 354,230 |
| Delivery expenses | 30,710 | 133,187 |
| Hire | 6,326,916 | 6,187,686 |
| IT expenses | 7,517,779 | 8,015,391 |
| Insurance | 3,853,443 | 7,117,178 |
| Levies | 3,662,335 | 3,529,124 |
| Other expenses* | 5,822,535 | 8,100,050 |
| Printing, publications and books | 9,990 | 48,676 |
| Staff related (recruitment, training, etc.) | 1,774,491 | 1,499,462 |
| Subscriptions and membership fees | 6,129,586 | 5,293,277 |
| Title deed search fees | 9,781 | 41,245 |
| Travel - local | 1,015,464 | 522,955 |
| | **47,132,900** | **51,077,507** |

*Other expenses largely include costs incurred relating refuse removal.

### 41. Cash generated from operations

| | | |
|---|---|---|
| Surplus | 141,281,422 | 37,526,837 |
| **Adjustments for:** | | |
| Depreciation and amortisation | 54,160,816 | 53,920,343 |
| Gain on sale of assets and liabilities | 325,157 | 387,812 |
| Impairment deficit | 3,652,043 | 18,745,254 |
| Debt impairment | 126,780,470 | 159,616,280 |
| Movements in operating lease assets and accruals | (197,461) | (453,415) |
| Movements in retirement benefit assets and liabilities | 9,835,895 | 11,154,275 |
| Movements in provisions (excluding iGRAP 2 adjustment) | (5,266,255) | 3,067,411 |
| Grants and conditional public contributions received | 222,827,496 | 210,361,410 |
| Grants recognised | (198,572,002) | (210,965,332) |
| Donated assets | (850,425) | - |
| **Changes in working capital:** | | |
| Inventories | 1,392,438 | 648,300 |
| Receivables from exchange transactions | (17,774,932) | (108,536,651) |
| Other receivables from non-exchange transactions | (94,379,868) | (125,437,063) |
| Prepayments | - | 478,847 |
| Construction contracts and receivables | (1,374,780) | (210,634) |
| Payables from exchange transactions | (38,498,008) | 58,826,080 |
| Consumer deposits | 334,572 | 610,018 |
| | **203,676,578** | **109,739,772** |



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|---|---|---|

### 42. Financial instruments disclosure

**Categories of financial instruments**

**2025**

**Financial assets**

| | At amortised cost | Total |
|---|---|---|
| **Long-term investments and receivables** | | |
| Fixed deposits | 3,423,201 | 3,423,201 |
| Sundry deposits | 6,800 | 6,800 |
| Construction contracts and receivables | 8,292,300 | 8,292,300 |
| **Receivables from exchange transactions** | | |
| Service debtors | 65,777,001 | 65,777,001 |
| Housing debtors | 1,779,313 | 1,779,313 |
| Other debtors | 2,693,752 | 2,693,752 |
| **Receivables from non-exchange transactions** | | |
| Availability fees | 3,384,472 | 3,384,472 |
| Cash and cash equivalents | 106,001,005 | 106,001,005 |
| | **191,357,844** | **191,357,844** |

**Financial liabilities**

| | At amortised cost | Total |
|---|---|---|
| **Other financial liabilities** | | |
| Annuity loans | 294,983,135 | 294,983,135 |
| Trade and other payables from exchange transactions | 184,783,438 | 184,783,438 |
| Consumer deposits | 15,872,226 | 15,872,226 |
| Finance lease obligations | 1,920,387 | 1,920,387 |
| | **497,559,186** | **497,559,186** |

**2024 - Restated**

**Financial assets**

| | At amortised cost | Total |
|---|---|---|
| **Long-term investments and receivables** | | |
| Fixed deposits | 3,175,689 | 3,175,689 |
| Sundry deposits | 6,800 | 6,800 |
| Construction contracts and receivables | 6,917,520 | 6,917,520 |
| **Receivables from exchange transactions** | - | - |
| Service debtors | 67,916,443 | 67,916,443 |
| Housing debtors | 1,606,792 | 1,606,792 |
| Other debtors | 2,397,308 | 2,397,308 |
| **Receivables from non-exchange transactions** | | |
| Availability fees | 3,668,134 | 3,668,134 |
| Cash and cash equivalents | 23,608,756 | 23,608,756 |
| | **109,297,442** | **109,297,442** |



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## 42. Financial instruments disclosure (continued)

### Financial liabilities

| | At amortised cost | Total |
|---|---|---|
| **Other financial liabilities** | | |
| Annuity loans | 351,704,121 | 351,704,121 |
| Trade and other payables from exchange transactions | 210,669,828 | 210,669,828 |
| Consumer deposits | 15,537,654 | 15,537,654 |
| | **577,911,603** | **577,911,603** |

## 43. Commitments

### Authorised capital expenditure

| | | |
|---|---|---|
| **Already contracted for but not provided for** | | |
| • Infrastructure | 44,359,333 | 60,985,301 |
| **This expenditure will be financed from:** | | |
| External loans | 2,428,121 | 6,091,417 |
| Government grants | 36,797,010 | 53,305,019 |
| Own resources | 5,134,203 | 1,588,865 |
| | **44,359,334** | **60,985,301** |

The commitments are disclosed VAT exclusive.

### Operating leases - as lessee (expense)

| | | |
|---|---|---|
| **Minimum lease payments due** | | |
| - within one year | - | 6,795,075 |
| - in second to fifth year inclusive | - | 13,542,693 |
| | **-** | **20,337,768** |

### Operating leases - as lessor (income)

| | | |
|---|---|---|
| **Minimum lease payments due** | | |
| - within one year | 1,147,918 | 1,070,921 |
| - in second to fifth year inclusive | 5,708,378 | 5,271,307 |
| - later than five years | 13,224,323 | 15,029,785 |
| | **20,080,619** | **21,372,013** |

This lease income was determined from contracts that have a specific conditional contractual income. The leases are in respect of land and buildings being leased for periods ranging until 2088.

The municipality does not engage in any sub-lease arrangements. The municipality did not receive any contingent rent during the year.



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### 44. Contingencies

**Contingent liabilities**

The municipality is currently engaged in litigation which could result in damages / costs being awarded against Council if claimants are successful in their actions. The following are the estimates:

| **Claims against council** | | |
|---|---|---|
| PL Bruwer vs The RAF and KM (Case no. 72310/2012) . The municipality is the second respondent in a claim for personal injury due to a road accident. | 2,800,000 | 2,800,000 |
| | - | |
| Elphash Trading Enterprise CC v Knysna Municipality and others (Case No.: 785/23) | - | 750,000 |
| Granville R Bond o.b.o Jineil Jafta | - | 1,700,000 |
| SMS SOHN // KNYSNA MUNICIPALITY | 503,000 | - |
| CASPER JOHANNES SCHMIDT and KNYSNA MUNICIPALITY | 269,307 | - |
| MEC v Knysna Municipality and others (Consolidated cases no's: 3488/23 and 4844/23) | 1,000,00 | - |
| DALE MEAKER V KNYSNA MUNICIPALITY | 3,120,000 | 3,120,000 |
| Ambrose Trading (Pty) Ltd t/a Food Lovers Market & Owls Head (Pty) Ltd // Knysna Municipality & 7 Others; Case No: 18193/2023 | 1,500,000 | - |
| Sandpiper Nature Reserve (Pty) Ltd | 2,557,070 | - |
| Knysna Local Municipality vs Grey Elephant Investment | 18,390,567 | - |
| NAMCO GUARANTEES | 109,306 | - |
| DALE ROBERT MEAKER | 1,750 | - |
| Anouk Edwards N.O and 3 others | 252,318 | - |
| MG Parkin and Twenty Others vs Knysna Local Municipality. Action proceedings in the Western Cape High Court, case no 5855/20. Damages claims by Twenty Plaintiffs arising from the fire that allegedly started at Elandskraal on 7 June 2017. | 18,731,184 | 18,231,184 |
| Guardrisk: Granville R Bond obo Jineil Jafta / Knysna Municipality | 2,126,000 | - |
| Angelique L Borcherds / Harry J Borcherds / Knysna Local Municipality | 50,000 | - |
| Yulin Davids / Knysna Municipality | 560,000 | - |
| THE ACCOUNTABILITY GROUP: Grey Elephant Investments (Pty) Ltd | 500,000 | - |
| VE Reticulation: Electrification of informal settlements | 798,916 | - |
| J G C LAW V KNYSNA MUNICIPALITY ( OUR REF: LX0194) | - | 350,000 |
| GAP Management ( Pty) Ltd v Knysna Municipality and others ( Case No 12842/2023) : | - | 750,000 |
| KM vs Myles Betrand Dent (Case no: 0001224/18) | 26,821 | 26,821 |
| KM vs Birgit Christine Lutzen - (There is a possibility that the Municipality will be reimbursed partially or wholly for the litigation they face.) | - | 4,800,000 |
| Erf 150 Karatara and Erf 535 Rheenendaal potential auctioneer costs. | 140,177 | - |
| | **53,436,416** | **32,528,005** |

**VAT on Libraries**

It is unclear if the municipality will be levied any penalties and interest by SARS on the VAT treatment on library funding received from the Western Cape Provincial Department. It will be disclosed as a contingent liability until clarity is obtained. The amount is currently undeterminable as no government gazette has been issued on the VAT treatment of the allocation.



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**44. Contingencies (continued)**

**Contingent assets**

It has been unanimously resolved at the council meeting dated 6 August 2020 that the Acting Municipal Manager be instructed to address correspondence to the Garden Route District Municipality to request the transfer of the following properties to the Knysna Municipality estimated to the value of R 65 422 000.
1. Portions 1, 2 & 3 of the Farm Walker`s point (Erf 228 Buffalo bay) (R20 200 000)
2. Erf 2790, Knysna (R2 900 000)
3. Erf 20,21,22 Belvidere (R914 000 ; R914 000; R914 000)
4. Portion 22 of the farm Westford (R600 000)
5. Portion 0,1 and 2 of the farm 185 George; (R39 000 000)

The contingent assets, as disclosed in Note 46 of the Annual Financial Statements as at 30 June 2021, are continuously assessed by management.

In consideration of the reasons provided hereunder, Knysna Municipality is firmly of the opinion that there is more than a 50% probability of success in the disputed properties being transferred to Knysna Municipality. Based on the legal opinions considered by the Knysna Municipality which were provided by senior counsel to the Garden Route District Municipality and the Knysna Municipality respectively. Based on the user principle, Knysna Municipality manages several of the properties for which income is derived, and therefore provides an economic benefit to the Knysna Municipality. Based on the fact that the Garden Route District Municipality has not raised any objection in an attempt to prevent Knysna Municipality from utilising any of the disputed properties.

On 04 September 2020 a formal notification was provided to the Municipal Manager of the Garden Route District Municipality with regards to the dispute of the abovementioned properties.

The notification was made on the basis that the parties have attempted to negotiate a resolution of the dispute and have not been successful in achieving settlement and have complied with the provisions of the Intergovernmental Relations Framework Act 13 of 2005, in that the parties have conducted various negotiations on the above commencing on or during 20 June 2012, with the last proposed engagement of 15 July 2021 being postponed.

Various unsuccessful consultations and correspondence between the Knysna Municipality and the Garden Route District Municipality has resulted in an intergovernmental dispute being raised, to which the MEC for Local Government was approached to appoint an arbitrator to resolve the contingent asset dispute.

All of the above has been confirmed by council at a council meeting held on the 29th of July 2021.

On 2 February 2023, discussions were held between the Knysna Municipality and the Garden Route District Municipality but the parties could not reach consensus.

The Knysna Municipality on 31 May 2023 unanimously resolved that the Intergovernmental Dispute process be allowed to continue, that the process be concluded within 6 months, that monthly progress reports be submitted to the Finance and Governance Committee and that the committee be involved in the process.

A formal request was submitted to the MEC's office on 10 July 2023, asking for a facilitator to be appointed to help resolve the dispute between Knysna Municipality and Garden Route District Municipality.



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**44. Contingencies (continued)**

A report was submitted to the Finance and Governance Committee meeting with the following status:

| ***Property*** | ***Knynsa Municipality (KM) Proposal*** | ***Garden Route District Municipality (GRDM) Proposal*** |
|---|---|---|
| *Portions 1 7 3 Walker's point and Erf 228, Buffalo Bay (Buffelskop Caravan Park)* | *That these properties be transferred to KM and that KM continue using these properties as Tourist attraction properties and for Municipal Services.* | *Portion 1 – at the bottom old backpacker's area GRDM intend to do a mixed-use development and Knysna Municipality to cancel the illegal lease agreement and order the tenant to vacate the property.* |
| - | - | *Portion 2 – the caravan park, GRDM intend to transfer that portion and for Knysna to continue with the operations of the caravan park.* |
| - | - | *Portion 3 – GRDM want to subdivide and transfer the piece of land with the WTW to Knysna Municipality and the remainder GRDM wants to do an upmarket housing development.* |
| *Erf 2790 – (Golf Driving Range)* | *That this Erf be transferred to KM and that KM continue using the property as Office space for the Electrical Department and conclude proper lease agreement for the Driving Range.* | *GRDM intends to subdivide and transfer the portion being used by Knysna Municipality Electrical department to Knysna in exchange for a proper property that can house GRDM EHP Office and also the GRDM roads department. The remainder that property which is currently being utilised as the Golf Range, GRDM intends to put that on the market.* |
| *Erf 20, 21, 22 Belvidere* | *That these erven be transferred to KM and KM keep properties, as is, as open space, as these properties are very near the High Water mark.* | *GRDM intends to consolidate and sale these 3 properties and Knysna Municipality can offer a market related value.* |
| *Portion 22 of the farm 191 Westford* | *That this Erf be transferred to KM and that KM continue using the property as is.* | *GRDM did not provide a proposal for this property.* |
| *Portion 0, 1 and 2 of the farm 185 George (Swartvlei Caravan Park)* | *That these properties be transferred to KM and that these properties be used by KM as the current use, as a caravan park.* | *GRDM has no intentions of transferring the property to KM and if Knysna Municipality so wishes they can place an offer which is market related and GRDM Council can consider that bearing in mind that this is a revenue generating property.* |
| - | - | *GRDM to transfer the public ablution facility in Swartvlei to Knysna Municipality as the function and mandate lies with the Knysna Municipality.* |



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## 45. Related parties

| Relationships | |
|---|---|
| Councillors | Refer to the General information |
| Municipal Manager | Refer to the General information |
| Members of key management | Director Community Services |
| | Director Corporate Services |
| | Director Financial Services |
| | Director Planning and Development |
| | Director Technical Services |
| | Members of SCM who can influence awards |

**Related party transactions**

| **Year ended 30 June 2025** | Rates levied | Service charges levied | Other charges levied | Outstanding balance at year end |
|---|---|---|---|---|
| Councillors | 136,774 | 305,506 | - | 19,998 |
| Municipal Manager and Section 56 Personnel | 49,402 | 73,548 | 58,921 | - |
| | **186,176** | **379,054** | **58,921** | **19,998** |

| **Year ended 30 June 2024** | Rates levied | Service charges levied | Other charges levied | Outstanding balance at year end |
|---|---|---|---|---|
| Councillors | 104,649 | 273,319 | 37,588 | 24,943 |
| Municipal Manager and Section 56 Personnel | - | - | 55,031 | - |
| | **104,649** | **273,319** | **92,619** | **24,943** |

Key Management and Councillors receive and pay for services on the same terms and conditions as other ratepayers / residents. All transactions are at arm's length. The rates, service charges and other charges are in accordance with approved tariffs that were advertised to the public. No bad debt expenses have been recognised in respect of amounts owed by related parties.

**Related Party Loans**

Since 1 July 2004 loans to councillors and senior management employees are not permitted. Loans granted prior to this date, together with the conditions, are disclosed in note 10 to the Annual Financial Statements.

**Compensation of councillors and key management personnel**

The compensation of key management personnel and councillors are set out in note 29 and 30 respectively

.**Other Supply Chain Transactions**

The following purchases were made during the year where Councillors or Staff have an interest:

| **Councillor/Staff member** | Relationship | Entity | 2025 | 2024 |
|---|---|---|---|---|
| Mr Tsengwa (Deputy Executive Mayor) | Brother | Tsengwa TW T/A Tsengwa Civil | 58,500 | 13,685 |
| Mr T Matika (Executive Mayor) | Mother-in-law | Inyameko Trading 618 | 5,507,806 | - |
| | | | **5,566,306** | **13,685** |



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### 46. Prior period adjustments

| STATEMENT OF FINANCIAL POSITION | 2024 previously reported | Reclassifi-cations | Adjustments of errors | 2024 restated |
|---|---|---|---|---|
| **Assets** | | | | |
| **Current Assets** | | | | |
| Inventories | 12,045,136 | - | - | 12,045,136 |
| Receivables from exchange transactions | 71,920,543 | 39,853,262 | - | 111,773,805 |
| Construction contracts and receivables | 6,917,520 | - | - | 6,917,520 |
| Receivables from non-exchange transactions | 103,336,284 | - | 150,781 | 103,487,065 |
| VAT receivable | 22,341,847 | (22,341,847) | - | - |
| Prepayments | 5,145 | - | - | 5,145 |
| Cash and cash equivalents | 23,608,756 | - | - | 23,608,756 |
| | **240,175,231** | **17,511,415** | **150,781** | **257,837,427** |
| **Non-current Assets** | | | | |
| Property, plant and equipment | 1,468,425,123 | - | (3,769,960) | 1,464,655,163 |
| Investment property | 67,525,428 | - | (19,000) | 67,506,428 |
| Intangible assets | 48,921 | - | - | 48,921 |
| Heritage assets | 14,613,046 | - | - | 14,613,046 |
| Long term investments and receivables | 3,178,103 | - | - | 3,178,103 |
| Operating lease asset | 3,671,787 | - | - | 3,671,787 |
| | **1,557,462,408** | **-** | **(3,788,960)** | **1,553,673,448** |
| **Total Assets** | **1,797,637,639** | **17,511,415** | **(3,638,179)** | **1,811,510,875** |
| **Liabilities** | | | | |
| **Current Liabilities** | | | | |
| Long-term liabilities | 46,349,310 | - | - | 46,349,310 |
| VAT payable | 876,400 | (876,400) | - | - |
| Payables from exchange transactions | 210,169,281 | 18,387,815 | 500,546 | 229,057,642 |
| Consumer deposits | 15,537,654 | - | - | 15,537,654 |
| Employee benefit obligation | 38,568,633 | - | - | 38,568,633 |
| Provisions | 7,670,634 | - | - | 7,670,634 |
| Unspent grants and receipts | 2,651,104 | - | - | 2,651,104 |
| | **321,823,016** | **17,511,415** | **500,546** | **339,834,977** |
| **Non-Current Liabilities** | | | | |
| Long-term liabilities | 305,354,811 | - | - | 305,354,811 |
| Employee benefit obligation | 118,650,947 | - | - | 118,650,947 |
| Provisions | 17,362,338 | - | - | 17,362,338 |
| | **441,368,096** | **-** | **-** | **441,368,096** |
| **Total Liabilities** | **763,191,112** | **17,511,415** | **500,546** | **781,203,073** |
| **Total Net Assets** | **1,034,446,527** | **-** | **(4,138,725)** | **1,030,307,802** |
| **Net Assets** | | | | |
| Accumulated surplus | 1,034,446,527 | - | (4,138,725) | 1,030,307,802 |



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**46. Prior period adjustments (continued)**

**STATEMENT OF FINANCIAL PERFORMANCE**

| | 2024 previously reported | Reclassifi-cations | Adjustments of errors | 2024 restated |
|---|---|---|---|---|
| **Revenue from exchange transactions** | 587,117,416 | - | 220,787 | 587,338,203 |
| Service charges | 499,886,362 | - | - | 499,886,362 |
| Rental of facilities and equipment | 7,390,489 | - | - | 7,390,489 |
| Interest received - outstanding debtors | 26,964,970 | - | - | 26,964,970 |
| Interest received - external investments | 2,131,444 | - | - | 2,131,444 |
| Agency services | 3,988,270 | - | - | 3,988,270 |
| Licences and permits | 1,534,135 | - | - | 1,534,135 |
| Third party payments (Insurance claims) | 320,567 | - | 220,787 | 541,354 |
| Construction revenue | 24,126,303 | - | - | 24,126,303 |
| Transfer and subsidies - operating | 9,546,087 | - | - | 9,546,087 |
| Operational revenue | 3,981,557 | - | - | 3,981,557 |
| Sales of goods and rendering of services | 7,247,232 | - | - | 7,247,232 |
| **Revenue from non-exchange transactions** | 568,189,411 | - | 6,363,708 | 574,553,119 |
| Property rates | 311,885,851 | - | (966,742) | 310,919,109 |
| Fines, penalties and forfeits | 107,065,697 | - | 7,330,450 | 114,396,147 |
| Availability fees | 12,712,616 | - | - | 12,712,616 |
| Transfers and Subsidies - Operational | 136,525,247 | - | - | 136,525,247 |
| | **1,155,306,827** | **-** | **6,584,495** | **1,161,891,322** |
| **Expenditure** | | | | |
| Employee related cost | 325,240,219 | - | - | 325,240,219 |
| Remuneration of councillors | 9,821,278 | - | - | 9,821,278 |
| Loss on disposal of assets | 368,812 | - | 19,000 | 387,812 |
| Depreciation and amortisation | 53,166,892 | - | 753,451 | 53,920,343 |
| Impairment of assets | 18,700,054 | - | 45,200 | 18,745,254 |
| Debt impairment | 153,548,452 | - | 6,067,828 | 159,616,280 |
| Finance cost | 39,285,484 | - | - | 39,285,484 |
| Lease rental on operating lease | 33,287,730 | - | - | 33,287,730 |
| Bulk purchases | 284,632,503 | - | - | 284,632,503 |
| Contracted services | 155,306,800 | - | 1,147,302 | 156,454,102 |
| Transfers and subsidies | 1,118,248 | - | - | 1,118,248 |
| Operational costs | 51,077,507 | - | - | 51,077,507 |
| Inventory consumed | 55,671,723 | - | - | 55,671,723 |
| | **1,181,225,702** | **-** | **8,032,781** | **1,189,258,483** |
| Transfer and subsidies - capital grants | 64,893,999 | - | - | 64,893,999 |
| **Surplus / (Deficit) for the year** | **38,975,124** | **-** | **(1,448,286)** | **37,526,838** |

**CASH FLOW STATEMENT**

| | 2024 previously reported | Reclassifi-cations | Adjustments of errors | 2024 restated |
|---|---|---|---|---|
| Net cash from operating activities | 110,887,086 | - | (1,147,314) | 109,739,772 |
| Net cash from investing activities | (90,148,988) | - | 1,147,314 | (89,001,674) |
| Net cash from financing activities | (17,487,069) | - | - | (17,487,069) |
| Total cash movement for the year | 3,251,029 | - | - | 3,251,029 |
| Cash and cash equivalents at the beginning of the year | 20,357,727 | - | - | 20,357,727 |
| | **23,608,756** | **-** | **-** | **23,608,756** |

VAT has been reclassified in accordance with SALGA guidelines, with VAT input now presented under receivables from exchange transactions and VAT output under payables from exchange transactions.



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**46. Prior period adjustments (continued)**

**47.1 Corrections to receivables from non-exchange transactions**
- Revenue adjustments relating to property rates accounted for in the incorrect period
- Fines incorrectly not recognised in prior years

| | |
|---|---|
| **Property, plant and equipment** | |
| Balance previously reported | 1,468,425,123 |
| Impairment of asset where the project was cancelled in prior year | (89,872) |
| Impairment of assets incorrectly not recognised in the prior years where impairment indicators were present | (191,068) |
| Depreciation incorrectly not recognised on completed projects | (1,456,152) |
| Operating expenditure incorrectly recognised as capital expenditure in the prior years | (3,306,338) |
| Recognise Land registered in Knysna Municipality's name in prior years | 1,153,000 |
| Incomplete projects incorrectly depreciated | 120,470 |
| **Restated balance as at 30 June 2024** | **1,464,655,163** |
| **Impairment of assets** | |
| Balance previously reported | 18,700,054 |
| Impairment of assets incorrectly not recognised in the prior years where impairment indicators were present | 45,200 |
| **Restated balance as at 30 June 2024** | **18,745,254** |
| **Depreciation and amortisation** | |
| Balance previously reported | 53,166,892 |
| Depreciation incorrectly not recognised on completed projects | 804,130 |
| Depreciation incorrectly recognised on incompleted projects | (50,679) |
| **Restated balance as at 30 June 2024** | **53,920,343** |
| **Receivables from non-exchange transactions** | |
| Balance previously reported | 103,336,284 |
| 47.1 Revenue adjustments accounted for in the incorrect period | (1,111,841) |
| 47. 2 Fines incorrectly not recognised in prior years | 1,262,622 |
| **Restated balance as at 30 June 2024** | **103,487,065** |
| **Debt impairment** | |
| Balance previously reported | 153,548,452 |
| 47.2 Fines incorrectly not recognised in prior years | 6,067,828 |
| **Restated balance as at 30 June 2024** | **159,616,280** |
| **Fines, penalties and forfeits** | |
| Balance previously reported | 107,065,697 |
| 47.2 Fines incorrectly not recognised in prior years | 7,330,450 |
| **Restated balance as at 30 June 2024** | **114,396,147** |




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## 46. Prior period adjustments (continued)

| | |
|---|---|
| **Accumulated Surplus / (Deficit) opening balance** | |
| Balance previously reported 1 July 2023 | 995,471,383 |
| 47.1 Revenue adjustments accounted for in the incorrect period | (145,099) |
| Impairment of asset where the project was cancelled in prior year | (89,872) |
| Impairment of assets incorrectly not recognised in the prior years where impairment indicators were present | (145,868) |
| Depreciation incorrectly not recognised on completed projects | (659,620) |
| Operating expenditure incorrectly recognised as capital expenditure in the prior years | (2,131,437) |
| Recognise land registered in KM name on GV not on FAR | 1,133,000 |
| Depreciation incorrectly recognised on incompleted projects | 69,790 |
| Correction of debtors with credit balances | (721,333) |
| **Restated balance as at 1 July 2023** | **992,780,944** |
| **Property rates** | |
| Balance previously reported | 311,885,851 |
| 47.1 Revenue adjustments accounted for in the incorrect period | (966,742) |
| **Restated balance as at 30 June 2024** | **310,919,109** |
| **Investment Property** | |
| Balance previously reported | 67,525,428 |
| Disposal of Land of which the registration occurred in the prior years | (19,000) |
| **Restated balance as at 30 June 2024** | **67,506,428** |
| **Contracted services** | |
| Balance previously reported | 155,306,800 |
| Operating expenditure incorrectly recognised as capital expenditure in the prior years | 1,147,302 |
| **Restated balance as at 30 June 2024** | **156,454,102** |
| **Payables from Exchange transactions** | |
| Balance previously reported | 210,169,281 |
| Insurance proceeds from an RDP house destroyed by fire in 2023/24 were initially recorded as unknown monies and have since been correctly restated | (220,787) |
| Correction of debtors with credit balances | 721,333 |
| **Restated balance as at 30 June 2024** | **210,669,827** |
| **Third Party Payments (Insurance Claims)** | |
| Balance previously reported | 320,567 |
| Insurance proceeds from an RDP house destroyed by fire in 2023/24 were initially recorded as unknown monies and have since been correctly restated | 220,787 |
| **Restated balance as at 30 June 2024** | **541,354** |

## 47. Risk management

### Financial risk management

The municipality's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The municipality's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance.



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## 47. Risk management (continued)

### Liquidity risk

Liquidity risk is the risk that the municipality will encounter difficulty in raising funds to meet commitments associated with financial liabilities.

Prudent liquidity risk management includes maintaining sufficient cash and marketable securities, the availability of funding from an adequate amount of committed credit facilities.

The financial liabilities of the municipality are backed by appropriate assets and it has adequate liquid resources. The Council monitors the cash projections and ensures that borrowing facilities are available to meet its cash requirements.

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

| At 30 June 2025 | Less than 1 year | Between 1 and 2 years | Between 2 and 5 years | Over 5 years |
|---|---|---|---|---|
| Borrowings | 78,997,012 | 74,572,260 | 169,321,715 | 73,047,415 |
| Consumer deposits | 15,872,226 | - | - | - |
| Trade and other payables | 167,517,809 | - | - | - |
| Finance lease obligation | 1,065,788 | 1,065,788 | - | - |

| At 30 June 2024 | Less than 1 year | Between 1 and 2 years | Between 2 and 5 years | Over 5 years |
|---|---|---|---|---|
| Borrowings | 66,040,072 | 51,326,435 | 127,799,977 | 78,058,791 |
| Consumer deposits | 15,537,654 | - | - | - |
| Trade and other payables | 206,426,269 | - | - | - |

### Credit risk

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

Credit risk arises mainly from cash and cash equivalents, instruments and deposits with banks and financial institutions, as well as credit exposures to consumer and grant debtors.

For banks and financial institutions, only reputable independently rated parties are accepted. Grants are receivable from higher order levels of government. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practice this is difficult to apply. This increases the credit risk in respect of consumer debtors. The risk of non- payment is managed on an ongoing basis and where practical, services are terminated and procedures applied to recover outstanding amounts owing and an appropriate level of impairment provision for default is maintained.

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

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

All rates and services are payable within 30 days from invoice date. Refer to notes 6 and 5 for all balances outstanding longer than 30 days. These balances represent all debtors at year end which defaulted on their credit terms.



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## 47. Risk management (continued)

Refer to note 17 for details of securities pledged to the DBSA. No restrictions were placed on the use of the remaining portion of the cash and cash equivalents for the period under review. Although the credit risk pertaining to cash and cash equivalents are considered to be low, the maximum exposure is disclosed below.

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

Other Financial Assets and Other Debtors are individually evaluated annually at reporting date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

The maximum credit and interest risk exposure in respect of the relevant financial instruments are as follows:

| Financial instrument | 2025 | 2024 - Restated |
|---|---|---|
| Receivables from exchange transactions | 70,250,066 | 71,920,543 |
| Receivables from non-exchange transactions (Availability fees) | 3,384,472 | 3,668,134 |
| Cash and cash equivalents | 106,001,005 | 23,608,756 |
| Long term investments and receivables | 3,425,615 | 3,178,103 |
| Construction contracts and receivables | 8,292,300 | 6,917,520 |
| | 191,353,458 | 109,293,056 |

**Market risk**

**Interest rate risk**

The Municipality is exposed to interest rate risk due to the movements in long-term and short term interest rates.

This risk is managed on an ongoing basis by comparison between current market related rates and historical rates and adjustments made where considered necessary.

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

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

The potential impact on the entity's surplus for the year due to changes in interest rates are as follows:

| | | |
|---|---|---|
| 1% (2024: 1%) Increase in interest rates | (1,874,793) | (3,259,828) |
| 1% (2024: 1%) Decrease in interest rates | 1,874,793 | 3,259,828 |

## 48. Unauthorised expenditure

| **Reconciliation of unauthorised expenditure** | | |
|---|---|---|
| Opening balance | 168,049,322 | 109,850,171 |
| Unauthorised expenditure current year | 25,552,376 | 58,199,151 |
| Unauthorised expenditure awaiting authorisation | **193,601,698** | **168,049,322** |

The unauthorised expenditure relates to over expenditure of approved budgets per vote in total.



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## 48. Unauthorised expenditure (continued)

| Budget Comparison by Municipal Vote in total | 2025 (Actual) | 2025 (Budget) | 2025 (Variance) | 2025 (Unauthorised) |
|---|---|---|---|---|
| Community services | 301,780,535 | 295,398,425 | 6,382,110 | 6,382,110 |
| Corporate services | 64,291,872 | 75,755,367 | (11,463,495) | - |
| Electrical services | 418,394,651 | 437,689,471 | (19,294,820) | - |
| Executive and Council | 44,295,073 | 39,136,941 | 5,158,132 | 5,158,132 |
| Financial services | 68,722,818 | 92,429,226 | (23,706,408) | - |
| Planning and development | 31,582,932 | 31,753,892 | (170,960) | - |
| Technical services | 265,803,265 | 278,337,595 | (12,534,330) | - |
| Housing services | 43,701,829 | 45,781,279 | (2,079,450) | - |
| | **1,238,572,975** | **1,296,282,196** | **(57,709,221)** | **11,540,242** |

| Budget Comparison by Municipal Vote - Operating Expenditure | 2025 (Actual) | 2025 (Budget) | 2025 (Variance) | 2025 (Unauthorised) |
|---|---|---|---|---|
| Community services | 293,616,867 | 280,956,638 | 12,660,229 | 12,660,229 |
| Corporate services | 64,023,731 | 73,920,367 | (9,896,636) | - |
| Electrical services | 415,768,019 | 422,698,291 | (6,930,272) | - |
| Executive and Council | 44,295,073 | 39,126,941 | 5,168,132 | 5,168,132 |
| Financial services | 68,714,426 | 92,415,096 | (23,700,670) | - |
| Planning and development | 29,511,393 | 29,393,892 | 117,501 | 117,501 |
| Technical services | 218,483,587 | 210,991,723 | 7,491,864 | 7,491,864 |
| Housing services | 40,687,179 | 42,881,279 | (2,194,100) | - |
| | **1,175,100,275** | **1,192,384,227** | **(17,283,952)** | **25,437,726** |

| Budget Comparison by Municipal Vote - Capital Expenditure | 2025 (Actual) | 2025 (Budget) | 2025 (Variance) | 2025 (Unauthorised) |
|---|---|---|---|---|
| Community services | 8,163,668 | 14,441,787 | (6,278,119) | - |
| Corporate services | 268,141 | 1,835,000 | (1,566,859) | - |
| Electrical services | 2,626,632 | 14,991,180 | (12,364,548) | - |
| Executive and Council | - | 10,000 | (10,000) | - |
| Financial services | 8,392 | 14,130 | (5,738) | - |
| Planning and development | 2,071,539 | 2,360,000 | (288,461) | - |
| Technical services | 47,319,678 | 67,345,872 | (20,026,194) | - |
| Housing Services | 3,014,650 | 2,900,000 | 114,650 | 114,650 |
| | **63,472,700** | **103,897,969** | **(40,425,269)** | **114,650** |

The difference between the actual operating expenses above and the total expenses per the Statement of Financial Performance is that gains and losses are split between Revenue and Expenses for budget purposes and are aggregated in the Statement of Financial Position for comparable purposes.



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## 48. Unauthorised expenditure (continued)

**Operating Expenditure**

Executive and Council
The variance is on the Actuarial cost mainly Post retirement Medical Aid as well as long service awards more that the budget

Planning and development
Due to Employee Related Costs travel allowance not budgeted for.

Community Services
Mainly due to speeding fines impaired as well as overtime allowance claimed more than the budget.

Technical Services
The variance mainly as a result of the Water and Sewer impairment of assets .

**Capital Expenditure**

Over expenditure as a result of sedgefield infill project funded through Housing grant.

## 49. Fruitless and wasteful expenditure

| | | |
|---|---|---|
| Opening balance as previously reported | 3,005,201 | 3,005,201 |
| Add: Fruitless and wasteful expenditure identified - current | 26,692 | - |
| Add: Fruitless and wasteful expenditure identified - prior period | 27,963 | - |
| Less: Amount recovered - prior period | (158,366) | - |
| **Closing balance** | **2,901,490** | **3,005,201** |

A full investigation was conducted by MPAC. After having considered the report on the investigation, MPAC resolved and made recommendation to council. Council resolved on the matters of fruitless and wasteful expenditure. The accounting officer was instructed to ensure consequence management.

| **Details of current year fruitless and wasteful expenditure** | 2025 | 2024 |
|---|---|---|
| Penalties - Late Motor vehicle Licence payment | 13,500 | - |
| Wasted Cost- SALGBC | 4,602 | - |
| Compliance with Clause 11.8.3 of the SALGBC Main collective agreement | 8,590 | - |
| | **26,692** | **-** |

## 50. Irregular expenditure

| **Reconciliation of irregular expenditure** | | |
|---|---|---|
| Opening balance | 338,953,783 | 196,733,737 |
| Irregular expenditure written off by council | (11,374,850) | - |
| Add: Irregular Expenditure - current year | 92,208,750 | 142,220,046 |
| Irregular expenditure recovered | (8,640) | - |
| | **419,779,043** | **338,953,783** |



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**50. Irregular expenditure (continued)**

**Details of irregular expenditure**

| | 2025 | 2024 |
|---|---|---|
| Irregular Appointment of Director Community Services, the appointment was contrary to legislative requirements | 196,246 | 1,339,319 |
| Preference points system for evaluation of loan finance not included in tender documents | 6,972,390 | 2,804,024 |
| Non-compliance with SCM regulation 29(2) - BAC composition | - | 180,329 |
| Local content PPR Non-compliance | - | 1,437,262 |
| PPPFA Tenders - Evaluations of bids not conducted in line with PPFA | - | - |
| Quotes - Deviations | 3,152,519 | 6,752,327 |
| Specifications drafted in a restricted manner and 2CIDB Act non-compliance | - | 1,605,779 |
| Preference point scoring not used to evaluate quotes advertised on/after 16.01.2023 | - | 481,597 |
| Non-compliance during deviation process - bids | 926,988 | 5,816,385 |
| Non-compliance during the deviation process | - | 654,328 |
| Evaluation criteria not correctly applied | 665,504 | 6,089,469 |
| Employee did not meet the minimum competency requirement | - | 1,252,998 |
| Contract extensions for invalid reasons | - | 19,443,627 |
| Contracts awarded after validity period expired | 3,673,820 | 15,807,866 |
| Over expenditure of staff related cost | 2,799 | 54,651 |
| Remuneration of the Acting Director Financial Services nr. 2 | - | 23,270 |
| Remuneration of the Acting Director Planning and Development | - | 18,972 |
| Employee related costs: Secondments | 34,745 | 303,469 |
| Poor Project Management | 5,020,631 | 5,591,674 |
| No Formal procurement process followed | 20,071,279 | 27,719,078 |
| Poor Planning | - | 1,215,135 |
| Expenditure after contract end date | 10,662,123 | 11,279,286 |
| Pricing of quotes and invoices | - | 3,839,935 |
| Reasons for deviations | - | 637,736 |
| Remuneration of the Director Corporate Services | - | 1,031,105 |
| Remuneration of the Municipal Manager | 157,310 | 1,473,709 |
| Remuneration of the Acting Director Technical Services | - | 299,154 |
| Remuneration of the Acting Director Corporate Services | - | 252,207 |
| Remuneration Project Manager | 854,689 | 1,122,449 |
| Scarcity Allowance - Senior Manager | 35,953 | 145,130 |
| Non Compliance - Tax Compliance status | 2,044,824 | 368,000 |
| Splitting of orders | 1,235,946 | 544,640 |
| Non-compliance -Less than 3 quotes | - | 136,160 |
| Non-compliance in procurement processes for fuel purchases | 5,293,821 | 9,723,644 |
| Non compliance PPR | - | 339,720 |
| Non compliance in awarding of bids | 14,708,563 | 3,309,281 |
| Extensions Not Done in Accordance to SCM Policies | 7,162,191 | 9,126,331 |
| Scarcity allowances not in line with policy | 380,918 | - |
| Less than 3 quotes received | 317,894 | - |
| Non-compliance - CIDB | 3,545,907 | - |
| No declaration in bid document | 2,994,917 | - |
| No contract | 885,269 | - |
| Over expenditure | 29,030 | - |
| Difference between functionality criteria used between advert and evaluation of procurement | 1,182,474 | - |
| | **92,208,750** | **142,220,046** |

**Details of additional irregular expenditure as a result of AGSA interpretation**



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## 50. Irregular expenditure (continued)

Contracts used from other organs of state in terms of SCM Regulation 32 was classified as irregular expenditure during the audit process by AGSA. In MFMA Circular 96 dated 24 July 2019 the National Treasury made the ruling that a municipality may only piggy-back on the unused portion of the contract awarded by the organs of state. Therefore, actual expenditure incurred by the municipality based on the piggy-back awards will continue to be recognised as irregular expenditure until the contract/s period/s have expired.

SCM Regulation 29(2) requires that a Bid Adjudication Committee (BAC) must consist of at least four senior managers which must include a senior supply chain management practitioner. However, the Auditor-General's interpretation of Regulation 29(2) is that a BAC must consist of four senior managers (directors) plus a senior supply chain management practitioner. Therefore, all awards made by the BAC with four senior managers that included the senior supply chain management practitioner, was deemed to be irregular expenditure.

## 51. Material losses

| | | |
|---|---|---|
| **Electricity distribution losses** | | |
| Units purchased (Mwh) | 163,360 | 158,117 |
| Units Sold (Mwh) | 146,280 | 139,810 |
| Units lost during distribution | 17,079 | 18,307 |
| Percentage lost during distribution | 10.46 % | 11.58 % |
| | | |
| **Water distribution losses** | | |
| Mega litres purified | 5,484 | 5,807 |
| Mega litres lost during distribution | 2,631 | 1,956 |
| | 47.98 % | 33.68 % |
| Water losses during the year (in Rand) | 19,589,476 | 13,822,936 |

There is no possibility of recovering any of the material losses.

| | | |
|---|---|---|
| Fines not issued before the lapsing of the validity period resulted in lost revenue | 906,700 | 3,626,000 |
| Refuse revenue not billed | 10,193,634 | 3,878,010 |
| | **11,100,334** | **7,504,010** |

## 52. Additional disclosure in terms of Municipal Finance Management Act

**Contributions to organised local government MFMA 125 (1) - SALGA contributions**

| | | |
|---|---|---|
| Opening balance | 1,087,301 | 273,627 |
| Current year - subscription / fee | 3,348,043 | 813,674 |
| Amount paid - current year | (4,267,942) | - |
| Discount | (167,402) | - |
| | **-** | **1,087,301** |

**Audit fees - MFMA 125 (1)**

| | | |
|---|---|---|
| Current year subscription / fee | 8,813,876 | 7,551,013 |
| Amount paid - current year | (8,813,876) | (7,551,013) |
| | **-** | **-** |



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

### PAYE and UIF - MFMA 125 (1)

| | | |
|---|---|---|
| Opening balance | 3,942,484 | 3,711,744 |
| Current year subscription / fee | 51,372,268 | 47,636,904 |
| Amount paid - current year | (51,030,488) | (47,406,164) |
| | **4,284,264** | **3,942,484** |

### SDL – MFMA 125(1)

| | | |
|---|---|---|
| Opening balance | 221,828 | 213,533 |
| Current year subscription/fee | 2,774,281 | 2,679,372 |
| Amount paid - current year | (2,766,959) | (2,671,077) |
| | **229,150** | **221,828** |

### Pension and Medical Aid Deductions - MFMA 125 (1)

| | | |
|---|---|---|
| Opening balance | 3,801,972 | - |
| Current year subscription / fee | 75,784,896 | 75,415,847 |
| Amount paid - current year | (75,466,568) | (71,613,875) |
| | **4,120,300** | **3,801,972** |

### VAT - MFMA 125 (1)

| | | |
|---|---|---|
| Opening balance | (1,988,567) | (1,081,654) |
| Amount paid / (received) - prior year | 1,563,808 | 284,279 |
| Amount payable - current year | (85,567,532) | (71,346,974) |
| Amount claimed - current year | 94,638,371 | 85,539,442 |
| Amount paid / (received) | (10,616,363) | (15,383,660) |
| | **(1,970,283)** | **(1,988,567)** |

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

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

Comparative figures in this note have been restated and will consequently differ from those reported in the previously issued audited Annual Financial Statements.

### Councillors' arrear consumer accounts - MFMA 124 (1)

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

| 30 June 2025 | Outstanding more than 90 days | Total |
|---|---|---|
| N Tsengwa | 1,516 | 1,516 |
| E Maxim | 7,944 | 7,944 |
| A Marbi | 3 | 3 |
| | **9,463** | **9,463** |



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

| 30 June 2024 | Outstanding more than 90 days | Total |
|---|---|---|
| N Tsengwa | 884 | 884 |
| E Maxim | 9,623 | 9,623 |
| N Louw | 498 | 498 |
| S Campbell | 4,610 | 4,610 |
| | **15,615** | **15,615** |

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

| 30 June 2025 | Highest outstanding amount | Aging (in days) |
|---|---|---|
| N Tsengwa | 884 | >150 days |
| E Maxim | 7,878 | >150 days |
| | **8,762** | |

| 30 June 2024 | Highest outstanding amount | Aging (in days) |
|---|---|---|
| N Tsengwa | 884 | >150 days |
| E Maxim | 8,248 | >150 days |
| S Campbell | 4,518 | >150 days |
| | **13,650** | |

**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/condoned by the Accounting Officer and noted by Council. Deviations from the Supply Chain Management processes were identified for the following categories and have been approved by the Accounting Officer and reported to Council.

| | | |
|---|---|---|
| Emergency - par 36(1)(a)(i) | 76,753 | 18,205,919 |
| Single source or sole provider - par 36(1)(a)(ii) | 818,271 | 259,445 |
| Impractical/impossible (exceptional cases) - par36(1)(a)(v) | 50,612,888 | 41,153,692 |
| | **51,507,912** | **59,619,056** |



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

**Awards to close family members of persons in service of the state - SCM Regulation 45**

The following awards were made during the year to suppliers who have close family members in service of the state:

| Company name | Relationship | Entity | Awarded amount 2025 | Awarded amount 2024 |
|---|---|---|---|---|
| Ikapa Reticulation and Flow cc | Spouse | Department of Education | - | 871,098 |
| Emakozeni Trading Enterprise | Spouse | DTI | 29,792 | 64,215 |
| Eden Events | Spouse | Department of Health | - | 27,000 |
| Piston Power Chemicals | Spouse | Department of Education | 499,227 | 368,053 |
| National Sea Rescue Institute | Spouse | Western Cape Department of Emergency services | 1,179,572 | 1,179,572 |
| AH Enterprise | Father | Department of Health | - | 35,713 |
| J&S Enterprises t/a Kruik Assessors | Spouse | Ward 2 Committee member | 18,700 | 16,550 |
| E4D Construction | Spouse | Knysna Municipality (Parks & Recreation) | 2,066,559 | 358,203 |
| Inyameko Trading 618 CC | Child | Knysna Municipality (Electrical Department) | - | 7,670,747 |
| National Validation Services | Spouse | State Security Agency SA | 29,110 | 38,150 |
| Conlog (Pty) Ltd | Spouse | Department of Health | - | 2,959,563 |
| Nedbank Business Banking - 8502 | Spouse | National Department of Education | - | 14,643,111 |
| George Commercial Tyre Service | Director | Department of Education | 2,792 | 835,252 |
| Imvu Construction Group * | Spouse | Nolambe Municipality | - | - |
| Touch 2 Connect | Spouse | WCED | - | 159,350 |
| Fistoz Management Services | | BCM Municipality | 578,414 | 585,910 |
| Just Breeze General Trading | Spouse | Department of Health | 3,932,678 | 4,623,230 |
| R&G Contractor | Parent | Knysna Municipality | 463,147 | 993,015 |
| DG Incentives | Non Executive Director | | 20,000 | 44,005 |
| Eden FM | Board Member | Department of Education | - | 4,025 |
| Poongavanum General Cleaning Services * | Child | Petro SA | - | - |
| Ikapa Reticulation and Flow CC * | Child | Department of Education | - | - |
| Masiqhame Trading 672 CC | Brother | Bitou Municipality | 288,244 | - |



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

| | | | | |
|---|---|---|---|---|
| Masiqhame Trading 672 CC | Child | Department of Education | - | - |
| JP Smit | Employee | Department of Police | - | - |
| Poomgavanum General Cleaning Services | Child | Petro SA | - | - |
| MTO Forestry (Pty) Ltd | Director | SAFCOL | 38,030 | - |
| Imvu Construction Group | Spouse | Nolambe Municipality | - | - |
| AST Africa Trading 89 CC | Spouse | Department of Health | - | - |
| Ikapa Reticulation and Flow cc | Child | Department of Education Western Cape | - | - |
| Red Ant Security Relaction and Eviction Services | Spouse | Mogale City Local Municipality | - | - |
| Mtimkulu S | Brother | Knysna Municipality | 29,100 | 68,290 |
| W Bezuidenhout t/a Bezuidehout Funerals | Husband | Knysna Municipality | - | 9,750 |
| CX Storage (Pty) Ltd | Spouse | Knysna Municipality | 240,650 | 72,600 |
| Tsese Transport and Shuttle Service | Family member | Knysna Municipality | 24,000 | 27,000 |
| M And M Spies Funeral Directors (Pty) Ltd | Family member | Knysna Municipality | 20,000 | - |
| Er Vinnies Enterprises | Family member | Knysna Municipality | 2,000 | - |
| Yoks 2018 (Pty) Ltd | Family member | Knysna Municipality | 9,635 | 5,300 |
| | | | **9,471,650** | **35,659,702** |

* Rate based / as and when required

**53. Private Public Partnerships**

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

**54. Events after the reporting date**

No events occurred between the reporting date and the date on which these financial statements were authorised for issue that require adjustment or disclosure.



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## 55. Budget differences

**Material differences between budget and actual amounts**

Impairment loss / Reversal of impairments
Reversal of the impairment previously recognised during the 2023/24 financial year.

Lease rentals on operating leases
Relates to the provision of the Grey Elephant lease agreement.

Transfers and subsidies
Variance arises from the SETA grant that remained unspent due to delayed administrative verification and extended timelines in the implementation of funder-supported skills development programmes.

Inventory consumed and adjustments
Reflects other losses provided for in the February adjustments budget, based on prior year adjustments relating to inventory items.

Inventories
Variance due to stock count differences not budgeted for.

Construction contracts and receivables
Outstanding local government housing claims recoverable from the Department of Infrastructure.

Receivables from exchange transactions
Increase mainly attributable to a higher allowance for impairment.

Cash and cash equivalents
Increase due to higher levels of investments at year-end.

Finance lease obligations
Arises from a new finance lease agreement with Konica Minolta for printers.

Payables from exchange transactions
Reduction reflects improved creditor payment practices on outstanding invoices and a conservative approach to expenditure.

Employee benefit obligations
Decrease due to actuarial gains recognised during the year.

Unspent conditional grants and receipts
Relates to unspent National Government grants at year-end.

Other financial liabilities
Variance attributable to the redemption of loans during the current year.



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**55. Budget differences (continued)**

**Cashflow statement**

Rate payers and other

Variance is due to differences between billed revenue and actual collections, driven by higher receivables balances and increased impairment allowances that reduced cash inflows compared to budget.

Interest
Higher than budgeted owing to increased investments held at year-end, generating additional interest income.

Suppliers and employees
Lower than budgeted as a result of improved creditor payment management and a conservative approach to operating expenditure.

Finance charges
Lower than anticipated due to the redemption of loans during the year, which reduced cash interest payments.

Transfers and Grants
Lower than budgeted as certain conditional and SETA grants remained unspent at year-end due to delays in verification and programme implementation.

Repayment of borro wings
Variance arises from the redemption of loans during the year, which reduced outstanding borrowings compared to budget expectations.

Net cash flows from financing
Differences are due to movements in deposits held from consumers, which are demand-driven and not easily predictable when budgeting.



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**55. Budget differences (continued)**

**Differences between budget and actual amounts basis of preparation and presentation**

Differences were identified between the disclosure requirements in terms of GRAP and the reporting requirements in terms of National Treasury budget formats.

The following items are affected by these classification differences:

**Statement of Financial Position**

Receivables from non-exchange contracts consist of receivables from non-exchange transactions and other current asset.

Receivables from exchange transactions includes Receivables from exchange transactions and prepayments. Prepayments were included in payables from exchange transactions in the budget statement.

VAT is disclosed separately as an asset and liability in the budget statement but is included in Receivables/Payables from exchange transactions. VAT on future fees are included as VAT in the budget statement, but included as revenue from exchange transactions in the financial statements.

Included in Trade and other payables per budget statement are Payables from Exchange Transactions, Unspent Conditional Government Grants and Receipts, Trade and other payables from non-exchange transactions and the nett VAT payable (if applicable).

Employee benefits and Provisions (current and non-current) are disclosed separately in the financial statements while these figures are aggregated in the budget statements as provisions.

Long term liabilities, Finance lease obligation and Operating lease liabilities are disclosed separately in the financial statements. The budget formats does not provide for Finance and Operating lease liabilities. Finance and Operating lease liabilities are disclosed as part of Borrowings in the budget statements.

Other non-current assets includes the Non-Current Operating Lease Asset

All other items are disclosed on a comparable basis.

**Statement of Financial Performance**

The statement of financial performance is comparable on a line by line basis except for the following items:

The budget statements does not provide for all the different revenue classifications per statement of financial performance. For this reason, all line items not specifically catered for is incorporated under the line item Other own revenue in the budget statement. Other own revenue per budget statement consist out of the following line items: Third Party Payments, Sale of goods and rendering of services, rental of facilities and equipment, Agency services, Licences and permits, Fines, penalties and forfeits, profit / loss on disposal of assets inventory adjustments (surplus), interest received - outstanding debtors, construction revenue and Operational revenue.

Depreciation and amortisation, Impairment losses and fair value adjustments on Investment property are disclosed separately in the financial statements while these figures are aggregated in the budget statements.

Debt impairment and bad debt written off are aggregated in the budgeted statements, but disclosed separately in the statement of financial performance.

Services charges and availability fees are aggregated in the budgeted statements, but disclosed separately in the statement of financial performance.

Inventory consumed and bulk purchases as separately disclosed in the statement of financial performance is presented as materials and bulk purchases in the budgeted statements.



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**55. Budget differences (continued)**

The budget statements does not provide for all the different expenditure classifications per statement of financial performance. For this reason, all line items not specifically catered for are incorporated under the line item Other Expenditure in the budget statements. Other Expenditure per budget statement consist of the following line items - Operational costs, Lease rentals on operating leases and inventory adjustments (loss)

All other items are disclosed on a comparable basis.

**Cash Flow Statement**

The Cash Flow Statement is presented on a comparable basis, except for the following item:

The movement in Consumer deposits are disclosed as part of the financing activities for budget purposes while it is disclosed as part of operating activities in the financial statements.

Original budget: The cash and cash equivalents at year-end, as disclosed in the cash flow statement and the statement of financial position do not reconcile. This was the approved budget by the council and was disclosed as per GRAP 24. However, this discrepancy has been corrected in the final budget.

**Changes from the approved budget to the final budget**

Total adjustments are mainly as a result of the following:

The Municipality's original 2023/2024 operating budget provided for revenue of R1.253 billion (excluding capital grants) against operating expenditure of R1.228 billion, resulting in a projected operating surplus of R24.9 million. However, the audited outcome reflected an operating deficit of R25.9 million, mainly due to insufficient provisions for non-cash items.

Following the Mid-Year Budget Assessment presented to Council on 31 January 2025, adjustments were made to the revenue and expenditure budget. The revised adjustments budget projects an operating surplus of R99.3 million, compared with the audited operating deficit of R25.9 million for 2023/2024. After accounting for capital grants of R84.0 million, the overall budget surplus amounts to R167.7 million.

These adjustments reflect a detailed reassessment of current and prior-year financial performance and ensure that the Municipality presents a fully funded and balanced budget.

**Capital budget**

Total adjustments are mainly as a result of the following:

National Government Grants: Increase of R1.1 million due to approved roll-over of the disaster grant.

Provincial Government Grants: Net reduction of R1.0 million, comprising a reduction of R8 million in the Sedgefield Infill Informal Settlements Upgrading Partnership Grant and an increase of R9 million in the Water Resilient Grant.

External Borrowings: Reduction of R2.6 million relating to the cancellation of the Rheenendal and Khayalethu fire station projects for the current year.

Capital Replacement Reserve (CRR): Additional allocation of R6.2 million for the acquisition of compactor trucks, new inlets at sewer pumpstations, and refurbishment of Ring Main Units.



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## 56. Accounting by principals and agents

The entity is a party to a principal-agent arrangement(s).

**Municipality as agent**

**Motor Vehicle Registrations Arrangement**

As per Circular R12.1994 the executive committee of the provincial administration of the cape of good hope and the department of state expenditure granter authority that a new agency fee be paid to local authorities who have been appointed as registering authorities in the Cape province for the registration and licensing of motor vehicles in terms of the National Road Traffic Act 93 of 1996.

The municipality is the agent in this binding agreement and uses its own resources in performing the service delivery and capturing the information on the ENATIS (Electronic National Administration Traffic Information System).

Agency Fee Circular R5.2005 further states that all municipalities must perform weekly pay-overs in terms of MFMA 56 of 2003 section 64 (4).

Revenue and expenses from principal-agent transactions:

| **2025** | **Drivers licences** | **Vehicle registrations** | **Total** |
|---|---|---|---|
| Revenue received from third parties | 4,156,370 | 21,870,375 | 26,026,745 |
| Payment to provincial traffic department | (493,276) | (20,289,583) | (20,782,859) |
| Agency fee income | 3,663,094 | 1,580,792 | 5,243,886 |
| Depreciation | (193) | (804) | (997) |
| Employee cost | (1,820,514) | (1,253,122) | (3,073,636) |
| General expenses | (104,433) | (104,433) | (208,866) |
| | **1,737,954** | **222,433** | **1,960,387** |

| **2024** | **Drivers licences** | **Vehicle registrations** | **Total** |
|---|---|---|---|
| Revenue received from third parties | 4,518,439 | 20,481,279 | 24,999,718 |
| Payment to provincial traffic department | (530,169) | (19,061,901) | (19,592,070) |
| Agency fee income | 3,988,270 | 1,419,378 | 5,407,648 |
| Depreciation | (193) | (804) | (997) |
| Employee cost | (1,740,588) | (1,249,934) | (2,990,522) |
| General expenses | (104,128) | (104,128) | (208,256) |
| | **2,143,361** | **64,512** | **2,207,873** |

**Housing arrangements**

The Department of Housing has the mandate to provide basic housing to all citizens. The Provincial Department of Housing has entered into arrangements with the municipality in order to provide housing to those in need. In terms of the Guideline: Accounting for Arrangements in respect of the National Housing Programme, each individual transaction and arrangement is carefully considered in order to ensure the correct accounting treatment. Some deliverables meet the requirements of Construction Contracts (as we are considered the principal in these deliverables) (note 4).

Fees received from the Provincial Department of Housing for registering the owner at the deeds office are considered to not be for the benefit of the municipality and is not directly accounted for as part of the construction contracts. To this extent, the municipality is regarded as the agent and expenses are accounted for on a net basis.

| | | |
|---|---|---|
| Receipts from Provincial Department | 2,000 | - |
| Payments made o.b.o. beneficiaries | (2,000) | - |
| | **-** | **-** |



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**56. Accounting by principals and agents (continued)**

**Municipality as the principal**

**Distribution of prepaid water and electricity**

The municipality entered into an agreement with Ontech Systems (Pty) Ltd to provide the hosting, vending, data management and supplementary support services to the municipality. Ontech Systems (Pty) Ltd distributes the prepaid electricity and water (by way of vendors) to third parties and pays the revenue received over to the municipality. The company does not use any of the municipality's resources.

The fees paid to Ontech Systems (Pty) Ltd during the year was R 18,029,399 (2024: R 13,291,192.73).

In the event that the arrangement is terminated and the municipality decides to provide the service and not make use of a contractor, the municipality will as a minimum have to procure software, computer infrastructure and additional employees.

**57. Segment information**

**General information**

**Identification of segments**

For management purposes, the municipality is organised and operates in four key functional segments (or business units). To this end, management monitors the operating results of these business units for the purpose of making decisions about resource allocations and assessment of performance. Revenues and expenditures relating to these business units are allocated at a transactional level.

The four key business units comprise of:

- Community and public safety which includes community and social services, sport and recreation, public safety, health and housing services;
- Economic and environmental services which includes planning and development, road transport and environmental protection services;
- Trading services which includes energy sources, water management, waste water management and waste management services;
- Municipal governance and administration which includes executive and council and finance and administration services.

The grouping of these segments is consistent with the functional classification of government activities which considers the nature of the services, the beneficiaries of such services and the fees charged for the services rendered (if any).

Management does monitor performance geographically but does not at present have reliable separate financial information for decision making purposes. Processes have been put in place to generate this information at a transaction level and in the most cost effective manner.



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## 57. Segment information (continued)

### Segment surplus or deficit, assets and liabilities

**2025**

| | Community and public safety | Economic and environmental services | Trading Services | Municipal governance and administration | Total |
|---|---|---|---|---|---|
| **Revenue** | | | | | |
| Investment revenue | 3,905 | - | 28,806,560 | 6,017,162 | 34,827,627 |
| Revenue from exchange transactions | 36,764,544 | 11,872,093 | 558,023,568 | 6,848,585 | 613,508,790 |
| Revenue from non-exchange transactions | 98,431,704 | 6,593,499 | 123,796,623 | 384,022,109 | 612,843,935 |
| **Total segment revenue** | **135,200,153** | **18,465,592** | **710,626,751** | **396,887,856** | **1,261,180,352** |
| **Expenditure** | | | | | |
| Employee related costs | 95,988,373 | 45,403,972 | 78,273,491 | 114,310,733 | 333,976,569 |
| Remuneration of councillors | - | - | - | 9,684,105 | 9,684,105 |
| Debt impairment | 71,278,026 | - | 47,579,571 | 7,922,872 | 126,780,469 |
| Depreciation & asset impairment | 3,917,796 | 9,231,147 | 41,416,587 | 3,247,324 | 57,812,854 |
| Finance charges | 2,098,923 | 4,883,260 | 27,940,387 | 778,572 | 35,701,142 |
| Bulk purchases | - | - | 328,988,074 | - | 328,988,074 |
| Other materials | 4,946,464 | 1,969,155 | 31,302,427 | 2,678,298 | 40,896,344 |
| Contracted services | 80,840,390 | 7,708,736 | 49,618,637 | 12,245,128 | 150,412,891 |
| Other expenditure | 2,368,886 | 1,984,781 | 37,168,289 | 40,830,325 | 82,352,281 |
| **Total segment expenditure** | **261,438,858** | **71,181,051** | **642,287,463** | **191,697,357** | **1,166,604,729** |
| **Total segmental surplus/(deficit)** | **(126,238,705)** | **(52,715,459)** | **68,339,288** | **205,190,499** | **94,575,623** |
| Transfers and subsidies - capital | | | | | 46,705,809 |
| **Entity's surplus (deficit) for the period** | | | | | **141,281,432** |
| **Assets** | | | | | |
| Segment assets | (57,706,278) | (5,770,806) | 15,238,087 | 1,936,294,041 | 1,888,055,044 |
| **Total assets as per Statement of financial Position** | | | | | **1,888,055,044** |
| **Liabilities** | | | | | |
| Segment liabilities | 45,354,260 | 112,736,521 | (98,950,308) | 657,325,339 | 716,465,812 |
| **Total liabilities as per Statement of financial Position** | | | | | **716,465,812** |



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### 57. Segment information (continued)

**2024 - Restated**

| | Community and public safety | Economic and environmental services | Trading Services | Municipal governance and administration | Total |
|---|---|---|---|---|---|
| **Revenue** | | | | | |
| Investment revenue | 6,118 | - | 26,060,335 | 3,029,960 | 29,096,413 |
| Revenue from exchange transactions | 37,345,158 | 11,095,906 | 502,287,128 | 7,125,786 | 557,853,978 |
| Revenue from non-exchange transactions | 107,146,473 | 3,274,256 | 120,672,053 | 343,460,335 | 574,553,117 |
| **Total segment revenue** | **144,497,749** | **14,370,162** | **649,019,516** | **353,616,081** | **1,161,503,508** |
| **Entity's revenue** | | | | | **1,161,503,508** |
| **Expenditure** | | | | | |
| Employee related costs | 91,543,987 | 41,568,150 | 76,779,618 | 115,348,459 | 325,240,214 |
| Remuneration of councillors | - | - | - | 9,821,279 | 9,821,279 |
| Debt impairment | 82,336,415 | - | 65,966,051 | 11,313,813 | 159,616,279 |
| Depreciation & asset impairment | 8,720,718 | 12,486,148 | 48,332,273 | 3,126,457 | 72,665,596 |
| Finance charges | 2,262,559 | 5,096,384 | 31,144,686 | 781,850 | 39,285,479 |
| Bulk purchases | - | - | 284,632,503 | - | 284,632,503 |
| Other materials | 9,092,102 | 2,798,762 | 40,279,689 | 3,501,167 | 55,671,720 |
| Contracted services | 73,152,045 | 8,585,739 | 58,302,529 | 16,413,788 | 156,454,101 |
| Other expenditure | 4,584,548 | 2,488,227 | 36,352,230 | 42,058,477 | 85,483,482 |
| **Total segment expenditure** | **271,692,374** | **73,023,410** | **641,789,579** | **202,365,290** | **1,188,870,653** |
| **Total segmental surplus/(deficit)** | | | | | **(27,367,145)** |
| Transfers and subsidies - capital | | | | | 64,893,999 |
| **Entity's surplus (deficit) for the period** | | | | | **37,526,854** |
| **Assets** | | | | | |
| Segment assets | 29,620,362 | 710,135 | 30,304,155 | 1,750,876,213 | 1,811,510,865 |
| **Total assets as per Statement of financial Position** | | | | | **1,811,510,865** |
| **Liabilities** | | | | | |
| Segment liabilities | 162,314,057 | 42,872,800 | (99,737,522) | 675,753,734 | 781,203,069 |
| **Total liabilities as per Statement of financial Position** | | | | | **781,203,069** |



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## 58. Going concern

On 12 February 2024, the Western Cape Government presented a 2024 Diagnostic Report and Support Plan to Knysna Municipality. The 2024 Diagnostic Report revealed that the Municipality required support and assistance to address the regressing service delivery performance. The Knysna Municipality Council subsequently adopted the 2024 Diagnostic Report and Support Plan on 01 March 2024.

Knysna Municipality thereafter established a Section 154 Steering Committee and Working Group Committees, which were tasked to lead and monitor the implementation of the Council-approved Support Plan.

On 16 April 2024, the Provincial Minister of Local Government, Environmental Affairs & Development Planning, Mr A Bredell, issued a notice to Knysna Municipality expressing his intention to intervene, in terms of Section 139(1)(a) (Pre-Notice) of the Constitution of the Republic of South Africa.

Knysna Municipality vehemently opposed the Section 139 notice of intention to intervene whilst the Section 154 Support Plan was in effect. The Minister however contended that the implementation of the Section 139 is not contingent upon or subject to the implementation of the Section 154.

On 26 June 2025, Minister Bredell issued a notice to Knysna Municipality expressing his intention to intervene, in terms of Section 139(1)(c) of the Constitution of the Republic of South Africa, to dissolve the Knysna Municipal Council and to appoint an Administrator. In response, Knysna Municipality made representations to oppose the intended action of Minister Bredell however, to date, no final outcome has been received.

The justification for Minister Bredell's Notices of Intention to Intervene is primarily based on his perception that the Municipality is failing to fulfil its executive obligations in terms of the minimum standards for the provision of basic services.

Upon the Provincial Treasury assessment of the 2024/2025 Budget, it was determined that the original 2024/2025 Budget was unfunded. A Budget Funding Plan was consequently developed and adopted by Council on 30 September 2024. Following the Knysna Municipality Council approval of the 2024/2025 Adjustments Budget on 26 February 2025, the Provincial Treasury assessment thereof concluded that the 2024/2025 Budget was eventually fully funded.

The 2025/2026 Provincial Treasury Assessment confirmed that the Council-approved Budgets for the 2025/2026, 2026/2027 and 2027/2028 financial years are fully funded.

We draw attention to the fact that at 30 June 2025, the municipality had an accumulated surplus of R 1,171,589,223 and that the municipality's total assets exceed its liabilities by R 1,171,589,223.

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

The ability of the municipality to continue as a going concern is dependent on a number of factors. In assessment whether the going concern assumption is appropriate under the current economic climate; management considered a wide range of factors including the current and expected performance of the Municipality, the likelihood of continued government funding and, if necessary, potential sources of replacement funding.

The Municipality generated a profit of R 141,281,422 during the year and reported positive net cash flows from operating activities of R 203,676,578. The Municipality has met all its obligations to creditors and has not defaulted on payments. Based on these results, management is satisfied that the Municipality has the ability to continue operating as a going concern and to render essential services to its community in the foreseeable future.



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## 59. Contributions recognised - donated assets

| | | |
|---|---|---|
| Public contributions and donations | 850,425 | - |

During the financial year, the Municipality received various in-kind donations from third parties, including the provision of goods and services at no cost. These donations primarily comprised of repairment of roads and vehicle donations and other professional services, which were provided to support the Municipality's service delivery objectives.

In accordance with the Standards of GRAP, in-kind donations are recognised at fair value on the date of receipt where a reliable measure of the fair value could be obtained. Where the fair value of the donated goods or services could not be reliably measured, the donations have been disclosed in the notes to the financial statements but not recognised in the Statement of Financial Performance.

Management acknowledges the support received from these contributions, which enhanced the Municipality's ability to deliver services to its communities without incurring additional expenditure.



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## Appropriation Statement

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| | Original budget | Budget adjustments (i.t.o. s28 and s31 of the MFMA) | Final adjustments budget | Shifting of funds (i.t.o. s31 of the MFMA) | Virement (i.t.o. council approved policy) | Final budget | Actual outcome | Unauthorised expenditure | Variance | Actual outcome as % of final budget | Actual outcome as % of original budget |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **2025** | | | | | | | | | | | |
| **Financial Performance** | | | | | | | | | | | |
| Property rates | 336,224,732 | 8,131,563 | 344,356,295 | - | | 344,356,295 | 348,305,528 | | 3,949,233 | 101 % | 104 % |
| Service charges | 570,664,832 | (24,644,678) | 546,020,154 | - | | 546,020,154 | 553,583,832 | | 7,563,678 | 101 % | 97 % |
| Investment revenue | 1,915,779 | 1,161,170 | 3,076,949 | - | | 3,076,949 | 5,307,557 | | 2,230,608 | 172 % | 277 % |
| Transfers recognised - operational | 163,537,348 | 5,570,379 | 169,107,727 | - | | 169,107,727 | 151,866,194 | | (17,241,533) | 90 % | 93 % |
| Other own revenue | 181,301,298 | 35,359,815 | 216,661,113 | - | | 216,661,113 | 201,266,817 | | (15,394,296) | 93 % | 111 % |
| **Total revenue (excluding capital transfers and contributions)** | **1,253,643,989** | **25,578,249** | **1,279,222,238** | **-** | | **1,279,222,238** | **1,260,329,928** | | **(18,892,310)** | **99 %** | **101 %** |
| Employee costs | (325,141,735) | (3,864,569) | (329,006,304) | - | - | (329,006,304) | (333,976,574) | - | (4,970,270) | 102 % | 103 % |
| Remuneration of councillors | (11,003,414) | 1,235,685 | (9,767,729) | - | - | (9,767,729) | (9,684,105) | - | 83,624 | 99 % | 88 % |
| Depreciation and asset impairment | (225,282,422) | 36,309,815 | (188,972,607) | | | (188,972,607) | (184,593,329) | - | 4,379,278 | 98 % | 82 % |
| Finance charges | (34,930,633) | (3,598,658) | (38,529,291) | - | - | (38,529,291) | (35,701,142) | - | 2,828,149 | 93 % | 102 % |
| Inventory consumed and bulk purchases | (318,560,364) | (10,617,712) | (329,178,076) | - | - | (329,178,076) | (328,988,074) | - | 190,002 | 100 % | 103 % |
| Transfers and grants | (1,122,870) | (11,047,935) | (12,170,805) | - | - | (12,170,805) | (1,661,040) | - | 10,509,765 | 14 % | 148 % |
| Other expenditure | (312,687,370) | 28,844,415 | (283,842,955) | - | - | (283,842,955) | (272,000,475) | - | 11,842,480 | 96 % | 87 % |
| **Total expenditure** | **(1,228,728,808)** | **37,261,041** | **(1,191,467,767)** | **-** | **-** | **(1,191,467,767)** | **(1,166,604,739)** | **-** | **24,863,028** | **98 %** | **95 %** |
| **Surplus/(Deficit)** | **24,915,181** | **62,839,290** | **87,754,471** | **-** | | **87,754,471** | **93,725,189** | | **5,970,718** | **107 %** | **376 %** |



AUDITOR-GENERAL SOUTH AFRICA
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# Appropriation Statement

Figures in Rand

| | Original budget | Budget adjustments (i.t.o. s28 and s31 of the MFMA) | Final adjustments budget | Shifting of funds (i.t.o. s31 of the MFMA) | Virement (i.t.o. council approved policy) | Final budget | Actual outcome | Unauthorised expenditure | Variance | Actual outcome as % of final budget | Actual outcome as % of original budget |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Transfers and subsidies - capital (monetary allocations) (National / Provincial and District) | 65,521,652 | 5,481,391 | 71,003,043 | - | | 71,003,043 | 46,705,808 | | (24,297,235) | 66 % | 71 % |
| Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporatons, Higher Educational Institutions) & Transfers and subsidies - capital (in-kind - all) | - | - | - | - | | - | 850,425 | | 850,425 | DIV/0 % | DIV/0 % |
| **Surplus (Deficit) after capital transfers and contributions** | **90,436,833** | **68,320,681** | **158,757,514** | **-** | | **158,757,514** | **141,281,422** | | **(17,476,092)** | **89 %** | **156 %** |
| **Surplus/(Deficit) for the year** | **90,436,833** | **68,320,681** | **158,757,514** | **-** | | **158,757,514** | **141,281,422** | | **(17,476,092)** | **89 %** | **156 %** |
| **Capital expenditure and funds sources** | | | | | | | | | | | |
| Total capital expenditure | 88,818,853 | 30,664,081 | 119,482,934 | - | | 119,482,934 | 63,522,700 | | (55,960,234) | 53 % | 72 % |



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# Appropriation Statement

Figures in Rand

| | Original budget | Budget adjustments (i.t.o. s28 and s31 of the MFMA) | Final adjustments budget | Shifting of funds (i.t.o. s31 of the MFMA) | Virement (i.t.o. council approved policy) | Final budget | Actual outcome | Unauthorised expenditure | Variance | Actual outcome as % of final budget | Actual outcome as % of original budget |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Cash flows** | | | | | | | | | | | |
| Net cash from (used) operating | 212,703,002 | 4,663,174 | 217,366,176 | - | | 217,366,176 | 203,676,578 | | (13,689,598) | 94 % | 96 % |
| Net cash from (used) investing | (87,818,583) | (16,064,082) | (103,882,665) | - | | (103,882,665) | (63,740,212) | | 40,142,453 | 61 % | 73 % |
| Net cash from (used) financing | (50,503,435) | (1,906,211) | (52,409,646) | - | | (52,409,646) | (57,544,117) | | (5,134,471) | 110 % | 114 % |
| **Net increase/(decrease) in cash and cash equivalents** | **74,380,984** | **(13,307,119)** | **61,073,865** | **-** | | **61,073,865** | **82,392,249** | | **21,318,384** | **135 %** | **111 %** |
| Cash and cash equivalents at the beginning of the year | 20,357,727 | 3,251,028 | 23,608,755 | - | | 23,608,755 | 23,608,756 | | 1 | 100 % | 116 % |
| **Cash and cash equivalents at year end** | **94,738,711** | **(10,056,091)** | **84,682,620** | **-** | | **84,682,620** | **106,001,005** | | **(21,318,385)** | **125 %** | **112 %** |



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# APPENDIX A - Unaudited
# KNYSNA MUNICIPALITY
# SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2025

| EXTERNAL LOANS | Rate | Loan Number | Original Loan Amount | Redeemable | Balance at 30 JUNE 2024 | Received during the period | Accrued interest | Redeemed during the period | Balance at 30 JUNE 2025 |
|---|---|---|---|---|---|---|---|---|---|
| **ANNUITY LOANS** | | | | | | | | | |
| ABSA | 11.69% | Knysna Municipality 1 | 15,000,000.00 | 30/06/2028 | 6,229,093 | - | -0.00 | (1,296,939) | 4,932,154 |
| ABSA | 10.99% | Knysna Municipality 2 | 7,010,000.00 | 29/09/2028 | 3,068,309 | - | -14,245.55 | (549,517) | 2,504,546 |
| ABSA | 10.42% | Knysna Municipality 3 | 7,000,000.00 | 01/10/2028 | 3,277,358 | - | -92,100.06 | (566,108) | 2,619,151 |
| ABSA | 9.84% | Knysna Municipality 4 | 19,579,000.00 | 30/06/2029 | 8,837,166 | - | 0.00 | (1,439,282) | 7,397,885 |
| ABSA | 9.97% | Knysna Municipality 5 | 1,720,000.00 | 31/01/2022 | - | - | - | | - |
| ABSA | 10.33% | Knysna Municipality 6 | 9,680,000.00 | 29/01/2027 | 4,146,708 | - | -51,795.72 | (1,193,587) | 2,901,325 |
| ABSA | 8.75% | Knysna Municipality 4862 | 4,110,000.00 | 30/04/2027 | 2,181,752 | - | -1.16 | (816,140) | 1,365,611 |
| ABSA | 9.04% | Knysna Municipality 5614 | 82,792,500.00 | 30/04/2024 | 72,624,307 | - | 693.82 | (6,486,465) | 66,138,535 |
| ABSA | 9.76% | Knysna Municipality 8907 | 6,560,000.00 | 31/12/2027 | 4,594,616 | - | -0.37 | (1,311,733) | 3,282,882 |
| ABSA | 9.90% | Knysna Municipality 6124 | 58,792,445.00 | 31/12/2032 | 53,027,101 | - | 5,995.75 | (5,873,443) | 47,159,654 |
| DBSA | 10.97% | 100939/1 | 8,594,807.19 | 30/06/2024 | 226,179 | - | 0.09 | (226,179) | - |
| DBSA | 10.07% | 101431/1 | 9,380,256.62 | 31/12/2025 | 1,034,491 | - | -47,096.00 | (740,547) | 246,849 |
| DBSA | 9.82% | 102328/1 | 5,386,431.22 | 30/06/2026 | 878,803 | - | -38,982.97 | (503,892) | 335,928 |
| DBSA | 11.48% | 61006832 | 8,245,000.00 | 31/12/2026 | 2,235,612 | - | -115,853.02 | (1,059,880) | 1,059,880 |
| DBSA | 9.32% | 61007564 | 57,438,000.00 | 29/06/2029 | 35,157,966 | - | - | (5,797,802) | 29,360,164 |
| DBSA | 12.30% | 61007646 | 6,323,667.00 | 29/06/2025 | 1,517,615 | - | - | (1,517,615) | - |
| DBSA | 12.65% | 61007647 | 65,040,391.00 | 47664.00 | 47,888,482 | - | - | (4,618,818) | 43,269,665 |
| INCA | 9.78% | KNYS-00-0003 | 18,607,000.00 | 15/02/2027 | 5,705,836 | - | - | (1,708,148) | 3,997,687 |
| Nedbank | 10.53% | 05/7831030611/03 | 12,107,000.00 | 2029/07/31 | 6,651,191 | - | 246,881 | (946,111) | 5,951,962 |
| Nedbank | 9.01% | 05/7831030611/04 | 2,050,000.00 | 2024/07/31 | 157,390 | - | - | (157,390) | - |
| Nedbank | 6.09% | 7831030611/06 | 5,000,000.00 | 2023/06/30 | - | - | - | | |
| Nedbank | 10.35% | 7831030611/05 | 20,424,087.00 | 2028/06/30 | 9,190,839 | - | - | (3,063,613) | 6,127,226 |
| Nedbank | 10.91% | 10/yr | 63,499,225.00 | 2030/12/31 | 44,449,458 | - | - | (9,524,884) | 34,924,574 |
| Nedbank | 10.62% | 5/yr | 8,310,140.00 | 2025/12/31 | 3,324,527 | - | - | (2,493,042) | 831,485 |
| Standard Bank | 10.73% | 82563586 | 2,020,000.00 | 2021/12/29 | - | - | - | - | |
| Standard Bank | 11.02% | 82563438 | 8,760,950.00 | 2026/12/29 | 2,618,558 | - | - | (872,853) | 1,745,706 |
| Standard Bank | 11.30% | 82563616 | 14,392,000.00 | 2031/12/29 | 7,675,733 | - | - | (959,467) | 6,716,267 |
| Standard Bank | 9.20% | [LN538375] - 5yr_2018/19 | 2,800,000.00 | 2023/12/29 | - | - | - | - | - |
| Standard Bank | 11.11% | LN852722 | 3,905,000.00 | 2028/12/31 | 3,905,000 | - | - | (781,000) | 3,124,000 |
| Standard Bank | 8.67% | LN852738 | 21,100,000.00 | 2033/12/31 | 21,100,000 | - | - | (2,110,000) | 18,990,000 |
| **Total Annuity Loans** | | | **555,627,901.03** | | **351,704,093** | **-** | **(106,504)** | **(56,614,454)** | **294,983,135** |
| **TOTAL EXTERNAL LOANS** | | | | | **351,704,093** | **-** | **(106,504)** | **(56,614,454)** | **294,983,135** |

**APPENDIX B - Unaudited**
**KNYSNA MUNICIPALITY**
**DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003**

| Grant Description | Balance 30 JUNE 2024 | Contributions during the year | Operating Expenditure during the year Transferred to Revenue | Capital Expenditure during the year Transferred to Revenue | Year end Adjustment | Balance 30 JUNE 2025 |
|---|---|---|---|---|---|---|
| **UNSPENT/(UNPAID) GOVERNMENT GRANTS AND RECEIPTS** | R | R | R | R | R | R |
| Nat Grant - Equitable Share | - | -130,575,000 | 130,575,000 | - | - | - |
| Nat Grant - Local Government Finance Management Grant | - | -1,800,000 | 1,800,000 | - | - | -0 |
| Nat Grant - Municipal Infrastructure Grant | -2,457 | -28,487,000 | 3,784,327 | 15,858,243 | - | -8,846,887 |
| Nat Grant - Expanded Public Works Program (EPWP) | - | -1,279,000 | 1,279,000 | - | - | - |
| Nat Grant - Water Services Infrastructure Grant | -69,466 | -8,937,000 | 1,160,285 | 7,735,259 | - | -110,922 |
| Nat Grant - Neighbourhood Development Partnership Grant (NDPG) | - | -20,477,000 | 1,922,202 | 12,814,681 | - | -5,740,117 |
| Nat Grant - Energy Effeciency and Demand Side Management Grant | -56,884 | - | - | - | - | -56,884 |
| Nat Grant - Disaster Recovery Grant | -2,600,000 | -114,000 | 310,731 | 2,071,539 | - | -331,731 |
| Nat Grant - Integrated National Electrification program (NER) | - | -9,900,000 | 140,529 | 936,858 | - | -8,822,614 |
| Prov Grant - Integrated Housing & Human Settlement (LocGov&Hsg) | 906,740 | - | - | 3,014,650 | - | 3,921,390 |
| Prov Grant - Library | - | -9,663,348 | 9,663,348 | - | - | -0 |
| Prov Grant - Community Development Worker (Operat) | - | -57,000 | 57,000 | - | - | - |
| Prov Grant - Main Roads Subsidy | 77,458 | - | - | - | - | 77,458 |
| Prov Grant - Other | -793,740 | -10,361,000 | 910,974 | 3,793,848 | 54,740 | -6,395,178 |
| District Grant - Other | - | -170,000 | - | 170,000 | - | - |
| Other Organisational Grants | -89,852 | -1,133,625 | 573,529 | - | 71,737 | -578,211 |
| Other Organisational Grants: Nedbank: SMME Incubat | -22,904 | - | - | - | - | -22,904 |
| **Total** | **(2,651,106)** | **(222,953,973)** | **152,176,925** | **46,395,078** | **126,477** | **(26,906,599)** |
| **CONSTRUCTION CONTRACTS AND RECIEVABLES** | **Difference** | | | | | |
| Prov Grant - Integrated Housing & Human Settlement (LocGov&Hsg) | 6,917,521 | -21,657,615 | 23,032,395 | - | - | 8,292,301 |
| **Grand Total** | **4,266,415** | **(244,611,588)** | **175,209,319** | **46,395,078** | **126,477** | **(18,614,299)** |