



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

Great Kei Local Municipality

Annual Financial Statements for the year ended 30 June 2025

General Information

Nature of business and principal activities

Great Kei Local Municipality is a South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act. (Act no. 117 of 1998)

The municipality's operations are governed by:
-Municipal Finance Management Act no. 56 of 2003
-Municipal Structures Act no.117 of 1998
-Municipal Systems Act no. 32 of 2000 and various other acts and regulations.

The following is included in the scope of operation

The provision of services (electricity, refuse, traffic and town planning) to communities in a sustainable manner, to promote social and economic development; and to promote a safe and healthy environment

List of councillors

Mayor

Cllr. N.W. Tekile

Speaker

Cllr. N.P. Mgema

Chief Whip

Cllr. Z.M. Nzuzo

Councillors

Cllr. S.H. Pakamile - MPAC Chair

Cllr. Z. Patuluko - Mayoral committee member

Cllr. S.M. Jacobs - Mayoral committee member

Cllr. M.G. Njanya

Cllr. M. Twani

Cllr.W.Sinqana

Cllr. Z. Tshali

Cllr. P.G. Kyriacos

Cllr. F.E. Webber

Cllr. M.E. Matshoba

Grading of local authority

Category 2

Accounting Officer

Mr L.N. Mambila

Chief Finance Officer (CFO)

Mr A. Lwana

Director Technical and Community Services

Ms. Z. Petse

Director Corporate Services

Mr. B.T Douglas

Registered office

17 Main Street

Qumrha

4950

Postal address

Private Bag X2

Qumrha

4950

Bankers

Standard Bank Limited

Auditors

Auditor General of South Africa

Attorneys

Sonamzi Attorneys Incorporated

Allams Attorneys

Boqwana Burns and Vimba Associates JV

Mamatela Attorneys Incorporated

Siyathemba Sokutu Attorneys

Clark Laing Inc

Great Kei Local Municipality

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General Information

	Mbabane and Maswazi Inc AT Mzwakali Inc Jolwana Mgidlana Inc Tshangana Le Roux Inc Mjexane Attorneys Incorporated Talen Godi Kupiso Inc
Telephone	(043) 831 5700
Demarcation Code	EC123
Jurisdiction	The Great Kei Municipality (GKM) is located within the Eastern Cape Province and covers an area of 1 421 square kilometres (km ²). The boundaries that surround the Municipality are the borders of Buffalo City Metropolitan Municipality (BCM), Amahlathi Local Municipality and Mquma Local Municipality. The municipality comprises of five towns and this includes Qumrha, Gxarha, Chintsa, Kei Mouth and Hagahaga.
Audit Committee	Dr. M Sambumbu Mrs. N Madyibi Mr. Z.M Tiya

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Abbreviations used:

COID	Compensation for Occupational Injuries and Diseases
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IPSAS	International Public Sector Accounting Standards
MFMA	Municipal Finance Management Act
mSCOA	Municipal Standard Chart of Accounts
DORA	Division of Revenue Act
EC- COGTA	Eastern Cape Department of Cooperative Governance and Traditional Affairs
ME's	Municipal Entities
MIG	Municipal Infrastructure Grant
FMG	Finance Management Grant
INEP	Integrated National Electrification Programme
SCM	Supply Chain Management
EPWP	Expanded Public Works Programme
OTP	Office of the Premier
HDA	Housing Development Agency
DSRAC	Department of Sports , Recreation, Arts and Culture
DOT	EC- Department of Transport Infrastructure Grant
MDRG	Municipal Disaster Recovery Grant
CIGFARO	Chartered Institute of Government Finance, Audit & Risk Officers
SDF	Skills Development Fund
UIF	Unemployment Insurance Fund
SIU	Special Investigating Unit
VAT	Value Added Tax
SALGA	South African Local Government Association

Great Kei Local Municipality

Annual Financial Statements for the year ended 30 June 2025

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (No. 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

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

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

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

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

The accounting officer has reviewed the municipality's cash flow forecast for the period from 1 July 2025 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 will have 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 annual financial statements set out from page 4 to page 99 which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2025 and were signed by:



L.N. Mambila
Municipal Manager

Great Kei Local Municipality

Annual Financial Statements for the year ended 30 June 2025

Statement of Financial Position as at 30 June 2025

Figures in Rand	Notes	2025	2024 Restated*
Assets			
Current Assets			
Receivables from exchange transactions	3	11 923 457	8 367 935
Receivables from non-exchange transactions	4	3 816 853	3 994 326
VAT receivable	5	644 785	716 535
Cash and cash equivalents	6	84 111 779	70 647 784
		100 496 874	83 726 580
Non-Current Assets			
Investment property	7	76 093 674	73 004 547
Property, plant and equipment	8	324 218 791	298 397 945
Intangible assets	9	339 494	376 162
Heritage assets	10	36 000	36 000
		400 687 959	371 814 654
Total Assets		501 184 833	455 541 234
Liabilities			
Current Liabilities			
Payables from exchange transactions	11	49 973 352	47 255 487
VAT payable	15	2 365 151	1 861 721
Employee benefit obligation	12	6 593 216	5 868 603
Unspent conditional grants and receipts	13	9 192 100	16 405 539
Provisions	14	1 534 442	3 110 163
		69 658 261	74 501 513
Non-Current Liabilities			
Employee benefit obligation	12	10 758 784	10 011 675
Provisions	14	21 759 873	17 812 101
		32 518 657	27 823 776
Total Liabilities		102 176 918	102 325 289
Net Assets		399 007 915	353 215 945
Accumulated surplus	48	399 007 915	353 215 945
Total Net Assets		399 007 915	353 215 945

* See Note 48

Great Kei Local Municipality

Annual Financial Statements for the year ended 30 June 2025

Statement of Financial Performance

Figures in Rand	Notes	2025	2024 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	16	18 068 300	13 145 451
Rental of facilities and equipment	17	374 732	558 387
Interest on short-term investments	21	6 524 716	4 392 061
Agency services	52	421 658	298 743
Licences and permits	18	978 937	537 566
Other income	19	1 246 816	1 067 659
Interest on receivables	20	1 125 299	1 509 877
Total revenue from exchange transactions		28 740 458	21 509 744
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	22	35 179 527	27 532 301
Interest on receivables	20	4 947 279	6 585 340
Transfer revenue			
Government grants & subsidies	23	100 250 203	88 555 338
Public contributions and donations	24	3 500 000	7 766 303
Fines and penalties		197 000	25 080
Retentions forfeits	26	507 143	-
Debt forgiveness		-	3 164 224
Total revenue from non-exchange transactions		144 581 152	133 628 586
Total revenue		173 321 610	155 138 330
Expenditure			
Employee related costs	27	(54 802 164)	(48 943 491)
Remuneration of councillors	28	(5 923 375)	(5 492 669)
Depreciation and amortisation	29	(17 622 407)	(15 500 823)
Finance costs	30	(2 336 512)	(2 768 793)
Lease rentals on operating lease		(279 190)	(246 298)
Debt impairment	31	(5 002 418)	(5 205 951)
Bulk purchases	32	(14 596 661)	(12 706 541)
Contracted services	33	(8 240 541)	(6 849 690)
Transfers and subsidies	34	-	(149 450)
General expenses	35	(16 331 249)	(15 546 941)
Total expenditure		(125 134 517)	(113 410 647)
Operating surplus		48 187 093	41 727 683
Gain/(Loss) on disposal of assets	36	(96 463)	767 000
Actuarial gains on employee benefit obligations	12	1 059 083	2 116 968
Actuarial gain/(loss) on Landfill site provision	14	(1 677 694)	2 417 181
Loss on derecognition of assets	37	(1 680 053)	(1 059 466)
		(2 395 127)	4 241 683
Surplus for the year		45 791 966	45 969 366

* See Note 48

Great Kei Local Municipality

Annual Financial Statements for the year ended 30 June 2025

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus / deficit	Total net assets
Balance at 01 July 2023	307 246 579	307 246 579
Changes in net assets		
Surplus for the year	45 969 366	45 969 366
Total changes	45 969 366	45 969 366
Opening balance as previously reported	339 510 518	339 510 518
Adjustments		
Correction of errors 48	13 705 431	13 705 431
Restated* Balance at 01 July 2024 as restated*	353 215 949	353 215 949
Changes in net assets		
Surplus for the year	45 791 966	45 791 966
Total changes	45 791 966	45 791 966
Balance at 30 June 2025	399 007 915	399 007 915
Note 48		

* See Note 48

Great Kei Local Municipality

Annual Financial Statements for the year ended 30 June 2025

Cash Flow Statement

Figures in Rand	Note(s)	2025	2024 Restated*
Cash flows from operating activities			
Receipts			
Rates and services		50 743 688	48 348 006
Grants		93 036 765	102 697 720
Interest income		6 524 716	4 392 061
Other receipts		3 219 142	2 487 435
		<u>153 524 311</u>	<u>157 925 222</u>
Payments			
Employee costs		(58 194 734)	(52 793 303)
Suppliers		(40 762 023)	(35 192 526)
Finance costs		-	(2 768 792)
		<u>(98 956 757)</u>	<u>(90 754 621)</u>
Net cash flows from operating activities	40	<u>54 567 554</u>	<u>67 170 601</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	8	(41 467 814)	(30 497 350)
Purchase of other intangible assets	9	-	(368 960)
Proceeds from insurance on property, plant and equipment		-	54 253
Proceeds from sale on disposal of assets		364 255	742 000
		<u>(41 103 559)</u>	<u>(30 070 057)</u>
Net increase/(decrease) in cash and cash equivalents		13 463 995	37 100 544
Cash and cash equivalents at the beginning of the year		70 647 784	33 547 240
Cash and cash equivalents at the end of the year	6	<u>84 111 779</u>	<u>70 647 784</u>

The accounting policies on pages 14 to 17 and the notes on pages 47 to 99 form an integral part of the annual financial statements.

* See Note 48

Great Kei Local Municipality

Annual Financial Statements for the year ended 30 June 2025

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	18 107 508	(110 353)	17 997 155	18 068 300	71 145	
Rental of facilities and equipment	194 995	185 010	380 005	374 732	(5 273)	
Interest on investments	7 500 001	(900 000)	6 600 001	6 524 716	(75 285)	
Agency services	263 881	136 121	400 002	421 658	21 656	
Licences and permits	575 415	400 000	975 415	978 937	3 522	
Other income	1 139 867	(82 154)	1 057 713	1 246 816	189 103	50.1
Interest on exchange transactions	1 718 695	(518 695)	1 200 000	1 125 299	(74 701)	
Total revenue from exchange transactions	29 500 362	(890 071)	28 610 291	28 740 458	130 167	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	45 948 077	(9 948 070)	36 000 007	35 179 527	(820 480)	
Interest on non-exchange transactions	7 392 763	(2 292 761)	5 100 002	4 947 279	(152 723)	
Transfer revenue						
Government grants & subsidies	107 152 018	12 985 537	120 137 555	100 250 203	(19 887 352)	50.2
Public contributions and donations	-	-	-	3 500 000	3 500 000	50.3
Fines, Penalties and Forfeits	391 069	(191 069)	200 000	197 000	(3 000)	
Retentions forfeited	-	510 000	510 000	507 143	(2 857)	
Total revenue from non-exchange transactions	160 883 927	1 063 637	161 947 564	144 581 152	(17 366 412)	
Total revenue	190 384 289	173 566	190 557 855	173 321 610	(17 236 245)	
Expenditure						
Personnel	(51 188 009)	(5 278 009)	(56 466 018)	(54 802 164)	1 663 854	
Remuneration of councillors	(5 769 989)	(170 420)	(5 940 409)	(5 923 375)	17 034	
Depreciation and amortisation	(14 660 884)	(6 520 793)	(21 181 677)	(17 622 407)	3 559 270	50.4
Finance costs	(60 001)	(2 280 000)	(2 340 001)	(2 336 512)	3 489	
Lease rentals on operating lease	-	-	-	(279 190)	(279 190)	50.5
Debt Impairment	(5 500 012)	399 999	(5 100 013)	(5 002 418)	97 595	
Bulk purchases	(13 112 500)	(1 887 500)	(15 000 000)	(14 596 661)	403 339	
Contracted Services	(9 571 655)	111 448	(9 460 207)	(8 240 541)	1 219 666	50.6
Transfers and Subsidies	-	(350 000)	(350 000)	-	350 000	50.7
General expenses	(25 816 532)	2 306 188	(23 510 344)	(16 331 249)	7 179 095	50.8
Total expenditure	(125 679 582)	(13 669 087)	(139 348 669)	(125 134 517)	14 214 152	
Operating surplus	64 704 707	(13 495 521)	51 209 186	48 187 093	(3 022 093)	
Gain/(loss) on disposal of assets	3 192 107	(3 092 107)	100 000	(96 463)	(196 463)	50.9
Actuarial gains on employee benefit obligations	-	-	-	1 059 083	1 059 083	50.10

Great Kei Local Municipality

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Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Actuarial gain/(loss) on Landfill site provision	-	-	-	(1 677 694)	(1 677 694)	50.11
Gain/(Loss) on derecognition of assets	-	(92 004)	(92 004)	(1 680 053)	(1 588 049)	50.12
	3 192 107	(3 184 111)	7 996	(2 395 127)	(2 403 123)	
Surplus before taxation	67 896 814	(16 679 632)	51 217 182	45 791 966	(5 425 216)	
	67 896 814	(16 679 632)	51 217 182	45 791 966	(5 425 216)	

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Annual Financial Statements for the year ended 30 June 2025

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Position						
Assets						
Current Assets						
Inventories	13 480	(13 480)	-	-	-	
Receivables from exchange transactions	7 256 295	4 743 791	12 000 086	11 923 457	(76 629)	
Receivables from non-exchange transactions	19 566 637	(14 996 952)	4 569 685	3 816 853	(752 832)	50.13
VAT receivable	9 290 977	(8 690 981)	599 996	644 785	44 789	
Cash and cash equivalents	71 512 725	-	71 512 725	84 111 779	12 599 054	50.14
	107 640 114	(18 957 622)	88 682 492	100 496 874	11 814 382	
Non-Current Assets						
Investment property	75 922 288	278 263	76 200 551	76 093 674	(106 877)	
Property, plant and equipment	308 843 725	15 486 786	324 330 511	324 218 791	(111 720)	
Intangible assets	573 802	(211 203)	362 599	339 494	(23 105)	
Heritage assets	37 763	-	37 763	36 000	(1 763)	
	385 377 578	15 553 846	400 931 424	400 687 959	(243 465)	
Total Assets	493 017 692	(3 403 776)	489 613 916	501 184 833	11 570 917	
Liabilities						
Current Liabilities						
Payables from exchange transactions	14 346 527	(3 126 616)	11 219 911	49 973 352	38 753 441	50.15
VAT payable	(1 651 437)	4 257 154	2 605 717	2 365 151	(240 566)	
Consumer deposits	36 715	-	36 715	-	(36 715)	50.16
Employee benefit obligation	-	-	-	6 593 216	6 593 216	50.17
Unspent conditional grants and receipts	11 814 207	(2 622 096)	9 192 111	9 192 100	(11)	
Provisions	6 503 800	-	6 503 800	1 534 442	(4 969 358)	50.18
	31 049 812	(1 491 558)	29 558 254	69 658 261	40 100 007	
Non-Current Liabilities						
Employee benefit obligation	-	-	-	10 758 784	10 758 784	50.17
Provisions	31 470 003	-	31 470 003	21 759 873	(9 710 130)	50.18
	31 470 003	-	31 470 003	32 518 657	1 048 654	
Total Liabilities	62 519 815	(1 491 558)	61 028 257	102 176 918	41 148 661	
Net Assets	430 497 877	(1 912 218)	428 585 659	399 007 915	(29 577 744)	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Accumulated surplus	430 497 877	(1 912 218)	428 585 659	399 007 915	(29 577 744)	

Great Kei Local Municipality

Annual Financial Statements for the year ended 30 June 2025

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Rates & Services	64 055 690	-	64 055 690	50 743 688	(13 312 002)	50.19
Grants	107 152 003	22 145 532	129 297 535	93 036 765	(36 260 770)	50.20
Interest income	7 500 000	-	7 500 000	6 524 716	(975 284)	50.21
Other receipts	2 782 693	-	2 782 693	3 219 142	436 449	50.22
	181 490 386	22 145 532	203 635 918	153 524 311	(50 111 607)	
Payments						
Employee costs	(77 084 755)	-	(77 084 755)	(58 194 734)	18 890 021	50.23
Suppliers	-	-	-	(40 762 023)	(40 762 023)	50.23
Finance costs	(293 721)	-	(293 721)	-	293 721	50.24
	(77 378 476)	-	(77 378 476)	(98 956 757)	(21 578 281)	
Net cash flows from operating activities	104 111 910	22 145 532	126 257 442	54 567 554	(71 689 888)	
Cash flows from investing activities						
Purchase of property, plant and equipment	(50 530 682)	(22 145 532)	(72 676 214)	(41 467 814)	31 208 400	50.25
Proceeds from sale of non-current assets	3 192 108	-	3 192 108	364 255	(2 827 853)	50.26
Net cash flows from investing activities	(47 338 574)	(22 145 532)	(69 484 106)	(41 103 559)	28 380 547	
Net increase/(decrease) in cash and cash equivalents	56 773 336	-	56 773 336	13 463 995	(43 309 341)	
Cash and cash equivalents at the beginning of the year	-	-	-	70 647 784	70 647 784	
Cash and cash equivalents at the end of the year	56 773 336	-	56 773 336	84 111 779	27 338 443	

Great Kei Local Municipality

Annual Financial Statements for the year ended 30 June 2025

Significant Accounting Policies

Figures in Rand	Note(s)	2025	2024
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1. Significant accounting policies

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

1.1 Basis of preparation

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (No. 56 of 2003).

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

These accounting policies are consistent with the previous period.

1.2 Presentation currency

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

1.3 Offsetting

Financial assets and financial liabilities shall be offset, and the net amount presented in the statement of financial position when the municipality:

- has a currently enforceable legal right to set off the recognised amounts and
- intends either to settle on a net basis, or to realise the net asset and settle the liability simultaneously.

1.4 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.

1.5 Significant judgements and sources of estimation uncertainty

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

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

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

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

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

Fair value estimation

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

Great Kei Local Municipality

Annual Financial Statements for the year ended 30 June 2025

Significant Accounting Policies

1.5 Significant judgements and sources of estimation uncertainty (continued)

Impairment testing

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

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the service potential of tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors, together with economic factors.

Assumptions regarding departmental/governmental debt shall be treated as fully recoverable due to inter-governmental relations.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 14 - Provisions.

Post-retirement benefits

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

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

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 12.

Effective interest rate

The municipality used the prime interest rate to discount future cash flows and for post-retirement benefits, a net discount is used. The net discount rate is made up of the health care cost inflation, consumer price inflation and the discount rate based on the Bond Exchange Zero Coupon Yield Curve.

Allowance for doubtful debts

The impairment of consumer debtors and other trade receivables exists predominantly due to the possibility that these debts will not be recovered. Receivables were assessed individually at the Statement of Financial Position as financial assets with similar credit risk characteristics and collectively assessed for impairment.

In determining this allowance, estimates are made about the probability of recovery of the debtors based on their past payment history and risk profile. The impairment is calculated after grouping all the financial assets of similar nature and risk ratings and by calculating historic payment ratios for the groupings and by assuming that the future payment ratios would be similar to the historic payment ratios.

Great Kei Local Municipality

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Significant Accounting Policies

1.5 Significant judgements and sources of estimation uncertainty (continued)

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 per iGRAP 18.

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 per iGRAP 18.

Impairment of statutory receivables

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

In estimating the future cash flows, the municipality considers both the amount and timing of the cash flows that it will receive in future. At the end of each reporting date the municipality assesses the recoverability of a debtor by assessing the collection of receipts from an individual debtor during the financial year under review.

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

Accounting for adjustments to revenue

Determining whether an adjustment to revenue charged in terms of legislation or similar means is a correction of an error or a change in an accounting estimate requires the application of judgement by management. When adjustments to revenue already recognised arise from new information that becomes known to the municipality, the following considerations are applied to determine whether the adjustment to revenue already recognised is a correction of an error or a change in an accounting estimate:

- (a) If information becomes known to the municipality, and the municipality could reasonably have been expected to know of the information and/or the information used was incorrect, the adjustment to revenue is likely to be a correction of an error.
- (b) If information becomes known to the municipality, but the municipality could not reasonably have been expected to know of this information when the revenue was charged, the adjustment to revenue is likely to be a change in an accounting estimate.

Accounting for adjustments to revenue that correct an error or prior period error

Following the outcome of the determination processes noted above, and assessing whether this is new information that becomes known to the municipality, the municipality accounts for an adjustment to revenue already recognised, including interest and penalties, as the correction of an error or prior period error where the entity:

- (a) has not followed a proper due process to promulgate the tariff, basis, percentage or formula to charge the revenue; and/or
- (b) incorrectly applied the tariff, basis, percentage or formula in charging revenue.

Errors discovered within the reporting period which relates to that period are corrected before the annual financial statements are authorised for issue. The principles in GRAP 3 are applied to account for the adjustment to revenue already recognised as a result of the correction of a prior period error.

Accounting for adjustments to revenue as a change in an accounting estimate

Following the outcome of the determination processes noted above, and assessing whether this is new information that becomes known to the municipality, the municipality accounts for any adjustment to revenue already recognised, including interest and penalties, as a change in an accounting estimate if changes occur in the circumstances that led to the recognition of the revenue.

The principles in GRAP 3 are applied to account for a change in an accounting estimate.

Great Kei Local Municipality

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Significant Accounting Policies

1.5 Significant judgements and sources of estimation uncertainty (continued)

Materiality

Applying materiality is pervasive to the preparation of financial statements. Materiality is a key consideration in deciding how to apply the Standards of GRAP when preparing the financial statements. Information is material if its omission or misstatement has the potential to influence the decisions of users or affect the discharge of accountability by the entity.

Applying materiality in the preparation of annual financial statements requires the entity to make key assessments and decisions. Key assessments and decisions made in considering materiality, are as follows:

- Identification of users and their information needs
- Assessing information based on nature and size, by developing qualitative considerations and quantitative thresholds
- Application of materiality in preparing the financial statements:
 - Developing accounting policies
 - Deciding what information to disclose
 - Deciding how to present information
 - Assessing omissions, misstatements and errors

The assessments and decisions are considered throughout the financial reporting cycle, and not only when annual financial statements are prepared.

1.6 VAT

Value added tax (VAT)

The municipality is registered with the South African Revenue Services (SARS) for VAT on the accrual basis, in accordance with Section 15(1) of the VAT Act (Act No. 89 of 1991) and accounts for VAT on invoice basis. The municipality is liable to account for VAT at the standard rate of 15% in terms of section 7 (1) (a) of the VAT Act in respect of the supply of goods or services, except where the supplies are specifically zero-rated in terms of section 11, exempted in terms of section 12 of the VAT Act or are scoped out for VAT purposes. The municipality accounts for VAT on a monthly basis."

The 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.

1.7 Investment property

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

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

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

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

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

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

Great Kei Local Municipality

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Significant Accounting Policies

1.7 Investment property (continued)

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

Cost model

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

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

Item	Useful life
Property - land	indefinite
Property - buildings	5-50 years

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

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

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

1.8 Property, plant and equipment

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

Recognition

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.

Initial measurement

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

Great Kei Local Municipality

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Significant Accounting Policies

1.8 Property, plant and equipment (continued)

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

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

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

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

Subsequent measurement

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

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

Item	Depreciation method	Average useful life
Land	Straight-line	Indefinite
Infrastructure		
- Tarred roads and paving	Straight-line	20 - 80 years
- Access roads	Straight-line	5 - 20 years
- Electricity	Straight-line	7 - 50 years
Other property, plant and equipment		
- Buildings and related items	Straight-line	5 - 50 years
- Recreational facilities and related items	Straight-line	5 - 50 years
- Halls and related items	Straight-line	5 - 50 years
- Parks and gardens and related items	Straight-line	5 - 30 years
- Plant, machinery and other equipment	Straight-line	2 - 25 years
- Furniture, fittings and office equipment	Straight-line	2 - 20 years
- Motor vehicles	Straight-line	5 - 20 years
- Computer equipment	Straight-line	2 - 10 years
Landfill sites	Straight-line	5 - 20 years

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

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

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

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

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

Derecognition

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.

Great Kei Local Municipality

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Significant Accounting Policies

1.8 Property, plant and equipment (continued)

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

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

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 8).

1.9 Intangible assets

Intangible assets are identifiable non-monetary assets without physical substance held for use in the production or supply of goods or services.

An asset is identifiable if it either:

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

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

Recognition

An intangible asset is recognised when:

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

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

Initial measurement

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.

Subsequent measurement

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

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

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

Great Kei Local Municipality

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Significant Accounting Policies

1.9 Intangible assets (continued)

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

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

Internally generated goodwill is not recognised as an intangible asset.

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

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

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

Derecognition

Intangible assets are derecognised:

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

1.10 Heritage assets

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

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

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

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

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

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

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

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

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

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

Recoverable amount is the higher of a cash-generating asset's net selling price and its value in use.

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

Value in use of a cash-generating asset is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

Great Kei Local Municipality

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Significant Accounting Policies

1.10 Heritage assets (continued)

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

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

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

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 or fair value of the asset can be measured reliably.

Initial measurement

Heritage assets are measured at cost.

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

Subsequent measurement

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

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

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

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

Impairment

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

Transfers

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

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

Derecognition

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

The gain or loss arising from the derecognition of a heritage asset is included in surplus or deficit when the item is derecognised.

1.11 Financial instruments

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

Great Kei Local Municipality

Annual Financial Statements for the year ended 30 June 2025

Significant Accounting Policies

1.11 Financial instruments (continued)

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

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

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

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

A financial asset is:

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

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

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

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

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

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

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

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

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

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

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

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

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

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

Great Kei Local Municipality

Annual Financial Statements for the year ended 30 June 2025

Significant Accounting Policies

1.11 Financial instruments (continued)

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

Great Kei Local Municipality

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Significant Accounting Policies

1.11 Financial instruments (continued)

Classification

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

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

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

Class	Category
Trade and other payables from exchange transactions	Financial liability measured at amortised cost

Great Kei Local Municipality

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Significant Accounting Policies

1.11 Financial instruments (continued)

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

1. Accumulated surplus.

Initial recognition

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

Initial measurement of financial assets and financial liabilities

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

The entity measures a financial asset and financial liability initially at its fair value.

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

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

Subsequent measurement of financial assets and financial liabilities

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

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

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

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the entity establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, a municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

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

Reclassification

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

- a combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

Gains and losses

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

Great Kei Local Municipality

Annual Financial Statements for the year ended 30 June 2025

Significant Accounting Policies

1.11 Financial instruments (continued)

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

Impairment and uncollectibility of financial assets

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

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

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

Financial assets measured at cost:

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

Derecognition

Financial assets

The entity derecognises 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.

Financial liabilities

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

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

Presentation

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

Great Kei Local Municipality

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Significant Accounting Policies

1.11 Financial instruments (continued)

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

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

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

1.12 Statutory receivables

Identification

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

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

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

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

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

Recognition

The municipality recognises statutory receivables as follows:

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

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

Subsequent measurement

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

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

Accrued interest

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

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

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1.12 Statutory receivables (continued)

Other charges

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

Impairment losses

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

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

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

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

In estimating the future cash flows, 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 either directly or by adjusting the allowance account. The adjustment does not result in the carrying amount of the statutory receivable or group of statutory receivables exceeding what the carrying amount of the receivables 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:
 - derecognises the receivable; and
 - recognises separately any rights and obligations created or retained in the transfer.

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

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Significant Accounting Policies

1.13 Impairment of cash-generating assets

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

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

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

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

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

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

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

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

Useful life is either:

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

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

Designation

At initial recognition, the municipality designates an asset as non-cash-generating, or an asset or cash-generating unit as cash-generating. The designation is made on the basis of a municipality's objective of using the asset.

The municipality designates an asset or a cash-generating unit as cash-generating when:

- its objective is to use the asset or a cash-generating unit in a manner that generates a commercial return; such that
- the asset or cash-generating unit will generate positive cash flows, from continuing use and its ultimate disposal, that are expected to be significantly higher than the cost of the asset.

An asset used with the objective of generating a commercial return and service delivery, is designated either as a cash-generating asset or non-cash-generating asset based on whether the municipality expects to use that asset to generate a commercial return. When it is not clear whether the objective is to use the asset to generate commercial return, the municipality designates the asset as a non-cash-generating asset and applies the accounting policy on Impairment of Non-cash-generating assets, rather than this accounting policy.

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.

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

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Significant Accounting Policies

1.13 Impairment of cash-generating assets (continued)

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.

Basis for estimates of future cash flows

In measuring value in use, the municipality:

- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and
- estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used, unless a higher rate can be justified.

Composition of estimates of future cash flows

Estimates of future cash flows include:

- projections of cash inflows from the continuing use of the asset;
- projections of cash outflows that are necessarily incurred to generate the cash inflows from continuing use of the asset (including cash outflows to prepare the asset for use) and can be directly attributed, or allocated on a reasonable and consistent basis, to the asset; and
- net cash flows, if any, to be received (or paid) for the disposal of the asset at the end of its useful life.

Estimates of future cash flows exclude:

- cash inflows or outflows from financing activities; and
- income tax receipts or payments.

The estimate of net cash flows to be received (or paid) for the disposal of an asset at the end of its useful life is the amount that the municipality expects to obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the estimated costs of disposal.

Great Kei Local Municipality

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Significant Accounting Policies

1.13 Impairment of cash-generating assets (continued)

Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

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Significant Accounting Policies

1.13 Impairment of cash-generating assets (continued)

Reversal of impairment loss

The municipality assesses 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.

Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, 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.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

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.

1.14 Employee benefits

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

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

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

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

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

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

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

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Significant Accounting Policies

1.14 Employee benefits (continued)

Short-term employee benefits

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

Short-term employee benefits include items such as:

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

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

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

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

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

Post-employment benefits

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

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

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

Great Kei Local Municipality

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Significant Accounting Policies

1.14 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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1.14 Employee benefits (continued)

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

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

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

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

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

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

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

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

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

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

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

Great Kei Local Municipality

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Significant Accounting Policies

1.14 Employee benefits (continued)

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

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

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

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

1.15 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

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

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

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

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

Provisions are not recognised for future operating surplus.

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.

Great Kei Local Municipality

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Significant Accounting Policies

1.15 Provisions and contingencies (continued)

A constructive obligation to restructure arises only when an entity:

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

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

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

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

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

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 43.

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

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

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

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

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

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

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

1.16 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

Great Kei Local Municipality

Annual Financial Statements for the year ended 30 June 2025

Significant Accounting Policies

1.16 Commitments (continued)

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

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

1.17 Revenue from exchange transactions

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

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

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

Measurement

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

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

Sale of goods

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

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

Rendering of services

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

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

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

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

Great Kei Local Municipality

Annual Financial Statements for the year ended 30 June 2025

Significant Accounting Policies

1.17 Revenue from exchange transactions (continued)

Interest, royalties and dividends

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

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

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

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

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

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

Great Kei Local Municipality

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Significant Accounting Policies

1.18 Revenue from non-exchange transactions

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

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

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

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

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

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

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

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

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

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

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

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

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

Recognition

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

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

Measurement

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

Great Kei Local Municipality

Annual Financial Statements for the year ended 30 June 2025

Significant Accounting Policies

1.18 Revenue from non-exchange transactions (continued)

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

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

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

Taxes

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

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

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

The taxable event for value added tax is the undertaking of taxable activity during the taxation period by the taxpayer.

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

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

Transfers

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

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

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

Fines

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

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

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

Gifts and donations, including goods in-kind

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

Great Kei Local Municipality

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Significant Accounting Policies

1.18 Revenue from non-exchange transactions (continued)

Unspent conditional grants

Unspent conditional grants and receipts are reflected on the Statement of Financial Position as a current liability. They represent unspent government grants, subsidies and contributions from the public. This liability always has to be backed by cash. 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 are 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 general investments of the Municipality until it is utilised.
- Interest earned on the investment is treated income and it is recognised as interest earned in the Statement of Financial Performance.

Except for financial guarantee contracts, the municipality recognise services in-kind that are significant to its operations and/or service delivery objectives as assets and recognise the related revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

1.19 Investment income

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

1.20 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.

1.21 Comparative figures

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

1.22 Unauthorised expenditure

Unauthorised expenditure is defined in section 1 of the MFMA as expenditure incurred by a municipality otherwise than in accordance with section 15 or 11(3) and includes:

- overspending of the total amount appropriated in the municipality's approved budget;
- overspending of the total amount appropriated for a vote in the approved budget;
- expenditure from a vote unrelated to the department or functional area covered by the vote
- expenditure of money appropriated for specific purpose, otherwise than for that specific purpose;
- spending of an allocation referred to in bullet points 2, 3 and 4 of the definition of allocation otherwise than in accordance with any conditions of allocations; or
- a grant by a municipality otherwise than in accordance with this Act.

1.23 Fruitless and wasteful expenditure

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

All expenditure relating to fruitless and wasteful expenditure must be disclosed in the note to the annual financial statements.

1.24 Irregular expenditure

Irregular expenditure is defined in section 1 of the MFMA as follows:

(a) expenditure incurred by the municipality in contravention of, or not in accordance with, a requirement of this Act, and has not been condoned in terms of section 170;

Great Kei Local Municipality

Annual Financial Statements for the year ended 30 June 2025

Significant Accounting Policies

1.24 Irregular expenditure (continued)

(b) expenditure incurred by the municipality in contravention of, or not in accordance with a requirement of the Municipal Systems Act, and which has not been condoned in terms of that Act; or

(c) expenditure incurred by the municipality in contravention of, or not in accordance with a requirement of the Public-Office Bearers Act, 1998 (Act No.20 of 1998); or

(d) expenditure incurred by the municipality in contravention of, or not in accordance with a requirement of supply chain management policy of the municipality, or any municipality's by-laws giving effect to such a policy, and which has not been condoned in terms of such policy or by-law, but excludes expenditure by a municipality which falls within the definition of "unauthorised expenditure". Irregular expenditure is recognised when a payment is made.

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

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

1.25 Segment information

A segment is an activity of an entity:

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

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

1.26 Transfer payments

The municipality transfers goods to organisations from time to time, through the Local Economic Development initiative. In making these transfers, the municipality does not:

- received any goods or services directly in return as would be expected in a purchase or sale transaction;
- expect to be repaid in future or
- expect a financial return, as would be expected from an investment.

These transfers are recognised in the statement of financial performance as expenses in the period during which the events giving rise to the transfer occurred.

1.27 Budget information

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

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

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

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

Great Kei Local Municipality

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Significant Accounting Policies

1.27 Budget information (continued)

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

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

1.28 Related parties

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

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

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

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

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

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

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

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

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

1.29 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.

1.30 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.

Great Kei Local Municipality

Annual Financial Statements for the year ended 30 June 2025

Significant Accounting Policies

1.30 Accounting by principals and agents (continued)

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

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

Identifying whether an entity is a principal or an agent

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

The assessment of whether a 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 it 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.

Great Kei Local Municipality

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2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current Year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations::

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• iGRAP 22 Foreign Currency Transactions and Advance Consideration	01 April 2025	Unlikely there will be a material impact.
• GRAP 104 (as revised): Financial Instruments	01 April 2025	Unlikely there will be a material impact.

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	01 April 2009	Unlikely there will be a material impact
• GRAP 1 (amended): Presentation of Financial Statements (Going Concern)	01 April 2009	Unlikely there will be a material impact
• GRAP 103 (amended): Heritage Assets	01 April 2009	Unlikely there will be a material impact

3. Receivables from exchange transactions

Trade debtors	15 007 378	11 464 915
Prepayments and advances	-	51 986
Sundry debtors	-	142 520
Land Disposal	2 003 000	2 271 000
Staff Debtors	41 470	37 375
Input VAT accrual	3 008 643	2 514 364
Debt Impairment	(8 137 034)	(8 114 225)
	11 923 457	8 367 935

30 June 2025

Consumer debtors by debtor type

	30 Days	90 Days	+120 Days	Total
Government	63 107	13 944	2 048	79 099
Residential	1 584 733	2 005 524	10 262 743	13 853 000
Commercial / Industries	332 134	91 447	651 698	1 075 279
	1 979 974	2 110 915	10 916 489	15 007 378

Great Kei Local Municipality

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3. Receivables from exchange transactions (continued)

Consumer debtors by revenue type	30 Days	90 Days	+120 days	Total
Electricity	1 258 225	1 665 151	3 279 634	6 203 010
Refuse removal	707 844	441 090	7 636 854	8 785 788
Rental	13 904	4 676	-	18 580
	1 979 973	2 110 917	10 916 488	15 007 378

30 June 2024

Consumer debtors by debtor type	30 Days	60 Days	+120 Days	Total
Government	59 025	4 524	2 794	66 343
Residential	964 244	561 400	9 083 565	10 609 209
Commercial / Industries	286 406	38 274	464 683	789 363
	1 309 675	604 198	9 551 042	11 464 915

Consumer debtors by revenue type	30 Days	60 Days	+120 Days	Total
Electricity	638 125	176 976	2 229 392	3 044 493
Refuse removal	665 583	424 459	7 314 592	8 404 634
Rental	5 968	2 762	7 058	15 788
	1 309 676	604 197	9 551 042	11 464 915

Financial asset receivables included in receivables from exchange transactions above	11 923 457	8 367 935
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Statutory receivables general information

Transaction(s) arising from statute

VAT transactions arise from the Value Added Tax Act 89 of 1991. VAT is an indirect tax on the consumption of goods and services in the economy..

Determination of transaction amount

VAT is levied on all goods and services subject to certain exemptions, deductions, and adjustment adjustments provided for in the Value Added Tax Act 89 of 1991.

Trade and other receivables pledged as security

There were no trade and other receivables pledged as security.

Reconciliation of provision for impairment of trade and other receivables

Opening balance	8 114 225	12 919 675
Amounts written off as uncollectible	-	8 114 225
Unused amounts reversed	-	(12 919 675)
Contributions to allowance	22 809	-
	8 137 034	8 114 225

Great Kei Local Municipality

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand	2025		2024	
4. Receivables from non-exchange transactions				
Fines		445 648		389 058
Halycon		-		1 121 630
Consumer debtors - Rates		70 936 210		66 247 119
Debt impairment		(67 565 005)		(63 763 481)
		3 816 853		3 994 326
30 June 2025				
	0-30 Days	90 Days	+ 120 Days	Total
Government	26 168	12 616	85 923	124 707
Residential	4 696 255	2 964 338	53 989 072	61 649 665
Commercial / industries	640 330	474 410	8 047 098	9 161 838
	5 362 753	3 451 364	62 122 093	70 936 210
30 June 2024				
	0-30 Days	90 Days	+ 120 Days	Total
Government	186 134	105 894	87 874	379 902
Residential	5 055 540	5 274 796	48 933 565	59 263 901
Commercial / industries	521 916	409 554	5 671 846	6 603 316
	5 763 590	5 790 244	54 693 285	66 247 119

Great Kei Local Municipality

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4. Receivables from non-exchange transactions (continued)

Statutory receivables general information

Transaction(s) arising from statute

Transactions arising from statute Property rates-related transactions arise in terms of the Municipal Property Rates act, 6 of 2004, Municipal Finance Management act, 56 of 2003, as well as the property rates policy of the municipality approved by the council as part of the budget process.

Traffic fines arise from the national road traffic Act 93 of 1996, National Road traffic regulations 2000 and criminal procedure Act51 of 1977. prosecutor performs prosecutorial functions in terms of general delegation awarded by the national prosecuting Authority and is subject to the control of prosecutor at the Magistrate court Government grants-related transactions arise in terms of the applicable annual Division of Revenue Act Bill as well as the relevant provincial gazette

Determination of transaction amount

Property rates amounts are determined in line with the annual tariff list of the municipality approved by the council as part of the budget process in terms of the Municipal Finance Management Act 56 of 2003.

Traffic fines arise from the national road traffic Act 93 of 1996, National Road traffic regulations 2000 and criminal procedure Act51 of 1977. prosecutor performs prosecutorial functions in terms of general delegation awarded by the national prosecuting Authority and is subject to the control of the control prosecutor at the Magistrate court Government grants-related transactions arise in terms of the applicable annual Division of Revenue Act Bill as well as the relevant provincial gazette

Interest or other charges levied/charged

Interest charged on property rates are in line with the annual tariff list of the municipality approved by council as part of budget process in terms of the municipal finance management Act 56 of 2003.

The interest charge is calculated at one percent higher than the approved national prime lending rate.

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

The basis used to assess for property rates receivables is to look at the extent to which debtors on an individual basis defaulted on payments already due and an assessment of their ability to make payments based on their historical collection trend.

The basis used to assess for traffic fines receivable is to look to which debtors on an individual basis defaulted on payments already due and an assessment of their ability to make payments based on their historical collection trend.

Main events and circumstances that led to the recognition or reversal of impairment losses on statutory receivables

There were no trade and other receivables pledged as security.

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

Opening balance	63 763 481	67 942 858
Amounts written off as uncollectible	(1 121 630)	63 763 481
Unused amounts reversed	-	(67 942 858)
Contributions to allowance	5 081 816	-
Traffic fines	(158 662)	-
	67 565 005	63 763 481

Great Kei Local Municipality

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand 2025 2024

5. VAT receivable

VAT Control	644 785	716 535
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An amount of R644 713.40 has been received subsequent to the month end of June 2025 and therefore, the recoverability of the amount receivable from SARS is not remote.

6. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	31	30
Bank balances	2 608 076	2 021 243
Short-term deposits	81 503 672	68 626 511
	84 111 779	70 647 784

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
STD BANK - MAIN ACCOUNT: 280720963	2 608 076	2 021 244	2 960 829	2 608 076	2 021 244	2 960 830
STD BANK- MIG ACCOUNT: 388529768-402	5 852 336	2 482 816	6 676 822	5 852 336	2 482 816	6 676 822
STD BANK - MSIG ACCOUNT: 388528672-002	1 013 626	953 463	902 354	1 013 626	953 463	902 354
STD BANK - EQUITABLE SHARE ACCOUNT: 388527544- 402	108 901	544 300	397 627	108 901	544 300	397 627
STD BANK - FMG ACCOUNT: 388528672-004	28 170 524	40 395 377	14 794 917	28 170 524	40 395 377	14 794 917
STD BANK - MVR ACCOUNT: 285973452	475 514	319 009	169 266	475 514	319 009	169 266
STD BANK - EPWP ACCOUNT: 3885286-002	10 782 549	2 045 172	897 300	10 782 549	2 045 172	897 300
FNB ACCOUNT: 74841787622	5 095 616	1 881 794	1 730 884	5 095 616	1 881 794	1 730 884
FNB ACCOUNT: 62096711843	4 605	4 579	4 496	4 605	4 579	4 496
STD BANK - NOTICE DEPOSIT:388523786-003	30 000 000	20 000 000	5 012 695	30 000 000	20 000 000	5 012 695
Total	84 111 747	70 647 754	33 547 190	84 111 747	70 647 754	33 547 191

Short-term deposits are made for varying periods, depending on the immediate cash requirements and earn interest at the respective short-term deposit rate.

During the current year, no cash and cash equivalents were pledged as security for liabilities.

No restrictions were placed on the use of cash and cash equivalent.

Great Kei Local Municipality

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7. Investment property

	2025			2024		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	84 499 580	(8 405 906)	76 093 674	73 004 547	-	73 004 547

Reconciliation of investment property - 30 June 2025

	Opening balance	Transfers from Property, plant and equipment	Depreciation	Total
Investment property	73 004 547	3 346 938	(257 811)	76 093 674

Reconciliation of investment property - 30 June 2024

	Opening balance	Disposals	Total
Investment property	74 600 547	(1 596 000)	73 004 547

During the current year the municipality leased out a recreational facility to a private entity which gave rise to a transfer of assets from Property, plant and equipment to Investment property.

Pledged as security

No investment property has been pledged as security.

Great Kei Local Municipality

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7. Investment property (continued)

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

During the prior year council took a resolution to dispose certain municipal land parcels.

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

Maintenance of investment property

The municipality did not incur any repairs and maintenance costs for Investment Property in the current year.

Amounts recognised in surplus or deficit

The municipality did not generate any revenue from Investment property during the current year.

Great Kei Local Municipality

Annual Financial Statements for the year ended 30 June 2025

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Figures in Rand

8. Property, plant and equipment

	2025			2024		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	87 292 489	-	87 292 489	85 117 489	-	85 117 489
Buildings	179 943 614	(88 799 056)	91 144 558	184 346 200	(93 051 612)	91 294 588
Infrastructure	292 443 194	(203 459 388)	88 983 806	276 278 137	(201 295 681)	74 982 456
Other property, plant and equipment	31 071 104	(9 507 210)	21 563 894	23 396 418	(7 440 609)	15 955 809
Work in progress	33 199 746	-	33 199 746	29 051 570	-	29 051 570
Landfill site asset	2 946 936	(912 638)	2 034 298	9 521 013	(7 524 980)	1 996 033
Total	626 897 083	(302 678 292)	324 218 791	607 710 827	(309 312 882)	298 397 945

Great Kei Local Municipality

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

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8. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 30 June 2025

	Opening balance	Additions	Disposals	Derecognition of assets	Transfers	Transfers to Investment property	Depreciation	Total
Land	85 117 489	3 500 000	-	-	-	(1 325 000)	-	87 292 489
Buildings	91 294 588	525 797	-	(41 608)	6 076 034	(2 021 938)	(4 688 316)	91 144 558
Infrastructure	74 982 456	1 240 779	-	(1 551 663)	24 353 762	-	(10 041 528)	88 983 806
Other property, plant and equipment	15 955 809	8 264 335	(192 718)	-	-	-	(2 463 532)	21 563 894
Work in progress	29 051 570	34 577 972	-	-	(30 429 796)	-	-	33 199 746
Landfill site asset	1 996 033	259 600	-	(86 782)	-	-	(134 553)	2 034 298
	298 397 945	48 368 483	(192 718)	(1 680 053)	-	(3 346 938)	(17 327 929)	324 218 791

Reconciliation of property, plant and equipment - 30 June 2024

	Opening balance	Additions	Disposals	Derecognition of assets	Transfers	Depreciation	Impairment loss	Impairment reversal	Total
Land	85 567 489	-	(450 000)	-	-	-	-	-	85 117 489
Buildings	74 479 335	-	-	-	20 385 941	(4 000 617)	-	429 929	91 294 588
Infrastructure	58 837 697	-	-	(852 607)	26 798 783	(9 801 417)	-	-	74 982 456
Other property, plant and equipment	8 617 115	9 198 181	(261 115)	-	-	(1 577 181)	(21 191)	-	15 955 809
Work in progress	47 600 754	29 065 472	-	-	(47 614 656)	-	-	-	29 051 570
Landfill site asset	2 077 250	-	-	-	-	(81 217)	-	-	1 996 033
	277 179 640	38 263 653	(711 115)	(852 607)	(429 932)	(15 460 432)	(21 191)	429 929	298 397 945

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

During the prior year the municipality received a donation of service delivery assets for solid waste management.

Pledged as security

No assets are pledged as security.

Great Kei Local Municipality

Annual Financial Statements for the year ended 30 June 2025

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8. Property, plant and equipment (continued)

Accounting estimates

During the financial year, the municipality reviewed the estimated useful lives of its Property, Plant and Equipment in accordance with GRAP 17 and GRAP 3.

Based on the results of the assessment, the useful lives of buildings asset were revised with an average additional life of four (4) years

The change in useful lives has been applied prospectively, as required by GRAP 3.

The effect of this change in estimate on the financial statements is as follows:

Depreciation expense for the current year decreased by R 425 899.

The effect on future periods is expected to be a decrease/increase in depreciation expense of approximately R 102 231 per year (based on current carrying values).

This change does not affect prior period figures.

Commitments

Already contracted for but not provided for

Construction	37 941 804	37 777 074
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Reconciliation of Work-in-Progress - 30 June 2025

	Infrastructure Assets	Community Assets	Total
Opening balance	25 815 167	3 236 403	29 051 570
Additions/capital expenditure	28 141 887	6 446 554	34 588 441
Transferred to completed items	(24 353 761)	(6 086 504)	(30 440 265)
	29 603 293	3 596 453	33 199 746

Great Kei Local Municipality

Annual Financial Statements for the year ended 30 June 2025

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8. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress - 30 June 2024

	Infrastructure Assets	Community Assets	Total
Opening balance	31 076 950	16 523 804	47 600 754
Additions/capital expenditure	21 516 496	7 548 975	29 065 471
Transferred to completed items	(26 798 783)	(20 815 872)	(47 614 655)
	25 794 663	3 256 907	29 051 570

Construction Projects that are taking significant longer to complete (Longer than the initial planned date):

Community Assets

Construction Plangeni/Kwelera Sportsfield - Phase 2 (N1)	1	1
Chintsa Sportsfield - phase 2 (N1)	1 754 062	1 754 062
Happy valley community hall (N1)	1 220 900	1 220 900
Sinolo day care centre (N1)	155 894	155 894
	3 130 857	3 130 857

Infrastructure Assets

Upgrading of Komga switching rooms (N2)	4 336 444	4 336 444
Surfacing of Kei Mouth internal streets (N3)	10 306 361	10 306 361
Upgrading of Komga Bulk Electrical Infrastructure (N4)	788 845	788 845
	15 431 650	15 431 650

Reasons for delays:

N1: These construction projects have taken longer than expected due to the fact that the construction was halted as they were under investigation by the Special Investigating Unit (SIU).

N2: The project has been delayed due to insufficient funds, the municipality is currently sourcing funding to finalise the project. Council has taken a decision for these projects to be included in the project implementation plan submitted to COGTA for refurbishment based on the available budget.

N3: The construction was delayed due to litigation of the contractor by a private company which later affected the progress on site.

N4: The project has been delayed due to non-confirmation of funding from the funder (OTP) and as such the municipal SDBIP was revised to consider the status of the project. A gazette was issued for R10m for OTP grant in 2025/2026 financial year.

Great Kei Local Municipality

Annual Financial Statements for the year ended 30 June 2025

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Figures in Rand	2025	2024
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8. Property, plant and equipment (continued)

Maintenance of property, plant and equipment

Maintenance of property, plant and equipment by condition - 30 June 2025

	Emergency	Total
Buildings	32 497	32 497
Other property, plant and equipment	911 081	911 081
Infrastructure	144 329	144 329
	1 087 907	1 087 907

Maintenance of property, plant and equipment by condition - 30 June 2024

	Emergency	Total
Buildings	240 450	240 450
Other property, plant and equipment	410 769	410 769
Mini dump site	76 432	76 432
Infrastructure	143 917	143 917
	871 568	871 568

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

Great Kei Local Municipality

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9. Intangible assets

	2025			2024		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	403 960	(64 466)	339 494	403 960	(27 798)	376 162

Reconciliation of intangible assets - 30 June 2025

Computer software, other	Opening balance	Amortisation	Total
	376 162	(36 668)	339 494

Reconciliation of intangible assets - 30 June 2024

Computer software, other	Opening balance	Additions	Amortisation	Total
	26 402	368 960	(19 200)	376 162

Pledged as security

No intangible assets have been pledged as security.

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

Great Kei Local Municipality

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10. Heritage assets

	2025			2024		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Mayoral Gold Plated Brass Chain	36 000	-	36 000	36 000	-	36 000

Reconciliation of heritage assets - 30 June 2025

	Opening balance	Total
Mayoral Gold Plated Brass Chain	36 000	36 000

Reconciliation of heritage assets - 30 June 2024

	Opening balance	Total
Mayoral Gold Plated Brass Chain	36 000	36 000

Details of the asset

The municipality owns the following heritage asset:
- Mayoral Gold Plated Brass Chain.

Pledged as security

No heritage assets have been pledged as security.

Great Kei Local Municipality

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand	2025	2024
11. Payables from exchange transactions		
Trade payables	25 309 581	20 350 119
Debtors with credit balances	14 369 662	14 802 174
Deposits received	6 749 961	6 708 120
Salary Control	55 047	590 217
Retentions	3 489 101	4 804 857
	49 973 352	47 255 487

The average credit period on purchases is 30 days from the receipts of the statement as determined by MFMA, no interest is charged for the first 30 days from the date of receipt of the invoice thereafter interest is charged in accordance with the credit policies of the various individual creditors that the municipality deals with. The municipality has the financial risk policies in place to ensure that all payables are paid within the credit time frame

12. Employee benefit obligation

Defined benefit plan

Bonuses

Bonuses are paid out to all employees, excluding senior managers, in the month of their birthdays each year and are based on a 13th monthly basic.

Long service awards to eligible employees are paid for services rendered by employees of 5 years and longer in five year intervals. The service awards are paid as per the municipality's policy which complies with the minimum thresholds per the collective agreement signed by the Bargaining Council. The basis on which this was calculated is as follows:

- After 5 Continuous Years of Service - 2% of Basic Annual Salary and 5 days of accumulative leave
- After 10 Continuous Years of Service - 3% of Basic Annual Salary and 10 days of accumulative leave
- After 15 Continuous Years of Service - 4% of Basic Annual Salary and 15 days of accumulative leave
- After 20 Continuous Years of Service - 5% of Basic Annual Salary and 15 days of accumulative leave
- After 25 Continuous Years of Service - 6% of Basic Annual Salary and 15 days of accumulative leave
- After 30 Continuous Years of Service - 6% of Basic Annual Salary and 15 days of accumulative leave
- After 35 Continuous Years of Service - 6% of Basic Annual Salary and 15 days of accumulative leave
- After 40 Continuous Years of Service - 6% of Basic Annual Salary and 15 days of accumulative leave
- After 45 Continuous Years of Service - 6% of Basic Annual Salary and 15 days of accumulative leave

The estimated contribution for the next financial year.

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

Carrying value

Present value of the defined benefit obligation-wholly unfunded	(11 432 381)	(10 565 828)
Bonus accrual	(1 593 987)	(1 416 108)
Leave pay accrual	(4 325 632)	(3 898 342)
	(17 352 000)	(15 880 278)
Non-current liabilities	(10 758 784)	(10 011 675)
Current liabilities	(6 593 216)	(5 868 603)
	(17 352 000)	(15 880 278)

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

Opening balance	10 565 828	11 373 541
Benefits paid	(284 948)	(590 378)
Net expense recognised in the statement of financial performance	1 151 501	(217 335)
	11 432 381	10 565 828

Great Kei Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand 2025 2024

12. Employee benefit obligation (continued)

Net expense recognised in the statement of financial performance

Current service cost	905 661	835 076
Interest cost	1 304 923	1 064 557
Actuarial (gains) losses	(1 059 083)	(2 116 968)
	1 151 501	(217 335)

Key assumptions used

Assumptions used at the reporting date:

Post Medical Services :

Discount rates used	12,42 %	13,50 %
Consumer price inflation	6,87 %	7,87 %
Health care cost inflation	8,37 %	9,37 %
Net discount rate	3,74 %	3,77 %

Long Service Awards:

Consumer price inflation	4,10 %	5,41 %
Salary increase rate	5,10 %	6,41 %
Net discount rate	3,97 %	3,87 %

The long term discount rate was determined as the average of the BEASSA yield curve whilst the CPI was determined from the difference in averages in the Nominal and Real Bond.

Great Kei Local Municipality

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand 2025 2024

12. Employee benefit obligation (continued)

Other assumptions

Mortality rate

The value of the liabilities is particularly sensitive to the healthcare cost of inflation. The table below sets out the sensitivity of the valuation due to higher or lower mortality rates increasing and decreasing mortality rates. The effects are as follows:

The below table highlights the effects (from right to left) of a 20% lighter and 20% heavier mortality table assumption as at 30 June 2025. Therefore the below change of 30 June 2026 in the mortality assumption would result in an 8.25% increase and an 8.16% decrease in the accrued liability respectively.

Healthcare Cost Inflation And Discount Rate

	-1% Mortality rate	Valuation basis	+ 1% Mortality rate
Employer's accrued liability	6 599 664	7 665 720	8 987 718
Employer's current service costs	433 263	544 255	687 444
Employer's expense cost	863 715	1 007 494	1 127 846
	7 896 642	9 217 469	10 803 008

PA(90)-2 (PA(90) with a two-year age adjustment) means that, to each beneficiary we assigned a mortality rate of an individual two year younger than that beneficiary, ie lighter mortality implying that the individual lives longer than expected in the valuation basis. Therefore, the below change of 30 June 2026 in the mortality assumption would result in an 8.25% increase and an 8.16% decrease in the accrued liability respectively.

Additional text

Post-retirement mortality

	PA (90) -2	Valuation Basis	PA (90) +2
Employer's accrued liability	8 441 748	7 665 720	7 035 924
Employer's current service costs	600 229	544 255	497 886
Employer's expense cost	1 112 014	1 007 494	922 717
	10 153 991	9 217 469	8 456 527

Salary increase rate

As per the table below, a 1% increase in the salary increase rate results in a 6.55% increase in the accrued liability whilst a 1% decrease in the salary increase rate will result in a 5.98% decrease in the accrued liability.

	1% decrease R's	30 June 2025 Valuation basis R's	1% increase R's
Employer's accrued liability	2 726 728	2 900 108	3 090 085
Employer's current service cost	338 482	361 406	386 700
Employer's interest cost	279 176	297 429	317 430
	3 344 386	3 558 943	3 794 215

	One percentage point decrease	One percentage point increase
Effect on defined benefit obligation	9 326 392	12 077 803
Effect on the aggregate of the service cost	771 745	1 074 144
Effect on the aggregate of interest cost	1 142 891	1 445 276

Great Kei Local Municipality

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12. Employee benefit obligation (continued)

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

Amounts for the current and previous four years are as follows:

	2025	2024	2023	2022	2021
Defined benefit obligation	11 432 381	10 565 828	11 373 541	10 014 957	11 712 208

13. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

Municipal Disaster Recovery Grant (MDRG) I	-	16 405 539
Municipal Disaster Recovery Grant (MDRG) II	9 192 100	-
	9 192 100	16 405 539

Movement during the year

Balance at the beginning of the year	16 405 539	2 263 154
Additions during the year	36 099 000	49 161 381
Income recognition during the year	(43 312 439)	(35 018 996)
	9 192 100	16 405 539

The municipality received the above mentioned conditional grants that are relating to the construction of infrastructure assets.

See note 23 for reconciliation of grants from National/Provincial Government.

These amounts are invested in a ring-fenced investment until utilised.

Great Kei Local Municipality

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14. Provisions

Reconciliation of provisions - 30 June 2025

	Opening Balance	Additions	Reversed during the year	Change in discount factor	Total
Environmental rehabilitation	20 227 233	1 677 694	-	1 031 589	22 936 516
Legal proceedings	695 031	-	(337 232)	-	357 799
	20 922 264	1 677 694	(337 232)	1 031 589	23 294 315

Reconciliation of provisions - 30 June 2024

	Opening Balance	Additions	Reversed during the year	Change in discount factor	Total
Environmental rehabilitation	21 592 843	(2 417 181)	-	1 051 571	20 227 233
Legal proceedings	780 000	-	(84 969)	-	695 031
	22 372 843	(2 417 181)	(84 969)	1 051 571	20 922 264

Non-current liabilities	21 759 873	17 812 101
Current liabilities	1 534 442	3 110 163
	23 294 315	20 922 264

Environmental rehabilitation provision

The Komga Landfill Site is located on Farm 31 within the Great Kei Local Municipality. The site is located approximately 1 km west of the town of Qumrha in the Amatole District of the Eastern Cape Province and is accessed directly off the National Route R63. The landfill is located on relatively flat terrain.

The original license, number HO/B/9/L014/12, was issued in March 2014 and extended in August 2017 for an additional three years, expiring in 2020. Subsequently, the Department of Economic Development, Environmental Affairs, and Tourism issued a 10-year variation license (License number: HO/B/9/L01/23) on 7th December 2023 to replace the previous license and amendment notice.

15. VAT payable

VAT Output Accrual on Receivables	2 365 151	1 861 721
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VAT Receivable and VAT Payable are statutory arrangements.

VAT transactions arise from the Value Added Tax Act 89 of 1991. VAT is an indirect tax on the consumption of goods and services in the economy. VAT is levied on all goods and services subject to certain exemptions, deductions, and adjustment adjustments provided for in the Value Added Tax Act 89 of 1991.

16. Service charges

Sale of electricity	13 924 949	9 605 616
Refuse removal	4 143 351	3 539 835
	18 068 300	13 145 451

17. Rental of facilities and equipment

Premises	337 379	558 387
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Great Kei Local Municipality

Annual Financial Statements for the year ended 30 June 2025

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Figures in Rand

	2025	2024
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17. Rental of facilities and equipment (continued)

Facilities and equipment

Rental of equipment	37 353	-
	374 732	558 387

18. Licences and permits

Licences and permits	978 937	537 566
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The Municipality derives revenue from applications for driver's and learner's licences, issuing of public driver permits, driver's and learner's licences, issue of roadworthy certificates.

19. Other income

Handling / payroll commission	51 128	42 052
Building plan fees	665 266	473 085
Business licences	5 039	2 421
Clearance fees	53 089	35 344
Tender documents	310 674	365 840
Burial and cemetery fees	5 499	14 180
Connection fees - electricity	156 121	134 737
	1 246 816	1 067 659

20. Interest on receivables

Interest from non-exchange transactions	4 947 279	6 585 340
Interest from exchange transactions	1 125 299	1 509 877
	6 072 578	8 095 217

Interest charged Interest charged on property rates are in line with the annual tariff list of the municipality approved by council as part of budget process in terms of the municipal finance management Act 56 of 2003.

The interest is calculated one percent higher than the prime rate. Basis used to test whether the statutory receivable is impaired.

21. Interest on short-term investments

Interest on short-term investments	6 524 716	4 392 061
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Interest on short-term investment is earned after monies are held in banks for varying periods, depending on the immediate cash requirements and earn interest at the respective short-term deposit rate

Great Kei Local Municipality

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22. Property rates		
Rates received		
Property rates	35 179 527	27 532 301
Valuations		
Commercial	223 562 767	223 562 768
Industrial	7 918 000	7 918 000
Multipurpose	11 452 000	11 452 000
Residential	3 415 809 396	3 459 402 395
Small holdings and farms	1 824 835 738	1 824 835 738
State	127 890 300	127 890 300
Public Benefit Organisation	18 052 000	18 052 000
Vacant	814 071 645	819 609 645
Public service infrastructure	53 080 974	53 080 974
	6 496 672 820	6 545 803 820

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

Rates are levied on a monthly basis.

The current general valuation will be implemented as from 01 July 2020 to 30 June 2025.

Great Kei Local Municipality

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23. Government grants & subsidies		
Operating grants		
Equitable share (EQ)	55 432 000	52 810 000
Library subsidy - (DSRAC)	757 000	500 000
Finance Management Grant (FMG)	2 400 000	2 449 999
Expanded Public Works Programme (EPWP)	1 103 000	973 000
Municipal Infrastructure Grant (MIG)	653 311	737 478
LG SETA Grant	89 302	78 141
Human Settlements Grant	49 400	148 199
	60 484 013	57 696 817
Capital grants		
Municipal Infrastructure Grant (MIG)	11 782 689	13 086 665
Municipal Disaster Recovery Grant (MDRG) I	16 405 535	1 014 465
Small Town Revitalisation Grant - EC: Office of the Premier (OTP)	610 066	7 722 820
Integrated National Electrification Programme (INEP)	-	5 159 010
Municipal Disaster Recovery Grant (MDRG) II	8 967 900	-
EC - Department of Transport Infrastructure Grant (DOT)	2 000 000	3 875 561
	39 766 190	30 858 521
	100 250 203	88 555 338

Equitable Share

In terms of the Constitution, local government is entitled to unconditional allocation of equitable share nationally raised to different levels of government. This allocation enables the provision of basic services and fulfilment of designated functions.

Municipal Infrastructure Grant - MIG

Balance unspent at beginning of year	-	2 104 144
Current-year receipts	12 436 000	11 720 000
Conditions met - transferred to revenue	(12 436 000)	(13 824 144)
	-	-

MIG is given to the municipality to provide specific capital finance for eradicating basic municipal infrastructure backlogs for poor households, microenterprises and social institutions servicing poor communities; to provide specific funding for the development of asset management plans for infrastructure servicing the poor.

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

Integrated National Electrification Programme - INEP

Balance unspent at beginning of year	-	159 010
Current-year receipts	-	5 000 000
Conditions met - transferred to revenue	-	(5 159 010)
	-	-

The Integrated National Electrification Programme grant is paid by the Department of Electricity and Energy (DEE) to ensure that the communities of Great Kei have access to a reliable and sustainable supply of electricity.

During the current year the municipality did not receive any planned allocation as per DORA. (see note 13).

Great Kei Local Municipality

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Figures in Rand	2025	2024
23. Government grants & subsidies (continued)		
Financial Management Grant - FMG		
Current-year receipts	2 400 000	2 450 000
Conditions met - transferred to revenue	(2 400 000)	(2 450 000)
	-	-
The Financial Management Grant is paid by National Treasury to municipalities to promote and support reforms in financial management by building capacity in municipalities to implement the Municipal Finance Management Act (MFMA).		
In the current year the municipality fully met the spending conditions and the whole allocation was transferred to revenue (see note (see note 13)).		
Expended Public Works Programme Grant - EPWP		
Current-year receipts	1 103 000	973 000
Conditions met - transferred to revenue	(1 103 000)	(973 000)
	-	-
The Expanded Public Works Programme Grant is incentive funding given to the municipality to expand job creation efforts in specific focus areas, where labour intensive delivery methods can be maximised.		
In the current year the municipality had an amount of R104 000 revised from the initial DORA allocation which was fully met and transferred to revenue. (see note 13).		
Municipal Disaster Recovery Grant (MDRG) I		
Balance unspent at beginning of year	16 405 539	-
Current-year receipts	-	17 420 000
Conditions met - transferred to revenue	(16 405 539)	(1 014 461)
	-	16 405 539
The Municipal Disaster Recovery Grant is allocated to rehabilitate and reconstruct municipal infrastructure damaged by a disaster. Based on the approval of the National Disaster Management Centre		
Conditions still to be met - remain liabilities (see note 13).		
Small Town Revitalization Grant - OTP		
Current-year receipts	610 066	7 722 820
Conditions met - transferred to revenue	(610 066)	(7 722 820)
	-	-
The Small Town Revitalisation Grant is given to the municipality by the provincial government to promote the capital finance for development of small-town infrastructure backlog		
In the current year the municipality fully met the spending conditions and the whole allocation was transferred to revenue. The Small Town Revitalization Grant is an intervention grant from the Eastern Cape - Office of the Premier to assist with the revitalisation of municipal assets.		
EC - Department of Transport Infrastructure Grant (DOT)		
Current-year receipts	2 000 000	3 875 561
Conditions met - transferred to revenue	(2 000 000)	(3 875 561)
	-	-

Great Kei Local Municipality

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Figures in Rand	2025	2024
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23. Government grants & subsidies (continued)

In the current year the municipality fully met the spending conditions and the whole allocation was transferred to revenue (see note (see note 13). This grant is from the Department of Transport to assist with the construction of a surfaced road from R349 to Haga-haga and also the resurfacing of Kei Mouth main road to Kei Mouth Ferry.

Municipal Disaster Recovery Grant (MDRG) II

Current-year receipts	18 160 000	-
Conditions met - transferred to revenue	(8 967 900)	-
	9 192 100	-

The Municipal Disaster Recovery Grant is allocated to rehabilitate and reconstruct municipal infrastructure damaged by a disaster. Based on the approval of the National Disaster Management Centre

During the current year the municipality received an allocation after a revised DORA bill. Conditions still to be met - remain liabilities (see note 13).

24. Donations received

Capital asset donation	3 500 000	7 766 303
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2025

In the current year the municipality received a land parcel purchased and transferred by Housing Development Agency (HDA) to the value of R3.5 million in order to assist with human settlement backlogs faced by the community of Great Kei.

2024

Prior year donations consist of service delivery assets for solid waste management donated by a local mine (Sibanye Still Water and Liciatron) and also office chairs from EC Department of Human Settlements.

25. Debt forgiveness

Trade creditors	-	3 164 224
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2025

During the current year the municipality did not receive any reversals and write offs that were effected by municipal creditors

2024

The municipality entered into a debt arrangements with the trade creditors in order to service the outstanding amounts, the debt was settled by the municipality and write-offs were effected by creditors.

26. Retentions forfeits

Retentions forfeits	507 143	-
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The municipality has recognised as revenue retention amounts that are not claimed by service providers for a period of 2 years

Great Kei Local Municipality

Annual Financial Statements for the year ended 30 June 2025

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Figures in Rand

	2025	2024
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27. Employee related costs

Employee related costs (Excluding Senior Managers):

Basic	34 291 105	30 284 404
Bonus	2 689 191	2 833 782
Medical aid - company contributions	3 325 031	2 680 398
UIF	249 889	227 970
SDL	472 475	422 564
Other payroll levies	14 448	12 552
Leave pay provision charge	1 156 544	243 186
Pension	5 509 313	5 113 893
Travel, motor car, accommodation, subsistence and other allowances	469 820	470 790
Overtime payments	1 274 217	1 012 608
Long-service awards	274 705	131 328
Housing benefits and allowances	80 631	53 321
Post employment benefits expense	544 255	584 902
	50 351 624	44 071 698

Employee related costs (Senior Managers):

Remuneration of municipal manager - L.N. Mambila

Annual Remuneration	1 073 430	967 000
Car Allowance	300 000	288 000
Housing Allowance	300 000	283 000
Contributions to UIF, Medical and Pension Funds	2 125	2 125
Bonus provision	84 000	70 000
	1 759 555	1 610 125

Remuneration of chief finance officer - A. Lwana

Annual Remuneration	929 610	864 000
Car Allowance	375 000	375 000
Housing Allowance	105 000	105 000
Contributions to UIF, Medical and Pension Funds	2 125	2 125
Bonus provision	60 000	60 000
	1 471 735	1 406 125

Remuneration of Director : Corporate Services - B.T Douglas

Annual Remuneration	596 930	-
Car Allowance	262 000	-
Housing Allowance	74 000	-
Contributions to UIF, Medical and Pension Funds	1 771	-
Bonus	25 000	-
	959 701	-

Director Corporate Services assumed office on 16 August 2024.

Great Kei Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2025	2024
27. Employee related costs (continued)		
Remuneration of Director : Technical and Community services - N Chisango		
Annual Remuneration	-	546 336
Car Allowance	-	232 102
Contributions to UIF, Medical and Pension Funds	-	1 771
Bonus provision	-	60 000
Leave payout	-	186 896
Payout settlement	-	828 438
	-	1 855 543
Director Technical and community services left office on 30 June 2024 on mutual separation.		
Remuneration of Director: Technical and Community Services - Z. Petse		
Annual Remuneration	163 590	-
Car Allowance	68 163	-
Housing Subsidy	27 265	-
Contributions to UIF, Medical and Pension Funds	531	-
	259 549	-
Director Technical and Community Services assumed office on the 20 March 2025.		
Total employee related costs	54 802 164	48 943 491
Total employee related costs	-	-
	54 802 164	48 943 491
28. Remuneration of councillors		
Executive Mayor	982 615	907 997
Chief Whip	438 417	406 779
Councillors	2 475 911	2 239 737
Councillor's allowances	1 230 955	1 202 517
Speaker	795 477	735 639
	5 923 375	5 492 669
Remuneration of Mayor - N.W. Tekile		
Salary	715 552	647 662
Allowances	267 063	260 335
	982 615	907 997
Remuneration of Speaker - Mgema		
Salary	572 442	518 131
Allowances	223 035	217 508
	795 477	735 639
Remuneration of Whip of Council - Nzuzo		
Salary	299 389	270 984
Allowances	139 028	135 795
	438 417	406 779

Great Kei Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2025	2024
29. Depreciation, impairment loss and amortisation		
Property, plant and equipment	17 327 929	15 460 432
Investment property	257 811	-
Amortisation - Intangible assets	36 667	19 200
Impairment loss	-	21 191
	17 622 407	15 500 823
30. Finance costs		
Provisions	1 031 589	1 051 571
Employee benefit obligations	1 304 923	1 064 557
Trade and other payables	-	652 665
	2 336 512	2 768 793
31. Debt impairment		
Bad debts written off	-	14 902 843
Contributions to debt impairment provision	5 002 418	(9 696 892)
	5 002 418	5 205 951

2025

In the current year the municipality has performed a recoverability assessment per debtor which indicated that more debt may not be collectible resulting in an increase in the allowance for doubtful debts for the current year as indicated above

2024

In the prior year the municipal council approved a debt incentive scheme in response to the state of the economy in the country that has impacted negatively and therefore affected the people's affordability to pay for municipal levies and services as they were unable to earn an income as a result of a COVID-19 global pandemic.

This has resulted in the municipality's assessment indicating that more debt may not be collectible resulting in a increase in the allowance for doubtful debts for the period as indicated above.

32. Bulk purchases

Electricity - Eskom	14 596 661	12 706 541
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Electricity losses

	Number 2025	Number 2024		
Units purchased	6 862 919	6 814 319	14 596 661	12 706 541
Units sold	(5 418 695)	(4 544 744)	(13 854 702)	(9 605 616)
Total loss	1 444 224	2 269 575	741 959	3 100 925
Comprising of:				
Technical losses	1 444 224	2 269 575	2 682 369	3 703 702
Percentage Loss:				
Technical losses	21 %	33 %	21 %	33 %

Great Kei Local Municipality

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Figures in Rand 2025 2024

32. Bulk purchases (continued)

Electricity distribution losses have decreased from 33% to 21% from prior year. Following are some of the reasons that have contributed to distribution losses experienced by the municipality:

1. Vandalism of the electrical network.
2. Illegal tempering by consumers - illegal temperings increased substantially.
3. Dilapidated electrical infrastructure.

The municipality has submitted an application for assistance on the damaged network to the Department of Electricity and Energy as well as the National Disaster Management Centre and that will assist with the further reduction of distribution losses. On a monthly basis, the municipality monitors electricity sales for each consumer electricity meter, identifies and investigates meters that are possibly tempered with illegally.

33. Contracted services

Commission fees	-	84 544
Business and Advisory	2 380 845	3 496 268
Mini Dumping Sites	-	76 432
Occupational health services	20 324	4 730
Outsourced Services		
Personnel and Labour	1 270 977	1 064 913
Security Services	9 918	5 537
Consultants and Professional Services		
Infrastructure and Planning	372 106	202 106
Legal Cost	978 137	563 910
Valuation services	1 609 006	275 850
Contractors		
Maintenance of Buildings and Facilities	32 497	240 000
Maintenance of Equipment	5 480	2 881
Maintenance of Other Assets	905 601	405 948
Maintenance of Electrical Infrastructure	144 329	143 917
Prepaid Electricity Vendors	254 489	231 885
Refreshments	256 832	50 769
	8 240 541	6 849 690

34. Transfer and subsidies

Other subsidies

Support to local community wards	-	149 450
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In the prior year the municipality through its LED section supports Co-operatives and community (Ward 1-7) by purchasing garden inputs. The projects are selected through council processes and supported as per the required assistance which is only in the forms of inputs.

Great Kei Local Municipality

Annual Financial Statements for the year ended 30 June 2025

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Figures in Rand	2025	2024
35. General expenses		
Advertising	467 178	557 160
Auditors remuneration	4 074 473	3 700 990
Bank charges	158 252	135 314
Cleaning and greening	176 848	30 000
Conferences and seminars	548 413	318 130
Consumables	192 238	439 862
Electricity	356 466	363 456
Fuel and oil	1 867 713	1 770 923
Hire	256 966	20 000
Indigent relief	548 458	532 308
Insurance	1 003 698	226 064
Motor vehicle expenses	218 505	84 855
Postage and courier	2 710	-
Printing and stationery	194 472	137 174
Protective clothing	133 375	178 578
Signage	67 048	-
Software expenses	1 544 268	1 729 523
Subscriptions and membership fees	662 685	11 776
Telephone expenses	1 094 636	1 117 121
Deeds search fees	31 117	30 967
Travel expense	383 948	593 125
Ward committee expenses	1 111 451	1 196 925
Water and sanitation expenses	1 236 331	1 783 710
Workmen's compensation	-	588 980
	16 331 249	15 546 941

36. (Gain)/Loss on disposal of assets

(Gain)/Loss on disposal of assets - 2025

	Cost	Accumulated depreciation	Auction proceeds	(Gain)/Loss
Other assets	589 649	(396 931)	-	192 718
Other assets	-	-	(96 255)	(96 255)
	589 649	(396 931)	(96 255)	96 463

In the current year the municipality received proceeds from the sale of other assets, also during the current year the municipal council approved disposal of other assets.

2024

During the prior year the municipality has received proceeds from the disposal of land parcels to the value of R742 000, please see Cash Flow Statement.

Gain on disposal of assets - 2024

	Carrying value	Disposal	Gains
Investment property	(1 596 000)	2 001 000	405 000
Land	(450 000)	812 000	362 000
	(2 046 000)	2 813 000	767 000

In the prior year the municipality disposed moveable assets. Please see Cash Flow Statement for proceeds.

Great Kei Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand 2025 2024

37. Loss on derecognition of assets

Loss on derecognition of asset - 2025

	Cost	Accumulated depreciation and impairment	Loss
Landfill Site	6 833 677	(6 746 896)	86 781
Buildings	834 385	(792 776)	41 609
Infrastructure	9 429 484	(7 877 821)	1 551 663
	17 097 546	(15 417 493)	1 680 053

Gain or Loss on derecognition of asset - 2024

	Cost	Accumulated depreciation and impairment	Insurance proceeds	Loss
Other assets	(2 099 056)	1 837 941	54 255	(206 860)
Infrastructure Assets	(6 678 602)	5 825 995	-	(852 607)
	(8 777 658)	7 663 936	54 255	(1 059 467)

2024

During the prior year the municipality received insurance proceeds, please see Cash Flow Statement.

38. Auditors' remuneration

Fees	4 074 473	3 700 990
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39. Related parties

Relationships

Accounting Officer
Mayor
Speaker

Refer to accounting officers' report note
Councillor N.W. Tekile
Councillor N.P. Mgema
Councillor Z.M. Nzuzo
Councillor Z. Patuluko
Councillor S.M. Jacobs
Councillor S.H. Pakamile
Councillor M.G. Njanya
Councillor M. Twani
Councillor W. Singana
Councillor Z. Tshali
Councillor P.G. Kyriacos
Councillor M.E. Matshoba
Councillor F.E. Webber

Members of key management

Chief Financial Officer
Director Corporate Services
Director Technical and Community Services

Mr A. Lwana
Mr B.T Douglas
Ms Z. Petse

Councillors and executive management received salaries for services rendered in relation to their employment in the municipality. Refer to note 27 and 28 no other related party transactions took place.

Related party balances

There were no related party balances for the period ended 30 June 2025.

Great Kei Local Municipality

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand

39. Related parties (continued)

Remuneration of Related Parties

Remuneration of Councillors

2025

Name	Basic salary	Allowances	Total
Remuneration of Mayor - N.W. Tekile	715 552	267 063	982 615
Remuneration of Speaker - Mgema	572 442	223 035	795 477
Remuneration of Whip of Council - Nzuzo	299 389	139 028	438 417
Other councillors	2 475 911	1 230 955	3 706 866
	4 063 294	1 860 081	5 923 375

Refer to note 28 "Remuneration of councillors"

Remuneration of Senior Management

2025

Name	Basic salary	Car Allowance	Housing Allowance	Contributions to UIF, Medical and Pension Funds	Bonus provision	Total
Municipal manager - L.N. Mambila	1 073 430	300 000	300 000	2 125	84 000	1 759 555
Chief finance officer - A. Lwana	929 610	375 000	105 000	2 125	60 000	1 471 735
Director : Corporate Services - B.T Douglas	596 930	262 000	74 000	1 771	25 000	959 701
Director: Technical and Community Services - Z. Petse	163 590	68 163	27 265	531	-	259 549
	2 763 560	1 005 163	506 265	6 552	169 000	4 450 540

Refer to note 27 "Employee related costs"

Great Kei Local Municipality

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand	2025	2024
40. Cash generated from operations		
Surplus	45 791 966	45 969 366
Adjustments for:		
Depreciation and amortisation	17 622 407	15 500 823
Actuarial (gains) on employee benefit obligation	(1 059 083)	(2 116 968)
(Gain) or Loss on derecognition of assets	1 680 053	1 059 466
(Loss) or Gain on landfill site	1 677 694	(2 417 181)
Gain on disposal of assets	96 463	(767 000)
Interest income	(6 072 578)	(8 095 217)
Finance costs	2 336 512	-
Debt impairment	5 002 418	5 205 951
Donation received	(3 500 000)	(7 766 303)
Retentions forfeits	(507 143)	-
Other non-cash items Debt forgiveness	-	(3 164 224)
Changes in working capital:		
Receivables from exchange transactions	(2 777 487)	2 544 998
Receivables from non-exchange transactions	201 598	5 411 047
VAT Payable	503 430	(770 048)
Payables from exchange transactions	(175 656)	109 839
VAT	71 750	(285 791)
Unspent conditional grants and receipts	(7 213 440)	14 142 381
Employee benefit obligation	1 225 882	1 642 858
Provisions	(337 232)	966 604
	54 567 554	67 170 601

Great Kei Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand 2025 2024

41. Financial instruments disclosure

Categories of financial instruments

30 June 2025

Financial assets

	At fair value	At amortised cost	Total
Trade and other receivables from exchange transactions	-	8 914 814	8 914 814
Cash and cash equivalents	84 111 779	-	84 111 779
	84 111 779	8 914 814	93 026 593

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	49 973 355	49 973 355

30 June 2024

Financial assets

	At fair value	At amortised cost	Total
Receivables from exchange transactions	-	5 853 571	5 853 571
Cash and cash equivalents	70 647 784	-	70 647 784
	70 647 784	5 853 571	76 501 355

Financial liabilities

	At amortised cost	Total
Payables from exchange transactions	47 255 487	47 255 487

VAT input accrual has been excluded on the trade and other receivables from exchange transactions as it is a Statutory receivable, and it does not form part of financial instruments in accordance with the standards.

Great Kei Local Municipality

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Figures in Rand	2025	2024
42. Commitments		
Authorised capital expenditure		
Already contracted for but not provided for		
• Construction	37 941 804	37 777 074
Total capital commitments		
Already contracted for but not provided for	37 941 804	37 777 074
Authorised operational expenditure		
Already contracted for but not provided for		
• Accounting services	1 575 437	600 000
• ICT	2 366 194	1 437 941
• Insurance	-	678 075
• Other	1 180 339	2 659 718
	5 121 970	5 375 734
Total operational commitments		
Already contracted for but not provided for	5 121 970	5 375 734
Total commitments		
Total commitments		
Authorised capital expenditure	37 941 804	37 777 074
Authorised operational expenditure	5 121 970	5 375 734
	43 063 774	43 152 808

This committed capital expenditure relates to property, plant and equipment and will be financed by available bank facilities, retained surpluses, government grants, existing cash resources, funds internally generated, etc.

Great Kei Local Municipality

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand	2025	2024
43. Contingent liabilities		
	8 514 449	9 091 449

Pending legal claims

Current year

1. MUNICIPAL WORKERS RETIREMENT FUND // GREAT KEI LOCAL MUNICIPALITY

The matter has been fully adjudicated and the court delivered a judgment against the Municipality and directed that the municipality pays the costs. The applicant has submitted the bill of costs to be taxed by the taxing master and objections have been filed on behalf of the municipality, however the matter has not yet been set down for taxation.

2. APHELELE NGCAKU // GREAT KEI LOCAL MUNICIPALITY

The employee referred an unfair dismissal to the Bargaining Council and was arbitrated to finality and the Council issued a ruling against the municipality and directing that the municipality back pays the employee.

Prior year

1. MUNICIPAL WORKERS RETIREMENT FUND // GREAT KEI LOCAL MUNICIPALITY

This an application that was brought Instruction by Municipal Workers Retirement Fund where the fund lodged a case against the municipality relating to shortage in retirement fund contributions made on behalf of employees more than 15 years ago. This matter is set down for hearing on 15 August 2024 for an amount of R8 279 248,79.

2. GREAT KEI LOCAL MUNICIPALITY // MAKHWAYIBA

This is an application that was brought by Great Kei Municipality vs Makhwayiba, the employee was dismissed for misconduct and the matter is before SALGBC with settlement negotiations being entered into. Currently, Mr Makhwayiba is claiming for an amount of R812 200.00

Contingent assets

At year end the municipality had no contingent assets.

44. Risk management

Financial risk management

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

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

Liquidity risk

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

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

Great Kei Local Municipality

Annual Financial Statements for the year ended 30 June 2025

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Figures in Rand	2025	2024
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44. Risk management (continued)

Credit risk

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. Risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Amounts owed by customers are settled in cash or using major credit cards.

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

Financial instrument	30 June 2025	30 June 2024
Receivables from exchange transactions	11 923 457	8 367 935
Short term deposits	81 503 672	68 626 511

Market risk

Interest rate risk

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

Price risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

45. Unauthorised expenditure

During the current year the municipality has not incurred any unauthorised expenditure.

46. Fruitless and wasteful expenditure

Opening balance as previously reported	-	6 002 335
Add: Fruitless and wasteful expenditure identified - current	-	15 603
Less: Amount written off - current	-	(15 603)
Less: Amount written off - prior period	-	(6 002 335)
Closing balance	-	-

During the current year the municipality has not incurred any fruitless and wasteful expenditure.

Great Kei Local Municipality

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46. Fruitless and wasteful expenditure (continued)

Details of fruitless and wasteful expenditure

	Disciplinary steps taken/criminal proceedings		
Interest on SARS	amounts investigated and written off	-	27
Interest on overdue accounts	amounts investigated and written off	-	15 576
		-	15 603

Interest on SARS

In June 2021 the Municipality entered in to payment arrangement with SARS for the purpose of paying the total debt owed. It was agreed that all incurred interest and penalties as at the date of signing the arrangement will be written off as well as interest and penalties that may be charged during the arrangement period will be written off on the settlement of arrangement after (thirty-six months.)

Interest on overdue accounts

The interest on overdue accounts is a result of long outstanding creditors due to financial distress.

Amount written-off

In the prior year the council approved the MPAC report on fruitless and wasteful expenditure amounting to R6 017 938 that it be written off, as the explanations provided by the department were clear enough and valid to warrant a write off, the MPAC committee also considered the write off an amount relating to prior year balance.

In the prior year the municipal council approved the recommendations of the council committee to write off the current and prior year balances of fruitless and wasteful expenditure in accordance with the relevant legislative prescripts.

Great Kei Local Municipality

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Figures in Rand	2025	2024
47. Irregular expenditure		
Add: Irregular expenditure - current	527 136	-
Add: Irregular expenditure - identified in the current year but relating to prior year - 2023-2024 *	409 191	-
Closing balance	936 327	-

During 2022/2023 financial year, the municipality had a vacant position of a senior manager and after careful consideration the Council resolved through consultation with the MEC to apply for exemption on implementation of upper limits of total remuneration to senior managers as there was an anomaly at Great Kei Local Municipality where Managers reporting directly to the Senior Managers earn equivalent or more than the Senior Managers and Municipal Manager and some are above the upper limits of a Grade 2 Municipality as per the current gazette on upper limits of Senior Managers

This was due to the fact that all positions of middle managers have been evaluated through TASK Job Evaluation System and are remunerated accordingly. Furthermore, these Managers are in the Bargaining Unit and therefore are covered by the Collective Agreement on Salary Increase of the SALGBC. This will further increase the remuneration packages of Managers reporting directly to Senior Managers and this remains an untenable situation which has a negative impact on the superiority and morale of Senior Managers.

The MEC concurred that the parties must enter into a contract on terms agreed upon by both parties and the municipality implemented the resolution after the concurrence by the MEC. After careful consideration, it was noted that the Minister should have approved the waiver of the new senior manager, not the MEC which now resulted in the irregular expenditure.

The municipality will apply for the waiver to the Minister to ensure that it complies with the regulations of upper limits and further it will ensure that senior managers are remunerated as per the gazette until the waiver is approved.

* 2024/2025 financial year

During the audit under review an irregular expenditure was identified totalling to R409 191 relating to the 2023-2024 financial year and R527 136 relating to the 2024-2025 due to non-compliance with Upper Limits of Senior Managers Government Gazette.

Great Kei Local Municipality

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2025

2024

48. Prior-year adjustments

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

Statement of financial position

30 June 2024

	Note	As previously reported	Correction of error	Restated
Cash and Cash Equivalents		70 647 784	-	70 647 784
Receivables from exchange transactions		8 367 935	-	8 367 935
Receivables from non-exchange transactions		3 994 326	-	3 994 326
VAT		716 535	-	716 535
Heritage assets		36 000	-	36 000
Intangible assets		376 162	-	376 162
Investment property		73 004 547	-	73 004 547
Property, plant and equipment	8	284 692 514	13 705 431	298 397 945
Trade and other payables from exchange		(47 255 487)	-	(47 255 487)
Defined Benefit Obligations -Current Liabilities		(5 868 603)	-	(5 868 603)
Provisions - current liabilities		(3 110 163)	-	(3 110 163)
VAT Payable		(1 861 721)	-	(1 861 721)
Unspent conditional grants		(16 405 539)	-	(16 405 539)
Provisions - Non-current liabilities		(17 812 101)	-	(17 812 101)
Defined Benefit Obligations -Non-current Liabilities		(10 011 675)	-	(10 011 675)
Accumulated Surplus		(339 510 514)	(13 705 431)	(353 215 945)
		-	-	-

Reasons for restatement:

1. The restatement of PPE was due to an error on the calculation of depreciation for one isolated asset of building additions for 2024 financial year.

Great Kei Local Municipality

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Figures in Rand	2025	2024		
48. Prior-year adjustments (continued)				
Statement of financial performance				
30 June 2024				
	Note	As previously reported	Correction of error	Restated
Revenue from exchange transactions		-	-	-
Service charges		(13 145 451)	-	(13 145 451)
Rental from fixed assets market related		(558 387)	-	(558 387)
Agency fees		(298 743)	-	(298 743)
Licences and permits		(537 566)	-	(537 566)
Other income		(1 067 659)	-	(1 067 659)
Interest on short-term investments		(4 392 061)	-	(4 392 061)
Interest on receivables		(1 509 877)	-	(1 509 877)
Revenue from non-exchange transactions		-	-	-
Property rates		(27 532 301)	-	(27 532 301)
Interest on receivables		(6 585 340)	-	(6 585 340)
Donations - Allocation-In kind		(7 766 303)	-	(7 766 303)
Fines		(25 080)	-	(25 080)
Debt forgiveness		(3 164 224)	-	(3 164 224)
Government grants and subsidies		(88 555 338)	-	(88 555 338)
Expenditure		-	-	-
Employee related costs		48 943 491	-	48 943 491
Remuneration of councillors		5 492 669	-	5 492 669
Depreciation, impairment loss and amortisation	29	29 206 254	(13 705 431)	15 500 823
Finance costs		2 768 793	-	2 768 793
Lease rentals on operating lease		246 298	-	246 298
Debt Impairment		5 205 951	-	5 205 951
Bulk purchases		12 706 541	-	12 706 541
Contracted services		6 849 690	-	6 849 690
Transfers and Subsidies		149 450	-	149 450
General Expenses		15 546 941	-	15 546 941
Gain/(Loss) on disposal of assets		(767 000)	-	(767 000)
Actuarial gains on employee benefit obligations		(2 116 968)	-	(2 116 968)
Actuarial loss on landfill site provision		(2 417 181)	-	(2 417 181)
Gain (loss) on derecognition of assets		1 059 466	-	1 059 466
Surplus for the year		(32 263 935)	(13 705 431)	(45 969 366)

1. The restatement of PPE was due to an error on the calculation of depreciation for one isolated asset of building additions for 2024 financial year.

Cash flow statement

As a result of the errors note above the cashflow s from operating ,investing and financing activities had been revised.

Errors

The following disclosure note was restated as a result of correction of errors mentioned above:

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48. Prior-year adjustments (continued)

Segment Reporting - Statement of Financial Performance (Note 48)

	Previously reported	Correction of Error	Restated Balance
2024	-	-	-
Segment surplus or deficit	-	-	-
Entity's revenue:	-	-	-
Total segment revenue	33 059 591	-	33 059 591
Total non-segment revenue	127 379 889	-	127 379 889
Total Revenue	160 439 480	-	160 439 480
Entity's expenditure:	-	-	-
Total segment expenditure	(35 348 871)	-	(35 348 871)
Total non-segment expenditure	(92 826 674)	13 705 431	(79 121 243)
	32 263 935	13 705 431	45 969 366

Segment Reporting - Statement of Financial Position

	Previously reported	Correction of Error	Restated Balance
2024	-	-	-
Total segment assets	10 114 417	-	10 114 417
Total non-segment assets	431 721 386	13 705 431	445 426 817
Total Assets	441 835 803	13 705 431	455 541 234
Total segment liabilities	(32 765 626)	-	(32 765 626)
Total non-segment liabilities	(69 559 663)	-	(69 559 663)
	339 510 514	13 705 431	353 215 945

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49. Additional disclosure in terms of Municipal Finance Management Act		
Contributions to organised local government - SALGA		
Opening balance	556 553	542 162
Current year subscription / fee	594 642	556 553
Amount paid - previous years	(556 553)	(542 162)
	594 642	556 553
Audit fees		
Opening balance	-	(159 758)
Current year subscription / fee	4 685 644	4 256 138
Amount paid - current year	(4 628 170)	(3 836 776)
Debt Forgiveness	-	(259 604)
	57 474	-
PAYE and UIF		
Opening balance	107 099	7 305 892
Correction of error	-	2 357
Current year subscription / fee	8 987 390	7 588 068
Amount paid - current year	(9 094 489)	(12 007 180)
Debt Forgiveness	-	(2 782 037)
	-	107 100
Pension and Medical Aid Deductions		
Opening balance	-	1 056 559
Current year subscription / fee	14 825 641	13 606 866
Amount paid - current year	(14 825 641)	(14 663 425)
	-	-
VAT		
VAT receivable	644 785	716 535

VAT output payables and VAT input receivables are shown in note 15 and note 3 respectively.

All VAT returns have been submitted by the due date throughout the year and the amount receivable as at year end is shown in note 5.

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50. Budget differences

Material differences between budget and actual amounts

Difference below 10% are considered to be insignificant for the purposes of explaining budget differences, therefore, only differences above the 10% threshold are explained below:

Statement of Financial Performance

Revenue

50.1 Other Income – 18%: Actual is more than budgeted amount, this is due to an increase in revenue line items such as disconnection fees to reduce distribution losses and building plan approvals.

50.2 Government grants and subsidies – 17%: Actual amounts is less than budgeted, this is due less receipts that anticipated on provincial grants.

50.3 Public Contributions and donations – 100%: In the current year the municipality received a land parcel purchased and transferred by Housing Development Agency (HDA) to the value of R3.5 million in order to assist with human settlement backlogs faced by the community of Great Kei which was not anticipated for.

Expenditure

50.4 Depreciation and Amortisation - 17%: Actual is less than budget due to purchase and renewal of assets during the current year, Therefore there was less depreciation on new assets than was budgeted for.

50.5 Lease rentals –100% This line item is budgeted for under general expenditure on Schedule A.

50.6 Contracted Services – 13%: Underspending was caused by implementation of cost containment measures

50.7 Transfers and Subsidies – 100%: There is no movement on this line item for the current year due to insufficient budget.

50.8 General Expenses – 31%: Underspending was due to implementation of cost containment measures.

50.9 Gain/(Loss) on disposal of assets – 196%: A loss on disposal was due to the poor condition of assets that were disposed.

50.10 Actuarial gain/(loss) on employee benefit obligations: 100%- This line item was budgeted for under provisions

50.11 Actuarial gain/(loss) on landfill site provision:-100% This line item was budgeted for under provisions.

50.12 Gain/(Loss) on derecognition of assets 100-: This line item was not budgeted for under gains on disposal of assets this was due to the condition of the assets which could not be anticipated.

Statement of Financial Position

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50. Budget differences (continued)

Assets

Current Assets

50.13 Receivables from non-exchange transactions – 16% : Actual is less than budgeted due to strict debt collection processes and Halycon debtor write off.

50.14 Cash & Cash Equivalents – 18%: The variance is more when comparing budget, this is due to cost containment measures, additional grants as well as an increase in VAT refunds and the implementation of the debt collection policy.

Current Liabilities

50.15 Payables from exchange transactions – 345%: Actual is far more than budgeted due financial constraints experienced by the municipality during current financial year.

50.16 Consumer deposits -100%: There line item is budgeted under payables from exchange transactions.

50.17 Employee benefit obligation 100% - : This item was budgeted for under provisions on B Schedule. Movement is only effective on year-end journals.

50.18 Provisions 100% : This is due to B Schedule which does not have a split for Landfill site current portion provision; Employee benefit obligation current portion provision; Legal Fees provision , therefore, the budget estimate was higher than actual

Cash Flow Statement

Cash Flow from operating activities

Receipts

50.19 Rates & Services – 24% -: An anticipation was that there will be an increase in collection compared to previous year.

50.20 Grants – 28%: Actual amounts is less than budgeted, this is due less receipts that anticipated on provincial grants..

50.21 Interest Income – 13%: Actual amount is less than budgeted amount, this is due to fluctuations in the prime lending rate during the current year

50.22 Other receipts – 16% -: Actual is more than budgeted amount, this is due to an increase in revenue line items such as disconnection fees to reduce distribution losses and building plan approvals.

Payments

50.23 Employee Costs & Suppliers: Are budgeted for under one item on B7 of Schedule B .

50.24 Finance Cost – 100%: The anticipated budget was based on historical incurrence of interest on long outstanding creditors but in the current year, the actual amount is nill as there was no incurrence on finance cost.

Cashflows from investing activities

50.25 Purchase of property plant and equipment: 43% - An anticipation that additional funding for capital grants will be utilised during the year, Department of Transport and and Municipal Disaster Management Grant have been received during the year.

50.26 Proceeds from sale of non-current assets -89%: Actual is less than budgeted this is due to slowing paying debtors on Land disposal..

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51. Segment information

General information

Identification of segments

The municipality is organised and reports to management on the basis of the following functional areas : Waste management services, Electrical Services, Traffic services and Town Planning. The segments were organised around the type of service delivered and the target market. Management uses these same segments for determining strategic objectives. Segments were aggregated for reporting purposes..

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

Aggregated segments

The municipality operates in the Eastern Cape, Amathole District and services the following areas:

1. Haga-Haga
2. Chintsa
3. Kei Mouth.
4. Qumrha
- 5 .Gxarha
6. Tainton

Segments were aggregated on the basis of services, the type or class of customer to which goods and services are delivered and the method used to distribute the goods or provide the service as management considered that the economic characteristics of the segments throughout the Great Kei Municipal area were sufficiently similar to warrant aggregation.

Types of goods and/or services by segment

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

Reportable segments

Waste Management Services
Electrical Services
Traffic Services
Town Planning
Halls and Rental

Non-segments

Budget and Treasury
Office of the Municipal Manager
Administration and Corporate Services

Goods and/or services

Waste Removal Services
Electricity Sales
Licences and Permits Transport Agency Services
Building Plan Approval
Rental of Halls and Facilities

Goods and/or services

Financial Services
Strategic Services
Administration Services

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51. Segment information (continued)

Segment surplus or deficit, assets and liabilities

30 June 2025

	Waste management services	Electrical Services	Traffic services	Halls and facilities	Town planning	Non-segments	Total
Revenue							
Revenue from exchange transactions							
Service Charges	4 143 351	13 924 949	-	-	-	-	18 068 300
Rental of facilities and equipment	-	-	-	70 917	-	303 815	374 732
Interest on short-term investments	-	-	-	-	-	6 524 716	6 524 716
Agency services	-	-	421 658	-	-	-	421 658
Licences and permits	-	-	978 937	-	-	-	978 937
Other income	-	156 121	-	56 626	670 304	363 765	1 246 816
Interest on receivables	766 742	357 544	-	-	-	1 013	1 125 299
Revenue from non-exchange transactions							
Government grants	1 103 000	-	-	757 000	49 400	98 340 803	100 250 203
Property rates	-	-	-	-	-	35 179 527	35 179 527
Interest on receivables	-	-	-	-	-	4 947 279	4 947 279
Public contributions and donations	-	-	-	-	3 500 000	-	3 500 000
Fines	-	-	197 000	-	-	-	197 000
Retentions forfeited	-	-	-	-	-	507 143	507 143
Actuarial gain/loss employee benefit obligation	-	-	-	-	-	1 059 083	1 059 083
Total revenue	6 013 093	14 438 614	1 597 595	884 543	4 219 704	147 227 144	174 380 693
Entity's revenue							174 380 693

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	Waste management services	Electrical Services	Traffic services	Halls and facilities	Town planning	Non-segments	Total
51. Segment information (continued)							
Expenditure							
Employee related costs	7 009 449	2 591 756	6 790 475	-	1 501 548	36 908 936	54 802 164
Remuneration of councillors	-	-	-	-	-	5 923 375	5 923 375
Depreciation and amortization	134 553	-	-	-	-	17 487 854	17 622 407
Finance costs	1 031 589	-	-	-	-	1 304 923	2 336 512
Debt Impairment	-	-	-	-	-	5 002 418	5 002 418
Bulk purchases	-	14 596 661	-	-	-	-	14 596 661
Contracted services	1 846 632	442 950	18 231	10 440	500 018	5 422 270	8 240 541
Lease rentals on operating lease	-	-	-	-	-	279 190	279 190
General Expenses	1 257 266	836 231	224 553	3 972 217	57 606	9 983 376	16 331 249
Gain/(Loss) on derecognition of assets	-	-	-	-	-	1 680 053	1 680 053
Actuarial loss on Landfill site provision	1 677 694	-	-	-	-	-	1 677 694
Gain/(Loss) on disposal of assets	-	-	-	-	-	96 463	96 463
Total expenditure	12 957 183	18 467 598	7 033 259	3 982 657	2 059 172	84 088 858	128 588 727
Total segmental surplus/(deficit)	(6 944 090)	(4 028 984)	(5 435 664)	(3 098 114)	2 160 532	63 138 286	45 791 966
Assets							
Current Assets							
Receivables from exchange transactions	563 135	6 146 109	-	-	12 814	5 201 399	11 923 457
Receivables from non-exchange transactions	-	-	316 410	-	-	3 500 443	3 816 853
VAT receivable	-	-	-	-	-	644 785	644 785
Cash and cash equivalents	-	-	-	-	-	84 111 779	84 111 779
Non-current assets							
Investment property	-	-	-	-	-	76 093 674	76 093 674
Property, plant and equipment	2 924 928	267 456	833 544	-	6 076 034	314 116 829	324 218 791
Intangible assets	-	-	-	-	-	339 494	339 494
Heritage assets	-	-	-	-	-	36 000	36 000
Total segment assets	3 488 063	6 413 565	1 149 954	-	6 088 848	484 044 403	501 184 833
Total assets as per Statement of financial Position							501 184 833

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	Waste management services	Electrical Services	Traffic services	Halls and facilities	Town planning	Non-segments	Total
51. Segment information (continued)							
Liabilities							
Current liabilities							
Trade and other payables from exchange transactions	(3 725 468)	(1 263 176)	(3 665 728)	1 945	(1 121 758)	(40 199 167)	(49 973 352)
VAT Payable	-	-	-	-	-	(2 365 151)	(2 365 151)
Employee benefit obligation	-	-	-	-	-	(6 593 216)	(6 593 216)
Unspent conditional grants and receipts	-	-	-	-	-	(9 192 100)	(9 192 100)
Provisions	(1 176 643)	-	-	-	-	(357 799)	(1 534 442)
Non-current liabilities							
Employee benefit obligation	-	-	-	-	-	(10 758 784)	(10 758 784)
Provisions	(21 759 873)	-	-	-	-	-	(21 759 873)
Total segment liabilities	(26 661 984)	(1 263 176)	(3 665 728)	1 945	(1 121 758)	(69 466 217)	(102 176 918)
Total liabilities as per Statement of financial Position							(102 176 918)

Following a change in the composition of its reportable segments, the corresponding items of segment information for earlier periods has been restated.

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51. Segment information (continued)

30 June 2024

	Waste management services	Electrical Services	Traffic Services	Halls and facilities	Town planning	Non-segments	Total
Revenue							
Revenue from exchange transactions							
Service charges	3 539 835	9 605 616	-	-	-	-	13 145 451
Rental of facilities and equipment	-	-	-	77 324	-	481 063	558 387
Interest on short-term investments	-	-	-	-	-	4 392 061	4 392 061
Agency services	-	-	298 743	-	-	-	298 743
Licences and permits	-	-	537 566	-	-	-	537 566
Other income	-	134 737	-	45 280	475 506	412 136	1 067 659
Interest on receivables	1 311 371	195 137	-	-	-	3 370	1 509 878
Revenue from non-exchange transaction transactions							
Property rates	-	-	-	-	-	27 532 301	27 532 301
Interest on receivables	-	-	-	-	-	6 585 340	6 585 340
Government grants and subsidies	973 000	5 156 912	-	500 000	-	81 925 426	88 555 338
Donations	7 766 303	-	-	-	-	-	7 766 303
Fines, penalties and forfeits	-	-	25 080	-	-	-	25 080
Debt Forgiveness	-	-	-	-	-	3 164 224	3 164 224
Gain on disposal of non-current assets	-	-	-	-	-	767 000	767 000
Actuarial gains on employee benefit obligations	-	-	-	-	-	2 116 968	2 116 968
Actuarial gain on Landfill site provision	2 417 181	-	-	-	-	-	2 417 181
Total segment revenue	16 007 690	15 092 402	861 389	622 604	475 506	127 379 889	160 439 480
Entity's revenue							160 439 480

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	Waste management services	Electrical Services	Traffic Services	Halls and facilities	Town planning	Non-segments	Total
51. Segment information (continued)							
Expenditure							
Employee related costs	9 419 282	2 163 687	4 070 710	-	1 233 695	32 056 117	48 943 491
Remuneration of councillors	-	-	-	-	-	5 492 669	5 492 669
Depreciation and amortisation	81 217	-	-	-	-	15 419 606	15 500 823
Finance costs	1 051 571	-	-	-	-	1 717 222	2 768 793
Lease rentals on operating lease	-	-	-	-	-	246 298	246 298
Debt Impairment	-	-	-	-	-	5 205 951	5 205 951
Bulk purchases	-	12 706 541	-	-	-	-	12 706 541
Contracted services	1 526 946	329 429	4 845	4 500	202 106	4 781 865	6 849 691
Transfers and subsidies	-	-	-	-	-	149 450	149 450
General expenses	1 247 615	1 044 189	243 234	3 675	15 629	12 992 599	15 546 941
Loss on derecognition of assets	-	-	-	-	-	1 059 466	1 059 466
Total segment expenditure	13 326 631	16 243 846	4 318 789	8 175	1 451 430	79 121 243	114 470 114
Total segmental surplus	2 681 059	(1 151 444)	(3 457 400)	614 429	(975 924)	48 258 646	45 969 366
Assets							
Current assets							
Receivables from exchange transactions	432 930	3 044 493	-	-	-	4 890 512	8 367 935
Receivables from non exchange transactions	-	-	-	-	-	3 994 326	3 994 326
VAT Receivable	-	-	-	-	-	716 535	716 535
Cash and cash equivalents	-	-	-	-	-	70 647 784	70 647 784
Non-current assets							
Investment property	-	-	-	-	-	73 004 547	73 004 547
Property, plant and equipment	2 081 272	4 461 817	18 905	-	-	291 835 951	298 397 945
Intangible assets	75 000	-	-	-	-	301 162	376 162
Heritage assets	-	-	-	-	-	36 000	36 000
Total segment assets	2 589 202	7 506 310	18 905	-	-	445 426 817	455 541 234
Total assets as per Statement of financial Position							455 541 234

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	Waste management services	Electrical Services	Traffic Services	Halls and facilities	Town planning	Non-segments	Total
51. Segment information (continued)							
Liabilities							
Current liabilities							
Trade and other Payables from exchange transactions	(2 321 832)	(7 372 779)	(2 140 658)	8 957	(712 081)	(34 717 094)	(47 255 487)
Vat payable	-	-	-	-	-	(1 861 721)	(1 861 721)
Employee benefit obligation	-	-	-	-	-	(5 868 603)	(5 868 603)
Unspent conditional grants	-	-	-	-	-	(16 405 539)	(16 405 539)
Provisions	(2 415 132)	-	-	-	-	(695 031)	(3 110 163)
Non-current liabilities							
Employee benefit obligation	-	-	-	-	-	(10 011 675)	(10 011 675)
Provisions	(17 812 101)	-	-	-	-	-	(17 812 101)
Total segment liabilities	(22 549 065)	(7 372 779)	(2 140 658)	8 957	(712 081)	(69 559 663)	(102 325 289)
Total liabilities as per Statement of financial Position							(102 325 289)

Measurement of segment surplus or deficit, assets and liabilities

Basis of accounting for transactions between reportable segments

The accounting policies of the segments are the same as those described in the summary of significant accounting policies.

Information about geographical areas

Great Kei Local Municipality

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51. Segment information (continued)

The municipality's operations are in the Eastern Cape Province, listed below are the geographical segments of the municipality:

1. Ward 1 - Chintsa
2. Ward 2 - Cefane, Makhazi, Ngxingxolo, Tainton and Slatsha
3. Ward 3 - Sotho, Elityeni, Sithungu, Nyarha, Lusizini and Magrangxeni
4. Ward 4 - Mzwini, Mangqukela, Lusasa and Belekumntwana
5. Ward 5 - Gxarha, Haga-Haga and Kei Mouth
6. Ward 6 - Siviwe, Qumrha and Happy Valley Coloured Township
7. Ward 7 - Zone 10 , Qumrha, Draaibosch, Waterfalls and Dongweni

Segments were aggregated on the basis of services delivered as management considered that the economic characteristics of the segments throughout the Great Kei Municipal area were sufficiently similar to warrant aggregation.

The municipality does however not monitor operating results of the geographical segments, and operational results are only monitored within the business units as previously disclosed.

52. Accounting by principals and agents

The entity a party to a principal-agent arrangement(s).

Entity as agent

Revenue recognised

Department of Transport (EC)

The aggregate amount of revenue that the entity recognised as compensation for the transactions carried out on behalf of the principal is R421 658- (2024: R298 743-).

The municipality acts as agent for the Department of Transport (EC), where it collects monies for motor vehicle licences on behalf of the Department of Transport (EC)

Third party payroll commission

The municipality acts as agent for various third parties where it collects commission income for payments made on behalf of employees. The commission fees range from 1% - 5% fo the below third parties:

1. Booyesen & Co Inc.
2. Avbob
3. Liberty Life
4. Metropolitan Life
5. Old Mutual Group Scheme
6. Sanlam Sky
7. Letsatsi Fianace and Loan
8. Russel Becker Inc.

The aggregate amount of revenue that the entity recognised as compensation for the transactions carried out on behalf of the principal is R51 128 - (2024: R42 052).

Entity as principal

Fee paid

Prepaid Electricity Sales	7 480 544	6 851 263
Fee paid as commission to the agent	254 489	231 885

Great Kei Local Municipality paid commission from 0.20% - 2.75% to Ontec for acting as an agent for the sale of prepaid electricity on its behalf during the financial year.

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53. Going concern

We draw attention to the fact that at 30 June 2025, the municipality had an accumulated surplus of R399 007 915 and that the municipality's total assets exceed its liabilities by R399 007 915.

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.

However, the municipality has noted that it is unable to meet its obligations on time due to cash flow constraints. The management of the municipality has assessed the financial status of the municipality and are confident that the municipal will continue with the operations in the forceable future, given the above, and that we are a government institution with legislated funding that enable us to provide services to the communities.

54. Events after the reporting date

Subsequent to year end, the municipality received two land parcels purchased and transferred by Housing Development Agency (HDA) to the value of R2.8 million in order to assist with human settlement backlogs faced by the community of Great Kei.