



Thulamela Municipality 2025
(Registration number LIM343)
Audited Annual Financial Statements
for the year ended 30 June 2025

Thulamela Municipality 2025

(Registration number LIM343)

Audited Annual Financial Statements for the year ended 30 June 2025

General Information

Legal form of entity	Thulamela Local Municipality
Nature of business and principal activities	Provision of services (refuse and other services) to communities in a sustainable manner, to promote social and economic development and to promote a safe and healthy environment
The following is included in the scope of operation	Rates and waste management and general services Local government activities Planning and promotion of the integrated development plan Land, economic and environmental development The mandate of the municipality is in terms of section 152 of the Constitution of South Africa
Mayoral committee	
Mayor	Cllr Rambuda AS
Speaker	Cllr Mutheiwana FA
Chief Whip	Cllr Makungo TG - Acting
Exco	Cllr Lieba NA Cllr Mulovhedzi MK Cllr Mashawana NE Cllr Mulaudzi KE Cllr Kwindi SC Cllr Maduse L Cllr Shavhani ME Cllr Madondo LM Cllr Ligege VP Cllr Radamba NC
Councillors	Cllr Nelufhangan TI Cllr Vhulahani L Cllr Nekhavhambe TS - MPAC member Cllr Nehzhelele N Cllr Mbengeni R - MPAC member Cllr Lalumbe RG Cllr Matshomo TT - MPAC member Cllr Phalanndwa NB Cllr Matshavha M Cllr Nemasiwana FJ Cllr Netshishivhe AA Cllr Ravhuanzwo SL Cllr Mabasa HP Cllr Netsianda MJ Cllr Mukhathi H Cllr Mathoma RR Cllr Mathidi P Cllr Nelushi TA - MPAC member Cllr Tshigwili T Cllr Liphadzi TS - MPAC member Cllr Thanyani RD Cllr Mphaphuli M Cllr Mulaudzi ER Cllr Netangaheni NP

Thulamela Municipality 2025

(Registration number LIM343)

Audited Annual Financial Statements for the year ended 30 June 2025

General Information

Cllr Maela RT
Cllr Madzivhandila M
Cllr Netshikweta R
Cllr Ravhura Me
Cllr Munyai TT - MPAC member
Cllr Mmbi NM - MPAC member
Cllr Mulaudzi MM
Cllr Muligwe M - MPAC member
Cllr Molaudzi NA
Cllr Nemalegeni TJ
Cllr Maganu AE
Cllr Khangale AC
Cllr Munzhedzi TE
Cllr Ligaraba MJ
Cllr Ligaraba LE
Cllr Mulaudzi NS
Cllr Mulovhedzi HP
Cllr Mahosi NG
Cllr Tshifhango AS
Cllr Nekhunguni AE
Cllr Munenyiwa ME
Cllr Davhana AJ
Cllr Muedi ET
Cllr Dali TS
Cllr Nemaranzhe K - MPAC member
Cllr Phosha LS
Cllr Malindi OT - MPAC Chairperson
Cllr Madumi MA
Cllr Phosiwa L
Cllr Maphiri ME
Cllr Begwa FM - MPAC member
Cllr Mphaho TW
Cllr Marole RT - MPAC member
Cllr Kwindi MR
Cllr Bongwe K
Cllr Madzimbabala HE
Cllr Tshisikule K
Cllr Razwinzhi IE
Cllr Tshikhwana LR
Cllr Ramulifho HB - MPAC member
Cllr Padelani TS
Cllr Badamarema M
Cllr Netshivhumbe G
Cllr Tshiololi RM
Cllr Mudzielwana NE

Grading of local authority

4

Chief Finance Officer (CFO)

Mufamadi AC
mufamadiac@thulamela.gov.za

Thulamela Municipality 2025

(Registration number LIM343)

Audited Annual Financial Statements for the year ended 30 June 2025

General Information

	015 962 7515
Accounting Officers	M Matshivha - Acting from 26 June 2025 Makumule MT - Resigned on 13 August 2025
Registered office	Old Agrieven building Thohoyandou 0950
Postal address	Private bag X5066 Thohoyandou 0950
Bankers	First National Bank
Auditors	Auditor General South Africa Registered Auditors
Attorneys	Makhuvha EM Attorneys TT Ngobeni Attorneys Tshitangano Attorneys Ligege Nemukongwe Verveen Attorneys Rambevha Morabane Madala Phillip Madima M Attorneys Inc Phungo Inc Khathutshelo A Mainganye Attorneys Tshiredo Attorneys MK Mulaudzi Tshikovhi Prince Mudau SC Mdluli Kgadi Phaka W.E Monyai

Thulamela Municipality 2025

(Registration number LIM343)

Audited Annual Financial Statements for the year ended 30 June 2025

Index

	Page
Accounting Officer's Responsibilities and Approval	6
Accounting Officer's Report	7 - 8
Statement of Financial Position	9
Statement of Financial Performance	10
Statement of Changes in Net Assets	11
Cash Flow Statement	12
Statement of Comparison of Budget and Actual Amounts	13 - 18
Appropriation Statement	19
Significant Accounting Policies	20 - 54

Thulamela Municipality 2025

(Registration number LIM343)

Audited Annual Financial Statements for the year ended 30 June 2025

Index

Abbreviations used:

COIDA	Compensation for Occupational Injuries and Diseases
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
VAT	Value Added Tax
UIF	Unemployment Insurance Fund
MFMA	Municipal Finance Management Act
mSCOA	Municipal Standard Chart of Accounts
MEC	Member of the Executive Council
CIGFARO	Chartered Institute of Government, Finance, Audit and Risk Officers
PAYE	Pay as Your Earn
SDL	Skills Development Levy
SALGA	South African Local Government Association
SETA	Sector Education and Training Authority
INEP	Integrated National Electrification Programme
FMG	Finance Management Grant
EPWP	Expanded Public Works Programme
NDPG	Neighbourhood Development and Partnership Grant
MPAC	Municipal Public Accounts Committee
SARS	South African Revenue Services
AARTO	Administrative Adjudication Of Road Traffic Offences
CPI	Consumer Price Index

Thulamela Municipality 2025

(Registration number LIM343)

Audited Annual Financial Statements for the year ended 30 June 2025

Accounting Officer's Responsibilities and Approval

The accounting officer are required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and are responsible for the content and integrity of the audited annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the audited 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 audited annual financial statements and was given unrestricted access to all financial records and related data.

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

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

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

The unaudited 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 operations.

The accounting officer certify that the salaries, allowances and benefits of councillor's as disclosed in Note 31 and 45 to these annual financial statements are within the upper limits of the framework envisaged in section 219 of the Constitution of the Republic of South Africa, read with the Remuneration of Public Office Bearers Act, Act 20 of 1998 and the Minister of Provincial and Local Government's determination in accordance with the Act.

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

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

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

The audited annual financial statements set out on pages 9 to 117, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2025 and were signed on its behalf by:

Accounting Officer
M Matshivha

Thulamela Municipality 2025

(Registration number LIM343)

Audited Annual Financial Statements for the year ended 30 June 2025

Accounting Officer's Report

The accounting officers submit their report for the year ended 30 June 2025.

1. Review of activities

Main business and operations

The municipality is engaged in provision of services (refuse and other services) to communities in a sustainable manner, to promote social and economic development and to promote a safe and healthy environment and operates principally in South Africa.

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

Net surplus of the municipality was R 32 851 943 (2024: surplus R 145 788 811).

2. Going concern

We draw attention to the fact that at 30 June 2025, the municipality had an accumulated surplus (deficit) of R3 085 183 579 and that the municipality's total assets exceed its liabilities by R 3 085 183 579.

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

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officers continue to procure funding for the ongoing operations for the municipality .

3. Subsequent events

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

4. Accounting Officers' interest in contracts

The Accounting Officer does not have any interest in contracts, either direct or indirect.

5. Accounting policies

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

6. Corporate governance

General

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

The municipality confirms and acknowledges its responsibility to total compliance with the Code of Corporate Practices and Conduct ("the Code") laid out in the King Report on Corporate Governance for South Africa 2002. The accounting officer discuss the responsibilities of management in this respect, at Board meetings and monitor the municipality's compliance with the code on a three monthly basis.

Thulamela Municipality 2025

(Registration number LIM343)

Audited Annual Financial Statements for the year ended 30 June 2025

Accounting Officer's Report

6. Corporate governance (continued)

Audit and Performance committee

The audit committee members for the period ended 30 June 2025 were as follows:

Mrs Ramutsheli MP	- Chairperson
Adv. Monare TL	- Member
Ms Mudau FJ	- Member
Mr. Baloyi NT	- Member
Mr. Ramawa TA (Appointed 01 February 2025)	- Member
Mr. Simelane SP (Appointed 01 February 2025)	- Member

Internal audit

The municipality has a fully functional internal audit unit. This is in compliance with the Municipal Finance Management Act 56 of 2003.

7. Auditors

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

The audited annual financial statements set out on pages 9 to 117, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2025 and were signed on its behalf by:

Accounting Officer
M Matshivha

Thulamela Municipality 2025

(Registration number LIM343)

Audited Annual Financial Statements for the year ended 30 June 2025

Statement of Financial Position as at 30 June 2025

Figures in Rand	Note(s)	2025	2024 Restated*
Assets			
Current Assets			
Inventories	4	21 771 049	26 961 784
Receivables from non-exchange transactions	5	28 544 121	19 229 952
Receivables from exchange transactions	6	27 284 395	30 037 453
Cash and cash equivalents	7	1 013 940 301	921 273 338
		1 091 539 866	997 502 527
Non-Current Assets			
Property, plant and equipment	8	2 218 435 747	2 277 109 647
Intangible assets	9	431 811	634 447
		2 218 867 558	2 277 744 094
Total Assets		3 310 407 424	3 275 246 621
Liabilities			
Current Liabilities			
Finance lease obligation	10	743 201	-
Payables from exchange transactions	11	134 334 328	146 418 193
Consumer deposits	12	454 984	424 891
Employee benefit obligation	13	1 806 000	1 247 288
Unspent conditional grants and receipts	14	-	4 057 306
Provisions	15	29 274 468	26 852 294
		166 612 981	178 999 972
Non-Current Liabilities			
Finance lease obligation	10	66 650	-
Employee benefit obligation	13	22 461 000	15 991 033
Provisions	15	36 083 221	27 923 984
		58 610 871	43 915 017
Total Liabilities		225 223 852	222 914 989
Net Assets		3 085 183 572	3 052 331 632
Accumulated surplus		3 085 183 579	3 052 331 632
Total Net Assets		3 085 183 579	3 052 331 632

* See Note 2 & 46

Thulamela Municipality 2025

(Registration number LIM343)

Audited Annual Financial Statements for the year ended 30 June 2025

Statement of Financial Performance

Figures in Rand	Note(s)	2025	2024 Restated*
Revenue			
Revenue from exchange transactions			
Sales of goods and rendering of services	16	19 494 799	11 915 391
Service charges	17	27 399 535	26 877 504
Construction contracts	18	12 710 435	24 521 739
Rental of facilities and equipment	19	3 549 317	2 854 645
Interest on receivables from exchange transactions	20	11 200 398	9 830 067
Agency services	21	10 196 567	10 783 704
Licences and permits	22	1 204 025	726 645
Other income	23	3 366 497	5 108 638
Interest received - investment	24	77 673 000	83 815 978
Total revenue from exchange transactions		166 794 573	176 434 311
Revenue from non-exchange transactions			
Property rates	25	106 618 910	96 845 575
Interest on receivables from non-exchange receivables	26	19 988 436	18 334 561
Government grants & subsidies	27	771 212 000	760 545 076
Fines, Penalties and Forfeits	28	3 549 734	2 052 843
Reversal of impairments	29	235 555	30 429 457
Total revenue from non-exchange transactions		901 604 635	908 207 512
Total revenue		1 068 399 208	1 084 641 823
Expenditure			
Employee related costs	30	(377 399 834)	(342 651 298)
Employee costs - Remuneration of councillors	31	(35 074 853)	(34 192 838)
Depreciation and amortisation	32	(85 516 109)	(82 646 654)
Impairment loss	33	(9 818 527)	(1 272 688)
Finance costs	34	(5 071 729)	(5 023 832)
Lease rentals on operating lease	35	(4 734 236)	(4 596 531)
Debt Impairment	36	(64 833 486)	(51 463 744)
Bad debts written off	37	(6 221 971)	(35 525 162)
Contracted Services	38	(156 474 109)	(261 942 623)
Transfers and Subsidies	39	(1 687 436)	(1 696 803)
Gain or loss on disposal of assets and liabilities	8	(155 656 291)	(3 083 288)
Actuarial gains/losses	13	(778 605)	(230 018)
Inventories losses/write-downs		(2 433 838)	(636 908)
General Expenses	40	(129 846 241)	(113 890 625)
Total expenditure		(1 035 547 265)	(938 853 012)
Surplus for the year		32 851 943	145 788 811

* See Note 2 & 46

Thulamela Municipality 2025

(Registration number LIM343)

Audited 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
Opening balance as previously reported	2 925 575 727	2 925 575 727
Adjustments		
Prior year adjustments 46	(19 032 900)	(19 032 900)
Balance at 01 July 2023 as restated*	2 906 542 827	2 906 542 827
Changes in net assets		
Surplus for the year	161 268 837	161 268 837
Prior year adjustments 46	(15 480 032)	(15 480 032)
Total changes	145 788 805	145 788 805
Restated* Balance at 01 July 2024	3 052 331 636	3 052 331 636
Changes in net assets		
Surplus for the year	32 851 943	32 851 943
Total changes	32 851 943	32 851 943
Balance at 30 June 2025	3 085 183 579	3 085 183 579
Note(s)		

* See Note 2 & 46

Thulamela Municipality 2025

(Registration number LIM343)

Audited 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			
Property rates		67 229 944	52 168 708
Service Charges - refuse		15 922 301	8 507 352
Grants		767 154 694	736 589 000
Interest income		77 673 000	83 815 978
Sales of goods and rendering of services		19 494 799	11 915 391
Rental of facilities and equipment		3 549 317	2 854 645
Agency services		10 196 567	10 783 704
Licences and permits		1 204 025	726 645
Fines, Penalties and Forfeits		1 827 384	2 886 093
Other Income		6 559 155	4 263 765
Construction contracts		12 710 435	24 521 739
		983 521 621	939 033 020
Payments			
Employee costs		(405 282 469)	(377 780 592)
Suppliers		(297 163 241)	(365 588 486)
Finance costs		-	(206)
Transfers and Subsidies		(1 687 436)	(1 696 803)
		(704 133 146)	(745 066 087)
Net cash flows from operating activities	41	279 388 475	193 966 933
Cash flows from investing activities			
Purchase of property, plant and equipment	8	(185 988 307)	(298 640 498)
Cash flows from financing activities			
Finance lease payments		(733 142)	(572 563)
Net increase/(decrease) in cash and cash equivalents		92 667 026	(105 246 128)
Cash and cash equivalents at the beginning of the year		921 273 338	1 026 519 464
Cash and cash equivalents at the end of the year	7	1 013 940 364	921 273 336

The accounting policies on pages 20 to 54 and the notes on pages 55 to 117 form an integral part of the audited annual financial statements.

* See Note 2 & 46

Thulamela Municipality 2025

(Registration number LIM343)

Audited 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						
Sales of goods and rendering of services	50 670 510	(10 410 560)	40 259 950	19 494 799	(20 765 151)	N1
Service charges	34 072 432	(6 244 627)	27 827 805	27 399 535	(428 270)	Less than 10%
Construction contracts	14 617 000	-	14 617 000	12 710 435	(1 906 565)	N2
Rental of facilities and equipment	3 168 600	431 400	3 600 000	3 549 317	(50 683)	Less than 10%
Interest on receivables from exchange transactions	13 250 000	(1 100 000)	12 150 000	11 200 398	(949 602)	Less than 10%
Agency services	13 000 000	(1 500 000)	11 500 000	10 196 567	(1 303 433)	N3
Licences and permits	857 435	165 565	1 023 000	1 204 025	181 025	N4
Other income	7 007 487	(3 112 987)	3 894 500	3 366 497	(528 003)	N5
Interest received - investment	90 000 000	(6 595 600)	83 404 400	77 673 000	(5 731 400)	Less than 10%
Total revenue from exchange transactions	226 643 464	(28 366 809)	198 276 655	166 794 573	(31 482 082)	
Revenue from non-exchange transactions						
Property rates	108 498 600	4 750 000	113 248 600	106 618 910	(6 629 690)	Less than 10%
Interest on receivables from non-exchange receivables	20 000 000	4 300 000	24 300 000	19 988 436	(4 311 564)	N6
Government grants & subsidies	772 712 000	(1 500 000)	771 212 000	771 212 000	-	Less than 10%
Fines, Penalties and Forfeits	8 851 890	(4 492 840)	4 359 050	3 549 734	(809 316)	N7
Reversal of impairments	-	-	-	235 555	235 555	N8
Total revenue from non-exchange transactions	910 062 490	3 057 160	913 119 650	901 604 635	(11 515 015)	
Total revenue	1 136 705 954	(25 309 649)	1 111 396 305	1 068 399 208	(42 997 097)	
Expenditure						
Personnel	(374 256 397)	(5 969 131)	(380 225 528)	(377 399 834)	2 825 694	Less than 10%
Employee costs - Remuneration of councillors	(37 961 129)	(1)	(37 961 130)	(35 074 853)	2 886 277	Less than 10%
Depreciation and amortisation	(70 785 691)	(19 790 977)	(90 576 668)	(85 516 109)	5 060 559	Less than 10%
Impairment loss	(8 186 342)	(1 634 483)	(9 820 825)	(9 818 527)	2 298	Less than 10%
Finance costs	(2 315 800)	(2 794 921)	(5 110 721)	(5 071 729)	38 992	Less than 10%
Lease rentals on operating lease	(5 769 500)	569 500	(5 200 000)	(4 734 236)	465 764	Less than 10%
Debt Impairment	(91 669 500)	26 756 387	(64 913 113)	(64 833 486)	79 627	Less than 10%
Bad debts written off	(6 490 000)	268 029	(6 221 971)	(6 221 971)	-	
Contracted Services	(161 077 175)	(1 726 544)	(162 803 719)	(156 474 109)	6 329 610	Less than 10%
Transfers and Subsidies	(2 204 632)	350 000	(1 854 632)	(1 687 436)	167 196	Less than 10%
General expenses	(149 991 067)	6 769 142	(143 221 925)	(129 846 241)	13 375 684	N9
Total expenditure	(910 707 233)	2 797 001	(907 910 232)	(876 678 531)	31 231 701	
Operating surplus	225 998 721	(22 512 648)	203 486 073	191 720 677	(11 765 396)	
Loss on disposal of assets and liabilities	(4 699 780)	(5 529 219)	(10 228 999)	(155 656 291)	(145 427 292)	N10
Actuarial gains/losses	(1 976 945)	1 198 340	(778 605)	(778 605)	-	Less than 10%

Thulamela Municipality 2025

(Registration number LIM343)

Audited 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						
Inventories losses/write-downs	-	(2 433 910)	(2 433 910)	(2 433 838)	72	Less than 10%
	(6 676 725)	(6 764 789)	(13 441 514)	(158 868 734)	(145 427 220)	
Surplus before taxation	219 321 996	(29 277 437)	190 044 559	32 851 943	(157 192 616)	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	219 321 996	(29 277 437)	190 044 559	32 851 943	(157 192 616)	

Budget differences

In terms of MFMA section 31 and Virement Policy of the municipality, the municipality can shift funds within budget parameters. The changes between Schedule B (Final Approved Budget) and Final Budget were due to reallocation within budget parameters.

In this disclosure, materiality has been assumed to be all the variance which are 10% or more. Below are explanations of differences identified:

N1. Sales of goods and rendering of services

Variance is caused by, proclaimed area sites that were not sold as expected due to high price, accessibility of the place of sites and some were not habitable

N2. Construction contracts

Variance is due to excluding VAT to the amount as per treasury mSCOA circular 16 INEP that was initially budgeted as a grant.

N3. Agency services

Variance is due to various optional places to license vehicles and other related services.

N4. Licences and permits

Favourable balance is caused by over-collection under spaza/hawkers licence than what was budgeted for

N5. Other income

Unfavorable balance is caused by under-collection of skills development levy refund, as it was budgeted based on the total employee related cost budget

N6. Interest from non-exchange receivables

The property rates that were expected from sale of site could not be realized as some sites were not sold

N7.Fines, Penalties and Forfeits

The target that was expected was not reached, but the segment does realize the improvement compared to last reported year

N8.Reversal of Impairments

Variance is caused by reversal of impairment of land due to unidentified condition that resulted in previously impaired land

N9.General expenses

Variance is due to austerity measures (amongst others) subsistence and travelling, which decreases the spending on budgeted items

N10.Gain or loss on disposal of assets and liabilities

Variance is caused by transfer of RAL road to SANRAL as per gazeete number 51638

Thulamela Municipality 2025

(Registration number LIM343)

Audited 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 Position

Assets

Current Assets

Inventories	51 262 201	(3 657 288)	47 604 913	21 771 049	(25 833 864)	N1
Receivables from non-exchange transactions	5 837 397	41 196 107	47 033 504	28 544 121	(18 489 383)	N2
Receivables from exchange transactions	57 746 500	6 690 520	64 437 020	27 284 395	(37 152 625)	N3
Cash and cash equivalents	1 033 247 192	(64 704 179)	968 543 013	1 013 940 301	45 397 288	Less than 10%
	1 148 093 290	(20 474 840)	1 127 618 450	1 091 539 866	(36 078 584)	

Non-Current Assets

Property, plant and equipment	1 854 251 574	515 855 378	2 370 106 952	2 218 435 747	(151 671 205)	Less than 10%
Intangible assets	3 974 133	(3 581 355)	392 778	431 811	39 033	N5
	1 858 225 707	512 274 023	2 370 499 730	2 218 867 558	(151 632 172)	

Total Assets **3 006 318 997** **491 799 183** **3 498 118 180** **3 310 407 424** **(187 710 756)**

Liabilities

Current Liabilities

Finance lease obligation	-	-	-	743 201	743 201	N6
Payables from exchange transactions	129 438 882	17 869 925	147 308 807	134 334 327	(12 974 480)	N7
Consumer deposits	363 209	61 682	424 891	454 984	30 093	Less than 10%
Employee benefit obligation	3 940 524	(716 291)	3 224 233	1 806 000	(1 418 233)	N8
Unspent conditional grants and receipts	4 012 953	44 353	4 057 306	-	(4 057 306)	N9
Provisions	24 945 248	1 907 046	26 852 294	29 274 468	2 422 174	N10
	162 700 816	19 166 715	181 867 531	166 612 980	(15 254 551)	

Non-Current Liabilities

Finance lease obligation	-	-	-	66 650	66 650	N6
Employee benefit obligation	15 194 473	796 560	15 991 033	22 461 000	6 469 967	N8
Provisions	34 301 712	(3 377 728)	30 923 984	36 083 221	5 159 237	N10
	49 496 185	(2 581 168)	46 915 017	58 610 871	11 695 854	

Total Liabilities **212 197 001** **16 585 547** **228 782 548** **225 223 851** **(3 558 697)**

Net Assets **2 794 121 996** **475 213 636** **3 269 335 632** **3 085 183 573** **(184 152 059)**

Net Assets

Net Assets Attributable to Owners of Controlling Entity

Reserves

Accumulated surplus	2 794 121 996	475 213 636	3 269 335 632	3 085 183 579	(184 152 053)	
---------------------	---------------	-------------	----------------------	---------------	----------------------	--

N1. Inventories

Variance is due to only few sites sold in the current year and less consumables on hand at year end

Thulamela Municipality 2025

(Registration number LIM343)

Audited 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						

N2.Receivables from non-exchange transactions

Variance is due to low collection of revenue due to culture of non-payment by community

N3.Receivables from exchange transactions

Variance is due to low collection of revenue due to culture of non-payment by community

N4.VAT receivable

The budget was based on the opening balance, and municipality received less vat refund compared to last financial year

N5.Intangible assets

Variance is caused by amorisation reassessment that was done in the prior year

N6.Finance lease obligation

Variance is caused by cellphone lease that was realized for the current year and was budgeted for under operational expenditure

N7.Payables from exchange transactions

Variance is due to low spending under some of the items that were budgeted for and low creditor balance due to payments settled within 30 days

N8.Employee benefit obligation

Much of the increase in the DBO is due to the municipal long service award policy changes which are in accordance with the SALGA collective agreement discussed in Section 3 of actuarial valuation report

N9.Unspent conditional grants and receipts

Variance is due 100% spending on municipal allocated grants

N10.Provisions

Variance is due to increase in landfill site provision caused by, change in CPI, change in discount rate, change in unit costs and change in management practices

Thulamela Municipality 2025

(Registration number LIM343)

Audited 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						
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Property rates	58 661 370	4 494 915	63 156 285	67 229 944	4 073 659	N1
Service charges	23 547 330	(16 148 838)	7 398 492	15 922 301	8 523 809	N2
Sale of goods and services	35 896 283	(6 012 337)	29 883 946	52 886 425	23 002 479	N3
Grants	787 329 000	(1 500 000)	785 829 000	771 212 000	(14 617 000)	N4
Interest income	90 000 000	739 400	90 739 400	77 673 000	(13 066 400)	N5
	995 433 983	(18 426 860)	977 007 123	984 923 670	7 916 547	
Payments						
Employee costs	(415 447 818)	28 752	(415 419 066)	(403 300 062)	12 119 004	Less than 10%
Suppliers	(313 607 452)	(8 453 728)	(322 061 180)	(300 547 699)	21 513 481	N6
Finance costs	(8 000)	-	(8 000)	-	8 000	N7
Transfers and Subsidies	(2 204 632)	-	(2 204 632)	(1 687 436)	517 196	N8
	(731 267 902)	(8 424 976)	(739 692 878)	(705 535 197)	34 157 681	
Net cash flows from operating activities	264 166 081	(26 851 836)	237 314 245	279 388 473	42 074 228	
Cash flows from investing activities						
Purchase of property, plant and equipment	(219 322 000)	29 277 431	(190 044 569)	(185 988 307)	4 056 262	Less than 10%
Cash flows from financing activities						
Finance lease payments	-	-	-	(733 142)	(733 142)	N9
Net increase/(decrease) in cash and cash equivalents	44 844 081	2 425 595	47 269 676	92 667 024	45 397 348	
Cash and cash equivalents at the beginning of the year	988 403 111	(67 129 775)	921 273 336	921 273 338	2	
Cash and cash equivalents at the end of the year	1 033 247 192	(64 704 180)	968 543 012	1 013 940 362	45 397 350	

Thulamela Municipality 2025

(Registration number LIM343)

Audited 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						

N1. Property rates

Non-payment of unregistered properties which were expected to be registered and higher collection than expected

N2. Service charges

Favorable balance is due to under budget and municipality realize more collection than what was budgeted for

N3. Sale of goods and services

Variance is due to INEP grant classification from grants to sale of goods

N4. Grants

Variance is due to INEP grant classification as per treasury circular 16 that requires INEP to be disclosed as sale of goods

N5. Interest income

Unfavorable variance is caused by the reduction of repo rate by South African reserve bank, and culture of non-payment on outstanding debtors

N6. Suppliers

Variance is caused by austerity measures, which decreases the spending on budgeted items, and the budget of interest cost of non-current provision that is included but the actual is separate

N7. Finance costs

Variances are due to the municipality settling its creditors within the prescribed timeframe resulting in no interest penalties to the municipality

N8. Transfers and Subsidies

This is for disaster relief given to people in case of disaster, and variance is caused by low demand for such

N9. Finance lease payments

Variance is caused by finance lease that was realized for the current year and was budgeted under operating expenses

Thulamela Municipality 2025

(Registration number LIM343)

Audited Annual Financial Statements for the year ended 30 June 2025

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
--	--------------------	---	--------------------------------	---	--	--------------	-------------------	-----------------------------	----------	---	--

2025

Capital expenditure and funds sources

Total capital expenditure	219 322 000	(29 277 430)	190 044 570	-		190 044 570	192 061 712		2 017 142	101 %	88 %
---------------------------	-------------	--------------	-------------	---	--	-------------	-------------	--	-----------	-------	------

Thulamela Municipality 2025

(Registration number LIM343)

Audited Annual Financial Statements for the year ended 30 June 2025

Significant Accounting Policies

Figures in Rand	Note(s)	2025	2024
-----------------	---------	------	------

1. Significant accounting policies

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

1.1 Basis of preparation

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

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

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

These accounting policies are consistent with the previous period.

1.2 Presentation currency

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

1.3 Going concern assumption

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

1.4 Materiality

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

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

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

1.5 Significant judgements and sources of estimation uncertainty

In preparing the audited annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the audited 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 audited annual financial statements. Significant judgements include:

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

Allowance for slow moving, damaged and obsolete stock

An allowance for stock to write stock down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the operation surplus note.

Thulamela Municipality 2025

(Registration number LIM343)

Audited Annual Financial Statements for the year ended 30 June 2025

Significant Accounting Policies

1.5 Significant judgements and sources of estimation uncertainty (continued)

Contingent liabilities

Contingencies recognised in the current year required estimates and judgments, refer to note 44 on entity combinations.

Allowance for doubtful debts

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

1.6 Property, plant and equipment

Initial recognition and measurement

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

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

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

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

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

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

Thulamela Municipality 2025

(Registration number LIM343)

Audited Annual Financial Statements for the year ended 30 June 2025

Significant Accounting Policies

1.6 Property, plant and equipment (continued)

Work in progress taking significantly longer to complete is disclosed in the note of the Annual Financial Statements at carrying amount including the reasons for the delay.

Subsequent measurement - Cost Model

Subsequent to initial recognition, items of property, plant and equipment and leased assets are carried at cost less accumulated depreciation and any impairment losses. Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it meets the recognition criteria of Property, Plant and equipment.

The projects are assessed for possible impairment as at year end and most of them are still at design stages and there is no Council decision to discontinue the projects. Where there is Council decision to discontinue the project, the WIP projects will be impaired.

Depreciation and impairment

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives to their estimated residual values. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. Land is not depreciated as it is deemed to have an indefinite useful life.

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

Item	Depreciation method	Average useful life
Plant and machinery	Straight-line	4 - 20 years
Furniture and office equipment	Straight-line	4 - 23 years
Motor vehicles	Straight-line	10 - 19 years
Office equipment	Straight-line	3 - 5 years
Computer equipment	Straight-line	4 - 23 years
Roads and Stormwater Infrastructure	Straight-line	10 - 80 years
Community and building	Straight-line	10 - 60 years
Solid waste infrastructure	Straight-line	10 - 50 years
Electrical Infrastructure	Straight-line	30 - 40 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.

Depreciation of an asset commences when the asset is ready for its intended use. Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets, or, where shorter, the term of the relevant lease.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

Thulamela Municipality 2025

(Registration number LIM343)

Audited Annual Financial Statements for the year ended 30 June 2025

Significant Accounting Policies

1.6 Property, plant and equipment (continued)

The municipality tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the statement of financial performance.

Derecognition

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

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

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 8).

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

1.7 Site restoration and dismantling cost

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

If the related asset is measured using the cost model:

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

1.8 Intangible assets

Initial recognition and measurement

An asset is identifiable if it either:

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

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

An intangible asset is recognised when:

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

Thulamela Municipality 2025

(Registration number LIM343)

Audited Annual Financial Statements for the year ended 30 June 2025

Significant Accounting Policies

1.8 Intangible assets (continued)

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

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

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

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

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

Intangible assets are initially recognised at cost. An intangible asset acquired at no or nominal cost, the cost is deemed to be equal to its fair value as at the date of acquisition. Where an intangible asset 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.

Subsequent measurement - Cost model

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

Computer software

The amortisation period, residual values and the amortisation method for an intangible asset with a finite useful life are reviewed at each reporting date and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests intangible assets with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of an intangible asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

Amortisation and impairment

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. The annual amortisation rates are based on the following estimated average asset lives:

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 - 10 years

Derecognition

Intangible assets are derecognised:

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

Thulamela Municipality 2025

(Registration number LIM343)

Audited Annual Financial Statements for the year ended 30 June 2025

Significant Accounting Policies

1.8 Intangible assets (continued)

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

1.9 Financial instruments

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

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

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

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

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

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

A derivative is a financial instrument or other contract with all three of the following characteristics:

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

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

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

A financial asset is:

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

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

Thulamela Municipality 2025

(Registration number LIM343)

Audited Annual Financial Statements for the year ended 30 June 2025

Significant Accounting Policies

1.9 Financial instruments (continued)

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

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

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

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

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

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

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

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

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

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of unissued capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

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

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

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

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

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

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

Thulamela Municipality 2025

(Registration number LIM343)

Audited Annual Financial Statements for the year ended 30 June 2025

Significant Accounting Policies

1.9 Financial instruments (continued)

Classification

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

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

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

Class	Category
Payables from exchange transactions	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at amortised cost
Finance lease obligation	Financial liability measured at amortised cost

Initial recognition

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

The entity recognises financial assets using trade date accounting.

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

Gains and losses

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

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

Impairment of Financial Instruments

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

Offsetting

A financial asset and a financial liability shall be offset and the net amount presented in the statement of financial position when, and only when, an 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.

Thulamela Municipality 2025

(Registration number LIM343)

Audited Annual Financial Statements for the year ended 30 June 2025

Significant Accounting Policies

1.9 Financial instruments (continued)

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

Derecognition

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

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

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

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

1.10 Statutory receivables

Identification

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

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

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

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

Thulamela Municipality 2025

(Registration number LIM343)

Audited Annual Financial Statements for the year ended 30 June 2025

Significant Accounting Policies

1.10 Statutory receivables (continued)

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

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

Accrued interest

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

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

Other charges

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

Impairment losses

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

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

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

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

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

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

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

Derecognition

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

- the rights to the cash flows from the receivable are settled, expire or are waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the receivable; or

Thulamela Municipality 2025

(Registration number LIM343)

Audited Annual Financial Statements for the year ended 30 June 2025

Significant Accounting Policies

1.10 Statutory receivables (continued)

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

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

1.11 Leases

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

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

Finance leases - lessee

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

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease, if this is practicable to determine; if not, the lessee's incremental borrowing rate shall be used. Any initial direct costs of the lessee are added to the amount recognised as an asset.

Subsequent Measurement

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

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

Operating leases - lessee

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

1.12 Inventories

Initial recognition

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

Inventories comprise of current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process. Where inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired (including land held for sale).

Subsequent measurement

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

Thulamela Municipality 2025

(Registration number LIM343)

Audited Annual Financial Statements for the year ended 30 June 2025

Significant Accounting Policies

1.12 Inventories (continued)

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

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

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

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

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

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

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

Redundant and slow-moving inventories are identified and written down in this way. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Derecognition

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

1.13 Construction contracts and receivables

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

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

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

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

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

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

Thulamela Municipality 2025

(Registration number LIM343)

Audited Annual Financial Statements for the year ended 30 June 2025

Significant Accounting Policies

1.13 Construction contracts and receivables (continued)

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

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

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

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

1.14 Cash and cash equivalents

Cash comprises cash on hand and demand deposits.

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

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

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

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

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

1.15 Impairment of cash-generating assets

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

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

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

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

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

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

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

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

Useful life is either:

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

Thulamela Municipality 2025

(Registration number LIM343)

Audited Annual Financial Statements for the year ended 30 June 2025

Significant Accounting Policies

1.15 Impairment of cash-generating assets (continued)

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.

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.

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

Thulamela Municipality 2025

(Registration number LIM343)

Audited Annual Financial Statements for the year ended 30 June 2025

Significant Accounting Policies

1.15 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.

Thulamela Municipality 2025

(Registration number LIM343)

Audited Annual Financial Statements for the year ended 30 June 2025

Significant Accounting Policies

1.15 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.

1.16 Impairment of non-cash-generating assets

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

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

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

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

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

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

Thulamela Municipality 2025

(Registration number LIM343)

Audited Annual Financial Statements for the year ended 30 June 2025

Significant Accounting Policies

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

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

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

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

Useful life is either:

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

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

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.

The municipality designates an asset as non-cash-generating when its objective is not to use the asset to generate a commercial return but to deliver services.

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 a commercial return, the municipality designates the asset as a non-cash-generating asset and applies this accounting policy, rather than the accounting policy on Impairment of Non-cash-generating assets.

Identification

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

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

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

Value in use

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

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

Thulamela Municipality 2025

(Registration number LIM343)

Audited Annual Financial Statements for the year ended 30 June 2025

Significant Accounting Policies

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

Reversal of an impairment loss

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

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

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

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

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

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.

Thulamela Municipality 2025

(Registration number LIM343)

Audited Annual Financial Statements for the year ended 30 June 2025

Significant Accounting Policies

1.17 Employee benefits

Identification

Employee benefits

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

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

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

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

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

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

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

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 postemployment 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.

Thulamela Municipality 2025

(Registration number LIM343)

Audited Annual Financial Statements for the year ended 30 June 2025

Significant Accounting Policies

1.17 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.

Recognition and measurement

All short-term employee benefits

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

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

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

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.

Short-term paid absences

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

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

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

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

Bonus, incentive and performance related payments

The entity recognises the expected cost of bonus, incentive and performance related payments when, and only when:

(a) the entity has a present legal or constructive obligation to make such payments as a result of past events; and

(b) a reliable estimate of the obligation can be made. A present obligation exists when, and only when, the entity has no realistic alternative but to make the payments.

Thulamela Municipality 2025

(Registration number LIM343)

Audited Annual Financial Statements for the year ended 30 June 2025

Significant Accounting Policies

1.17 Employee benefits (continued)

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

Multi-employer plans

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

- (a) accounts for its proportionate share of the defined benefit obligation, plan assets and cost associated with the plan in the same way as for any other defined benefit plan; and
- (b) disclose the information required. When sufficient information is not available to use defined benefit accounting for a multi-employer defined benefit plan, the entity: (a) accounts for the plan as if it were a defined contribution plan; and (b) disclose the information required.

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

State plans

The entity accounts for a state plan in the same way as for a multi-employer plan.

Insured benefits

The entity may pay insurance premiums to fund a post-employment benefit plan. The entity treats such a plan as a defined contribution plan unless the entity will have (either directly or indirectly through the plan) a legal or constructive obligation either to:

- (a) pay the employee benefits directly when they fall due; or
- (b) pay further amounts if the insurer does not pay all future employee benefits relating to employee service in the current and prior reporting periods. If the entity retains such a legal or constructive obligation, the entity treats the plan as a defined benefit plan.

Thulamela Municipality 2025

(Registration number LIM343)

Audited Annual Financial Statements for the year ended 30 June 2025

Significant Accounting Policies

1.17 Employee benefits (continued)

Post-employment benefits: Defined contribution plans

Recognition and measurement

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

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

(b) as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset. When contributions to a defined contribution plan are not expected to be settled wholly before twelve months after the end of the reporting period in which the employees render the related service, they are discounted using the discount rate as specified. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

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.

Thulamela Municipality 2025

(Registration number LIM343)

Audited Annual Financial Statements for the year ended 30 June 2025

Significant Accounting Policies

1.17 Employee benefits (continued)

Other long-term employee benefits

Other long-term employee benefits may include, for example:

- long-term compensated absences such as long service or sabbatical leave;
- other long service benefits;
- long-term disability benefits;
- bonus, incentive and performance related payments payable twelve months or more after the end of the reporting period in which the employees render the related service;
- deferred compensation paid twelve months or more after the end of the reporting period in which it is earned; and
- compensation payable by the entity until an individual enters new employment.

Recognition and measurement

For other long-term employee benefits, 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:

- (a) service cost;
- (b) net interest on the net defined benefit liability (asset); and
- (c) remeasurements of the net defined benefit liability (asset).

The amount recognised as a liability for other long-term employee benefits shall be 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

Other post retirement obligations

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

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

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

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

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

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

1.18 Provisions

Provisions are recognised when:

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

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

Thulamela Municipality 2025

(Registration number LIM343)

Audited Annual Financial Statements for the year ended 30 June 2025

Significant Accounting Policies

1.18 Provisions (continued)

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

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

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

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

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

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

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

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

A constructive obligation to restructure arises only when an entity:

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

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

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

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.

Thulamela Municipality 2025

(Registration number LIM343)

Audited Annual Financial Statements for the year ended 30 June 2025

Significant Accounting Policies

1.18 Provisions (continued)

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

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

Decommissioning, restoration and similar liability

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

If the related asset is measured using the cost model:

- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity tests the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.15 and 1.16.
- changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
 - a decrease in the liability is credited directly to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit; and
 - an increase in the liability is recognised in surplus or deficit, except that it is debited directly to revaluation surplus in net assets to the extent of any credit balance existing in the revaluation surplus in respect of that asset;

The adjusted depreciable amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability is recognised in surplus or deficit as they occur. This applies under both the cost model and the revaluation model.

The periodic unwinding of the discount is recognised in surplus or deficit as a finance cost as it occurs.

1.19 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

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

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

Commitment is the amount that has been committed but not yet incurred. It is the difference between the contracted amount and the actual expenditure as at year end. This amount is disclosed on the Notes to the Annual Financial Statement.

Thulamela Municipality 2025

(Registration number LIM343)

Audited Annual Financial Statements for the year ended 30 June 2025

Significant Accounting Policies

1.20 Revenue from exchange transactions

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

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

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

Measurement

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

Sale of goods

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

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

Rendering of services

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

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

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

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

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by the proportion that costs incurred to date bear to the total estimated costs of the transaction.

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. Interest levied on transactions arising from 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.

Thulamela Municipality 2025

(Registration number LIM343)

Audited Annual Financial Statements for the year ended 30 June 2025

Significant Accounting Policies

1.20 Revenue from exchange transactions (continued)

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.

Service Charges

Service charges relating to refuse removal is recognised monthly in arrears by applying the approved tariff

Rental of facilities

Income in respect of rental facilities is accrued monthly and levied in terms of the approved tariffs

Agency services

Income for agency services, where the municipality acts as an agent, is recognised monthly once the income collected on behalf of principals is earned. The income is recognised in terms of the agency agreement.

Licenses and permits

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

Commission received

Income from commission received is recognised when commission is earned

Other Income

Revenue from other income is recognised when the invoice is issued and from point of sale

Skills development levy fund

Income is recognised when the municipality is entitled to receive the refund.

Thulamela Municipality 2025

(Registration number LIM343)

Audited Annual Financial Statements for the year ended 30 June 2025

Significant Accounting Policies

1.21 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.

Thulamela Municipality 2025

(Registration number LIM343)

Audited Annual Financial Statements for the year ended 30 June 2025

Significant Accounting Policies

1.21 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 nominal interest rate method for statutory receivables. Interest levied on transactions arising from non-exchange transactions is classified based on the nature of the underlying transaction.

Property rates

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 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.

Transfers

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

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

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

Debt forgiveness and assumption of liabilities

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

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

Fines

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

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

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

Gifts and donations, including goods in-kind

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

Thulamela Municipality 2025

(Registration number LIM343)

Audited Annual Financial Statements for the year ended 30 June 2025

Significant Accounting Policies

1.21 Revenue from non-exchange transactions (continued)

Services in-kind

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.

Where services in-kind are not significant to the municipality's operations and/or service delivery objectives and/or do not satisfy the criteria for recognition, the municipality disclose the nature and type of services in-kind received during the reporting period.

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.

Where services in-kind are not significant to the municipality's operations and/or service delivery objectives and/or do not satisfy the criteria for recognition, the municipality disclose the nature and type of services in-kind received during the reporting period.

1.22 Investment income

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

1.23 Accounting by principals and agents

Identification

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

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

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

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.

Thulamela Municipality 2025

(Registration number LIM343)

Audited Annual Financial Statements for the year ended 30 June 2025

Significant Accounting Policies

1.23 Accounting by principals and agents (continued)

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.

1.24 Comparative figures

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

When the presentation or classification of items in the financial statements is amended, comparative amounts are reclassified, unless the reclassification is impracticable. When comparative amounts are reclassified, the following is disclosed:

- the nature of the reclassification;
- the amount of each item or class of items that is reclassified; and
- the reason for the reclassification.

When it is impracticable to reclassify comparative amounts, the following is disclosed:

- the reason for not reclassifying the amounts; and
- the nature of the adjustments that would have been made if the amounts had been reclassified.

Where material accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly, where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.25 Unauthorised expenditure

Unauthorised expenditure means any expenditure incurred by a municipality otherwise than in accordance with section 15 or 11(3) of the Municipal Finance Management Act (Act No.56 of 2003), and includes:

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

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No 56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

Thulamela Municipality 2025

(Registration number LIM343)

Audited Annual Financial Statements for the year ended 30 June 2025

Significant Accounting Policies

1.26 Fruitless and wasteful expenditure

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

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

1.27 Irregular expenditure

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

1.28 Segment information

A segment is an activity of an entity:

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

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

Measurement

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

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

1.29 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.

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

Thulamela Municipality 2025

(Registration number LIM343)

Audited Annual Financial Statements for the year ended 30 June 2025

Significant Accounting Policies

1.29 Budget information (continued)

The audited 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.

Presentation of a comparison of the budget amounts for which it is held publicly accountable and actual amounts is presented as a separate additional financial statement. The comparison of budget and actual amounts is present separately for each level of legislative oversight:

- the approved and final budget amounts;
- the actual amounts on a comparable basis; and
- by way of note disclosure, an explanation of material differences between the budget for which the entity is held publicly accountable and actual amounts, unless such explanation is included in other public documents issued in conjunction with the financial statements, and a cross reference to those documents is made in the notes.

1.30 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 audited annual financial statements.

The municipality discloses:

- The aggregate remuneration of key management personnel and the number of individuals, determined on a full-time equivalent basis, receiving remuneration within this category, showing separately major classes of key management personnel and including a description of each class;
- The total amount of all other remuneration and compensation provided to key management personnel, and close members of the family of key management personnel, by the municipality.

1.31 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).

Thulamela Municipality 2025

(Registration number LIM343)

Audited Annual Financial Statements for the year ended 30 June 2025

Significant Accounting Policies

1.31 Events after reporting date (continued)

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.

1.32 Value Added Tax

The municipality applies the payment basis for VAT purposes as per the Value-Added Tax Act. Output tax is paid to SARS as and when the purchase consideration are received and input will be claimed as and when payment is made.

VAT is accounted for on an accrual basis in the annual financial statements.

The VAT accrual account does not represent amounts to be received or paid, but rather amounts that are associated with transactions that are yet to be settled. There is no money to be received or paid to SARS for these amounts as yet. VAT input accruals is recognised as receivable from exchange transactions. VAT output accrual is recognised as payables from exchange transaction.

1.33 Contingent Liabilities and contingent assets

A contingent liability is:

- (a) a possible obligation that arises from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or
- (b) a present obligation that arises from past events but is not recognised because:
 - (i) it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; or
 - (ii) the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets represent a possible assets that arise from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality.

Where practicable the amount disclosed as contingent liability shall be the estimates of outcome and financial effects determined by the judgement of the management of the municipality, supplemented by experience of similar transactions and, in some cases, reports from independent experts. The evidence considered includes any additional evidence provided by events after the reporting date.

Contingent assets and contingent liabilities are not recognised. contingencies are disclosed in the notes to the financial statements when it meets the definition of contingent liabilities and contingent assets.

Contingencies are reviewed at each reporting date and adjusted to reflect the current conditions of the contingent liability or asset.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 44.

1.34 General Expenses

Expenses are decreases in economic benefits or service potential during the reporting period in the form of outflows or consumption of assets or incurrences of liabilities that result in decreases in net assets, other than those relating to distributions to owners.

Recognition and measurement

Expenses are recognised on an accrual basis.

This means a basis of accounting under which transactions are recognised when they occur (and not only when cash or its equivalent is received or paid). Therefore, the transactions are recorded in the accounting records and recognised in the financial statements of the periods to which they relate.

Thulamela Municipality 2025

(Registration number LIM343)

Audited Annual Financial Statements for the year ended 30 June 2025

Significant Accounting Policies

1.35 Accumulated Surplus

The municipality's surplus or deficit for the year is accounted in the accumulated surplus reserve in the statement of changes in net assets.

1.36 Errors

A prior period error is corrected by retrospective restatement except to the extent that it is impracticable to determine either the period-specific effects or the cumulative effect of the error.

When it is impracticable to determine the period-specific effects of an error on comparative information for one or more prior periods presented, the opening balances of assets, liabilities and net assets are restated for the earliest period for which retrospective restatement is practicable (which may be the current period).

When it is impracticable to determine the cumulative effect, at the beginning of the current period, of an error on all prior periods, the comparative information is restated to correct the error prospectively from the earliest date practicable.

1.37 Grants and Transfers

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

A corresponding liability is recognised to the extent that the grant and transfer recognised as an asset, is subject to conditions that require that the Municipality either consumes the future economic benefits or service potential of the asset as specified, or that in the event that the conditions are breached, the Municipality returns such future economic benefits or service potential to the transferor. The liability is transferred to revenue when the conditions attached to the grants and transfers are met. Grants and transfers that are not subject to any conditions are recognised as revenue when the assets are initially recognised.

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

1.38 Bad debts written off

Bad debts written-off refers to a process where-by outstanding account balances are reduced to reflect net value to be collected from the customer. The municipality write-off customer accounts in full or partially when there is evidence that the full amount or a portion of the outstanding amount will not be recovered.

Bad debts may be written off in the following cases in terms of the credit control and debt collection policy:

- If the owner of the property dies and his or her estate is not economical to settle debts
- If the household was indigent before the owner dies.
- If the debt is more than 365 days and all efforts e.g. in terms of this policy have been made but no payment is received
- If the Council decides to write-off any debt

Bad debt written-off is a decrease in economic benefits of the municipality, therefore it is recognised as an expense in the year it occurs.

All customer accounts identified as irrecoverable are marked for write-off subject to approval by the council

Thulamela Municipality 2025

(Registration number LIM343)

Audited Annual Financial Statements for the year ended 30 June 2025

Notes to the Audited Annual Financial Statements

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

2. Changes in accounting policies, estimates and errors

An accounting policy is changed only if the change:

- is required by a Standard of GRAP; or
- results in the financial statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the entity's financial position, financial performance or cash flows.

A change in accounting policy is applied retrospectively, except to the extent that it is impracticable to determine either the period-specific effects or the cumulative effect of the change. When it is impracticable to determine the period-specific effects of changing an accounting policy on comparative information for one or more prior periods presented, the entity shall apply the new accounting policy to the carrying amounts of assets and liabilities as at the beginning of the earliest period for which retrospective application is practicable, which may be the current period, and shall make a corresponding adjustment to the opening balance of each affected component of net assets for that period.

When it is impracticable to determine the cumulative effect, at the beginning of the current period, of applying a new accounting policy to all prior periods, the entity shall adjust the comparative information to apply the new accounting policy prospectively from the earliest date practicable.

Changes in accounting estimates are applied prospectively in accordance with GRAP 3 requirements.

Correction of errors are applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the error. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

Details of changes in accounting policies, changes in estimates and correction of error are disclosed in the notes to annual financial statements where applicable.

As a result of the uncertainties inherent in delivering services, conducting trading or other activities, many items in financial statements cannot be measured with precision but can only be estimated. Estimation involves judgements based on the latest available, reliable information. For example, estimates may be required of:

- tax revenue due to government;
- bad debts arising from uncollected taxes
- inventory obsolescence;
- the fair value of financial assets and financial liabilities;
- the useful lives of, or expected pattern of consumption of economic benefits or service potential embodied in, depreciable assets or the percentage completion of road construction; and
- warranty obligations

The use of reasonable estimates is an essential part of the preparation of financial statements and does not undermine their reliability. An estimate may need revision if changes occur in the circumstances on which the estimate was based or as a result of new information or more experience

By its nature, the revision of an estimate does not relate to prior periods and is not the correction of an error. A change in the measurement basis applied is a change in an accounting policy, and is not a change in an accounting estimate. When it is difficult to distinguish a change in an accounting policy from a change in an accounting estimate, the change is treated as a change in an accounting estimate

Disclosure:

An entity shall disclose the nature and amount of a change in an accounting estimate that has an effect in the current period or is expected to have an effect in future periods, except for the disclosure of the effect on future periods when it is impracticable to estimate that effect

If the amount of the effect in future periods is not disclosed because estimating it is impracticable, an entity shall disclose that fact

Thulamela Municipality 2025

(Registration number LIM343)

Audited Annual Financial Statements for the year ended 30 June 2025

Notes to the Audited Annual Financial Statements

3. New standards and interpretations

3.1 Standards and interpretations issued, but not yet effective

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

GRAP 1 (amended): Presentation of Financial Statements (Going Concern)

The Board undertook a project in 2021 to consider the guidance and disclosure requirements on going concern in the relevant Standards of GRAP. As an outcome of this project, the Board agreed to include additional guidance and disclosures on going concern in this Standard. Consequential amendments are also made to the Standard of GRAP on Events After the Reporting Date.

Applicability of going concern in the public sector

An entity prepares its financial statements on a going concern basis unless there is an intention to liquidate the entity, to cease operating, or if there is no realistic alternative but to do so. A liquidation or cessation of an entity's operations will result in the termination of all its functions.

In South Africa, specific legislative requirements need to be followed before a decision is taken to liquidate a public sector entity, to cease or scale back its operations, to transfer some or all of its functions to another entity, or to merge one or more entities. The "intention" to liquidate an entity, to cease or scale back its operations, to transfer some or all of its functions to another entity, or to merge one or more entities needs to be established. This intention can be reflected in a number of ways and may encompass legislation passed in Parliament or a provincial legislature, cabinet decision, ministerial order, a decision made by a municipal council, board, council or equivalent, a regulation or a notice, or other official means.

The liquidation or cessation of a public sector entity's operations is rare, and only in the case of dissolution without any continuation of the entity's operations will the going concern basis cease to apply. When all, or some of the functions of an entity are transferred to another entity, or when a decision is taken to merge one or more entities, the application of the going concern basis remains appropriate. This is because the entity's functions will continue to be provided in a modified form, even though they are executed by another entity.

The Board agreed to include explanatory guidance in this Standard on the application of the going concern assumption by public sector entities.

Where some of an entity's functions are transferred in a transfer of functions, and the remaining functions are discontinued, there are two separate transactions. The Board concluded that management should assess these transactions separately based on the functions transferred, those to be discontinued (if any), and those that may be retained and continued (if any), to determine if preparing the entity's financial statements on a going concern basis remains appropriate.

Disclosure on going concern

The Board's project highlighted a need for specific disclosures on going concern, material uncertainties relating to going concern, and actions taken by management to mitigate these uncertainties. Consideration was also given to the practices, guidance and requirements in other countries and/or from other standard-setting bodies on these matters.

To address the diversity in the information disclosed on going concern, the Board agreed to expand the disclosure requirements in this Standard to ensure that consistent disclosures are provided.

The effective date of these revisions have not yet been set.

The municipality expects to adopt the standard for the first time in the 2098/2099 audited annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's audited annual financial statements.

GRAP 104 (as revised): Financial Instruments

Thulamela Municipality 2025

(Registration number LIM343)

Audited Annual Financial Statements for the year ended 30 June 2025

Notes to the Audited Annual Financial Statements

3. New standards and interpretations (continued)

Following the global financial crisis, a number of concerns were raised about the accounting for financial instruments. This included that (a) information on credit losses and defaults on financial assets was received too late to enable proper decision-making, (b) using fair value in certain instances was inappropriate, and (c) some of the existing accounting requirements were seen as too rules based. As a result, the International Accounting Standards Board® amended its existing Standards to deal with these issues. The IASB issued IFRS® Standard on Financial Instruments (IFRS 9) in 2009 to address many of the concerns raised. Revisions were also made to IAS® on Financial Instruments: Presentation and the IFRS Standard® on Financial Instruments: Disclosures. The IPSASB issued revised International Public Sector Accounting Standards in June 2018 so as to align them with the equivalent IFRS Standards.

The revisions better align the Standards of GRAP with recent international developments. The amendments result in better information available to make decisions about financial assets and their recoverability, and more transparent information on financial liabilities.

The most significant changes to the Standard affect:

- Financial guarantee contracts issued
- Loan commitments issued
- Classification of financial assets
- Amortised cost of financial assets
- Impairment of financial assets
- Disclosures

The effective date of the revisions is not yet set by the Minister of Finance.

The municipality expects to adopt the revisions for the first time when the Minister sets the effective date for the revisions.

It is unlikely that the standard will have a material impact on the municipality's audited annual financial statements.

4. Inventories

Consumable stores	12 726 814	11 898 378
Unsold Properties Held for Resale	9 044 235	15 063 406
	21 771 049	26 961 784

Inventory pledged as security

No inventory have been pledged as security.

5. Receivables from non-exchange transactions

Gross balances

Consumer debtors - Rates	422 059 398	368 903 967
Traffic fines	6 379 900	4 657 550
	428 439 298	373 561 517

Less: Allowance for impairment

Consumer debtors - Rates	(394 855 056)	(351 350 733)
Traffic fines	(5 040 121)	(2 980 832)
	(399 895 177)	(354 331 565)

Net balance

Consumer debtors - Rates	27 204 342	17 553 234
Traffic fines	1 339 779	1 676 718
	28 544 121	19 229 952

Thulamela Municipality 2025

(Registration number LIM343)

Audited Annual Financial Statements for the year ended 30 June 2025

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024
5. Receivables from non-exchange transactions (continued)		
Rates		
Current (0 -30 days)	19 297 092	8 992 726
31 - 60 days	7 315 637	7 039 357
61 - 90 days	6 920 639	6 826 740
91 - 120 days	6 832 573	6 705 000
121 - 365 days	52 106 134	51 683 709
> 365 days	329 587 322	287 656 435
	422 059 397	368 903 967
Traffic fines		
Current (0 -30 days)	270 850	67 500
31 - 60 days	223 400	232 950
61 - 90 days	152 200	316 050
91 - 120 days	304 150	373 550
121 - 365 days	1 831 450	1 594 350
> 365 days	3 597 850	2 073 150
	6 379 900	4 657 550

Thulamela Municipality 2025

(Registration number LIM343)

Audited Annual Financial Statements for the year ended 30 June 2025

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024
5. Receivables from non-exchange transactions (continued)		
Summary of debtors by customer classification		
Consumers (residential)		
Current (0 -30 days)	7 897 120	3 503 390
31 - 60 days	3 527 903	3 368 164
61 - 90 days	3 463 827	3 287 735
91 - 120 days	3 424 206	3 233 423
121 - 365 days	26 569 161	25 500 143
> 365 days	185 182 147	160 781 292
	230 064 364	199 674 147
Industrial/ commercial		
Current (0 -30 days)	5 468 778	3 042 185
31 - 60 days	1 486 507	1 486 389
61 - 90 days	1 459 857	1 450 310
91 - 120 days	1 426 544	1 399 685
121 - 365 days	10 546 912	10 611 872
> 365 days	62 689 265	51 614 370
	83 077 863	69 604 811
National and provincial government		
Current (0 -30 days)	5 931 194	2 447 151
31 - 60 days	2 301 227	2 184 805
61 - 90 days	1 996 954	2 088 695
91 - 120 days	1 981 823	2 071 892
121 - 365 days	14 990 061	15 571 694
> 365 days	81 715 910	75 260 774
	108 917 169	99 625 011
Total		
Current (0 -30 days)	19 297 092	8 992 726
31 - 60 days	7 315 637	7 039 357
61 - 90 days	6 920 639	6 826 740
91 - 120 days	6 832 573	6 705 000
121 - 365 days	52 106 134	51 683 709
> 365 days	329 587 322	287 656 435
	422 059 397	368 903 967
Less: Allowance for impairment	(394 855 056)	(351 350 733)
	27 204 341	17 553 234
Reconciliation of allowance for impairment		
Balance at beginning of the year	(354 331 565)	(338 081 370)
Contributions to allowance	(45 563 612)	(46 078 191)
Reversal of allowance	-	29 827 996
	(399 895 177)	(354 331 565)

Thulamela Municipality 2025

(Registration number LIM343)

Audited Annual Financial Statements for the year ended 30 June 2025

Notes to the Audited Annual Financial Statements

Figures in Rand

2025

2024

5. Receivables from non-exchange transactions (continued)

Statutory receivables general information

Transaction(s) arising from statute

Property rates are statutory receivables as defined by GRAP 108. Property rates arises from implementation of the requirements of Municipal Property Rates Act No. 6 of 2004, hence recognised as a statutory receivable.

Traffic fines are governed by Administrative Adjudication of Road Traffic Offences Act, No. 46 of 1998 (AARTO) and National Road Traffic Act, No. 93 of 1996 of South Africa, hence this is therefore recognised as a statutory receivable.

The municipality is required to levy or pay tax at a rate of 15% as per requirements of section 7 of the Value Added Tax Act No.89 of 1991. VAT amount is based on the supply of good or service by the municipality in the course of furtherance of any enterprises conducted by the municipality. The municipality is registered for VAT on a cash basis with SARS. Vat output is declared to SARs upon receipt of the outstanding amount from cutomers and VAT input is claimed from SARs once creditors balances are settled

Determination of transaction amount

Traffic fines charges for each offence are prescribed in the AARTO Act, this is the amount recorded on the financial system as per the issues offence ticket. The receivable is calculated by determining the value of the fine to be paid on initial recognition, and accounting for subsequent measurement by taking into account reductions and discounts made to the value of the fine payable in terms of the court of law.

Property rates values are determined by taking approved tariff rates and multiply it by the market values of properties within municipal jurisdiction as detailed in the general valuation roll. Council approved rebates and exemptions are further applied to reduce the receivable.

The transaction amount is determined by application of 15% on all taxable supplies incurred by the municipality. The net amount between the amount actually received from sale of taxable goods or services and acquisition of taxable goods or services will be submitted to SARS as the amount receivable/payable. A receivable arises when VAT input amount paid to suppliers is more than VAT output amount received from customers.

Interest or other charges levied/charged

No interest is charged on outstanding fines, and any additional penalties applied by the court is paid by the offender to the court directly, and is therefore not considered to be revenue for the municipality.

Every account that is 30 days and more in arrears will be subjected to interest as determined by the council. Interest will be charged on outstanding debts and exclude Interest and VAT (No interest will be charged on Interest and VAT).

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

Statutory receivables are assessed for impairment annually using the collection rate method. This methods involves calculating average collection rate per customer which is determined by taking collection rate for current and prior periods and divide by number of periods being considered. The estimated default rate (impairment rate) is equal to 100% less average collection rate.

Provision for credit losses is potential losses that the municipality might experience due to credit risk. An estimated amount to be lost is calculated and is treated as an expense on the municipality's financial statements. Non-payment of debt would lead to an outflow of resources embodying economic benefits or service potential in settlement regardless of the future actions of the municipality

Additional factors considered for testing impairment of statutory receivables:

Individual receivable impairment shall identify individual receivable accounts that meet any one of the following criteria:

- Customers' accounts where a formal arrangement has been made and no payment has been made in current and comparative year.
- Customer Accounts marked as inactive
- Accounts handed over to debt collectors and/or power of attorney

Thulamela Municipality 2025

(Registration number LIM343)

Audited Annual Financial Statements for the year ended 30 June 2025

Notes to the Audited Annual Financial Statements

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

5. Receivables from non-exchange transactions (continued)

- Outstanding Customer Accounts balances older than 30 days
- Customer Accounts awaiting to be written-off after presented to senior management
- Indigent debtors where accounts are outstanding for more than 30 days

Impairment exclusions

The following accounts are specifically excluded from the assessment for impairment:

- Receivable accounts with a total credit balance at reporting date.
- Receivable account balances that have not been outstanding for more than 30 days at the reporting date as these account balances are not overdue
- Receivable accounts where the municipality is the owner, as this is raised on the debtor system and rebated accordingly

Historical collections trends from SARs are used as basis for assessing whether VAT refund amount must be impaired or not. SARs normally settle all refunds on time and there is no period with a disputed refund, therefore no impairment has been calculated.

Discount rate applied to the estimated future cash flows

In estimating the future cash flows, management considered both the amount and timing of the cash flows that it will receive in future. In line with par 12 of the Credit Control Policy, the municipality does not see itself as a credit provision institution and hence the effect of the time value of money is not considered as all outstanding amounts are immediately payable.

For impairment calculations, there was no discounting of expected future costs performed because the receivables balance as per debtors age analysis represents the present value of expected future cash inflows

No discounting applied as this amount declared to SARs represents the present value of the future cash flows to be received from SARS

Statutory receivables included in the financial statements are as follows:

Consumer debtors - Rates	27 204 342	17 553 234
Traffic fines	1 339 779	1 676 718
VAT control Account - SARs Refund	5 551 860	11 175 273
	34 095 981	30 405 225

6. Receivables from exchange transactions

Gross balances

Other receivables	2 058 967	2 042 028
Sundry debtors	3 599 703	3 273 003
VAT input accrual	9 981 394	10 862 434
Consumer debtors - Refuse	178 728 977	156 983 919
Consumer debtors - Service charges	35 874 888	36 186 969
Consumer debtors - Land Sale Debtors	49 979 304	48 734 650
VAT control Account - SARs Refund	5 551 860	11 175 273
	285 775 093	269 258 276

Less: Allowance for impairment

Other receivables	(1 975 704)	(1 960 332)
Sundry debtors	(3 224 642)	(2 630 955)
Consumer debtors - Refuse	(169 139 697)	(150 608 813)
Consumer debtors - Service charges	(34 626 402)	(35 444 407)
Consumer debtors - Land Sale Debtors	(49 524 253)	(48 576 316)
	(258 490 698)	(239 220 823)

Thulamela Municipality 2025

(Registration number LIM343)

Audited Annual Financial Statements for the year ended 30 June 2025

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024
6. Receivables from exchange transactions (continued)		
Net balance		
Other receivables	83 263	81 696
Sundry debtors	375 061	642 048
VAT input accrual	9 981 394	10 862 434
Consumer debtors - Refuse	9 589 280	6 375 106
Consumer debtors - Service charges	1 248 486	742 562
Consumer debtors - Land Sale Debtors	455 051	158 334
VAT control Account - SARs Refund	5 551 860	11 175 273
	27 284 395	30 037 453
Sundry debtors		
Current (0 -30 days)	240 770	569 953
31 - 60 days	92 575	90 957
61 - 90 days	91 899	44 286
91 - 120 days	91 899	45 108
121 - 365 days	456 251	312 515
> 365 days	2 626 309	2 210 184
	3 599 703	3 273 003
Refuse		
Current (0 -30 days)	6 217 396	3 218 807
31 - 60 days	2 822 503	2 910 509
61 - 90 days	2 773 962	2 850 857
91 - 120 days	2 734 510	2 783 746
121 - 365 days	20 766 882	21 368 017
> 365 days	143 413 724	123 851 983
	178 728 977	156 983 919
Consumer debtors-service charges		
Current (0 -30 days)	802 134	141 183
31 - 60 days	119 245	126 240
61 - 90 days	153 195	120 090
91 - 120 days	88 587	120 230
121 - 365 days	804 173	1 569 233
> 365 days	33 907 554	34 109 994
	35 874 888	36 186 970
Consumer debtors - Land Sale Debtors		
Current (0 -30 days)	339 694	172 835
31 - 60 days	170 030	172 847
61 - 90 days	170 055	172 857
91 - 120 days	169 089	172 910
121 - 365 days	1 450 257	1 450 233
> 365 days	47 680 180	46 592 969
	49 979 305	48 734 651

Thulamela Municipality 2025

(Registration number LIM343)

Audited Annual Financial Statements for the year ended 30 June 2025

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024
6. Receivables from exchange transactions (continued)		
Summary of debtors by customer classification		
Consumers (residential)		
Current (0 -30 days)	5 116 192	2 458 408
31 - 60 days	2 362 168	2 389 549
61 - 90 days	2 363 497	2 350 912
91 - 120 days	2 298 751	2 322 546
121 - 365 days	17 887 593	18 727 110
> 365 days	179 868 371	162 869 734
	209 896 572	191 118 259
Industrial/ commercial		
Current (0 -30 days)	1 793 782	904 000
31 - 60 days	680 029	691 417
61 - 90 days	665 694	676 059
91 - 120 days	627 206	638 692
121 - 365 days	4 644 617	4 862 793
> 365 days	41 776 532	36 616 163
	50 187 860	44 389 124
National and provincial government		
Current (0 -30 days)	449 249	170 418
31 - 60 days	69 580	128 630
61 - 90 days	68 020	116 833
91 - 120 days	66 228	115 648
121 - 365 days	489 103	797 580
> 365 days	3 356 557	5 069 048
	4 498 737	6 398 157
Total		
Current (0 -30 days)	7 359 224	3 532 826
31 - 60 days	3 111 778	3 209 596
61 - 90 days	3 097 211	3 143 804
91 - 120 days	2 992 186	3 076 886
121 - 365 days	23 021 313	24 387 483
> 365 days	225 001 457	204 554 943
	264 583 169	241 905 538
Less: Allowance for impairment	(253 290 351)	(234 629 536)
	11 292 818	7 276 002
Reconciliation of allowance for impairment		
Balance at beginning of the year	(239 220 823)	(233 835 270)
Contributions to allowance	(19 269 875)	(5 385 553)
	(258 490 698)	(239 220 823)
7. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Bank balances	770 350 737	445 096 413
Short-term deposits	243 589 564	476 176 925
	1 013 940 301	921 273 338

Thulamela Municipality 2025

(Registration number LIM343)

Audited Annual Financial Statements for the year ended 30 June 2025

Notes to the Audited Annual Financial Statements

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

7. Cash and cash equivalents (continued)

Cash and cash equivalents pledged as collateral

Total financial assets pledged as collateral for services rendered by the Post Office to the Municipality - 850 000 850 000 850 000

Included in the main primary bank account is a guarantee/security of R850 000 to the Post Office. Should the Municipality fail to meet payment obligations with the Post Office the amount will be paid over to the Post Office by the bank.

The municipality had the following bank accounts

Account number / description	Bank statement balances		Cash book balances	
	30 June 2025	30 June 2024	30 June 2025	30 June 2024
FNB BANK - CHEQUE - 54660078973	795 718 776	479 516 388	770 350 734	445 096 412
FNB BANK - CALL - 62090588016	55 648 673	201 897 796	55 648 673	201 897 796
FNB BANK - CALL - 62090588793	71 741 220	214 680 595	71 741 220	214 680 595
FNB BANK - MONEY MARKET - 62336900320	116 199 671	59 598 533	116 199 671	59 598 534
Total	1 039 308 340	955 693 312	1 013 940 298	921 273 337

The difference between the Cash and cash equivalents balance for the Cheque (primary) account as per the underlying accounting records and the Bank confirmation/certificate is caused by outstanding deposits and payments. These are payments made and receipts received close to year end, therefore, they do not yet reflect in the banking systems.

Outstanding deposits reflecting in the Cashbook and not yet reflecting in the bank
- Cheque Account. 453 937.79

Payments reflecting in the cashbook and not yet reflecting in the bank as at 30 June 2025
- Cheque Account (25 821 980.12)

Net difference between the Cashbook and Bank Confirmed Balance **(25 368 042.33)**

Thulamela Municipality 2025

(Registration number LIM343)

Audited Annual Financial Statements for the year ended 30 June 2025

Notes to the Audited Annual Financial Statements

Figures in Rand

8. Property, plant and equipment

	2025			2024		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	124 020 649	(7 625 135)	116 395 514	124 203 524	(2 149 532)	122 053 992
Plant and machinery	20 031 788	(8 460 498)	11 571 290	21 277 245	(7 371 925)	13 905 320
Furniture and Office equipment	18 203 272	(12 412 276)	5 790 996	18 257 877	(11 554 020)	6 703 857
Motor vehicles	127 873 067	(46 017 562)	81 855 505	132 727 226	(39 795 787)	92 931 439
Computer Equipment	22 448 889	(12 965 381)	9 483 508	21 638 128	(10 312 175)	11 325 953
Roads and Stormwater Infrastructure	1 833 687 551	(611 719 424)	1 221 968 127	1 858 289 550	(574 395 650)	1 283 893 900
Community	486 728 155	(140 686 686)	346 041 469	401 857 838	(128 596 946)	273 260 892
Solid Waste Infrastructure	34 122 271	(16 767 631)	17 354 640	23 671 669	(18 291 342)	5 380 327
Electrical Infrastructure	100 180 917	(20 231 338)	79 949 579	93 737 622	(16 403 009)	77 334 613
Community assets - Work in progress	63 096 322	(679 284)	62 417 038	138 309 391	(679 284)	137 630 107
Roads and Stormwater - Work in Progress	253 587 630	-	253 587 630	233 167 059	-	233 167 059
Solid waste infrastructure - Work in progress	8 454 080	-	8 454 080	14 705 207	-	14 705 207
Electrical infrastructure - Work in progress	3 566 371	-	3 566 371	4 816 981	-	4 816 981
Total	3 096 000 962	(877 565 215)	2 218 435 747	3 086 659 317	(809 549 670)	2 277 109 647

Thulamela Municipality 2025

(Registration number LIM343)

Audited Annual Financial Statements for the year ended 30 June 2025

Notes to the Audited Annual Financial Statements

Figures in Rand

8. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2025

	Opening balance	Additions	Disposals	Transfers received	Transfers made	Depreciation	Impairment loss	Impairment reversal	Total
Land	122 053 992	-	-	-	(182 875)	-	(5 711 158)	235 555	116 395 514
Plant and machinery	13 905 320	42 000	(390 523)	-	-	(1 985 507)	-	-	11 571 290
Furniture and Office equipment	6 703 857	477 424	(104 226)	-	-	(1 286 059)	-	-	5 790 996
Motor vehicles	92 931 439	-	(2 080 701)	-	-	(8 995 233)	-	-	81 855 505
Computer Equipment	11 325 953	1 795 269	(300 528)	-	-	(3 337 186)	-	-	9 483 508
Roads and Stormwater Infrastructure	1 283 893 900	-	(152 050 685)	144 501 757	-	(53 662 277)	(714 568)	-	1 221 968 127
Community	273 260 892	1 830 233	(470 807)	85 903 869	-	(12 050 670)	(2 432 048)	-	346 041 469
Solid Waste Infrastructure	5 380 327	5 218 376	(258 823)	8 143 695	-	(1 128 935)	-	-	17 354 640
Electrical Infrastructure	77 334 613	-	-	6 443 326	-	(2 867 607)	(960 753)	-	79 949 579
Community assets - Work in progress	137 630 107	10 690 800	-	-	(85 903 869)	-	-	-	62 417 038
Roads and Stormwater - Work in Progress	233 167 059	170 114 981	-	-	(149 694 410)	-	-	-	253 587 630
Solid waste infrastructure - Work in progress	14 705 207	1 892 568	-	-	(8 143 695)	-	-	-	8 454 080
Electrical infrastructure - Work in progress	4 816 981	-	-	-	(1 250 610)	-	-	-	3 566 371
	2 277 109 647	192 061 651	(155 656 293)	244 992 647	(245 175 459)	(85 313 474)	(9 818 527)	235 555	2 218 435 747

Thulamela Municipality 2025

(Registration number LIM343)

Audited Annual Financial Statements for the year ended 30 June 2025

Notes to the Audited Annual Financial Statements

Figures in Rand

8. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2024

	Opening balance	Additions	Disposals	Transfers received	Transfers made	Depreciation	Impairment loss	Impairment reversal	Total
Land	122 053 992	-	-	-	-	-	-	-	122 053 992
Plant and machinery	13 378 058	2 259 029	(44 757)	-	-	(1 687 010)	-	-	13 905 320
Furniture and Office equipment	7 080 240	1 103 652	(142 371)	-	-	(1 337 664)	-	-	6 703 857
Motor vehicles	74 877 242	25 992 682	(154 674)	-	-	(7 783 811)	-	-	92 931 439
Computer Equipment	13 775 330	1 323 904	(355 005)	-	-	(3 418 276)	-	-	11 325 953
Roads and Stormwater Infrastructure	1 185 942 941	91 349	(2 373 204)	153 766 641	-	(54 057 327)	(77 961)	601 461	1 283 893 900
Community	265 359 173	14 097 412	(2 263)	6 105 315	-	(11 302 332)	(996 413)	-	273 260 892
Solid Waste Infrastructure	6 382 053	-	-	-	-	(1 001 726)	-	-	5 380 327
Electrical Infrastructure	54 232 757	19 532 255	(11 021)	5 436 509	-	(1 855 887)	-	-	77 334 613
Community assets - Work in progress	106 184 565	37 749 174	-	-	(6 105 314)	-	(198 318)	-	137 630 107
Roads and Stormwater - Work in Progress	199 434 472	187 499 229	-	-	(153 766 642)	-	-	-	233 167 059
Solid waste infrastructure - Work in progress	7 213 842	7 491 365	-	-	-	-	-	-	14 705 207
Electrical infrastructure - Work in progress	7 289 491	2 963 999	-	-	(5 436 509)	-	-	-	4 816 981
	2 063 204 156	300 104 050	(3 083 295)	165 308 465	(165 308 465)	(82 444 033)	(1 272 692)	601 461	2 277 109 647

Included under Land are strategic assets held in order to fulfil the municipality's main mandate in the foreseeable future. These assets represent vacant land owned by the municipality for which specific usage has not been determined. The municipality uses the Thulamela Land Use Management Scheme 2006 to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of operations. In line with Land Use Management Scheme 2006 the land zoned Municipal could be used to develop inter alia:

- Agricultural buildings
- Agricultural land
- Nature conservation
- Recreational
- Reservoir
- Cemetery
- Dumping site
- Taxi rank
- Taxi holding area

Thulamela Municipality 2025

(Registration number LIM343)

Audited Annual Financial Statements for the year ended 30 June 2025

Notes to the Audited Annual Financial Statements

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

8. Property, plant and equipment (continued)

Pledged as security

No assets have been pledged as security

Reconciliation of Work-in-Progress 2025

	Included within Road and Stormwater Infrastructure	Included within Community	Included within Electricity	Included within Solid Waste	Total
Opening balance	233 167 083	137 630 111	4 816 982	14 705 206	390 319 382
Additions/capital expenditure	170 114 980	10 690 800	-	1 892 568	182 698 348
Transferred to completed items	(149 694 410)	(85 903 869)	(1 250 610)	(8 143 695)	(244 992 584)
	253 587 653	62 417 042	3 566 372	8 454 079	328 025 146

Reconciliation of Work-in-Progress 2024

	Included within Road and Stormwater Infrastructure	Included within Community	Included within Electricity	Included within Solid Waste	Total
Opening balance	199 434 485	106 184 565	7 289 491	7 213 841	320 122 382
Additions/capital expenditure	187 499 239	37 749 178	2 964 000	7 491 365	235 703 782
Impairment loss	-	(198 318)	-	-	(198 318)
Transferred to completed items	(153 766 641)	(6 105 314)	(5 436 509)	-	(165 308 464)
	233 167 083	137 630 111	4 816 982	14 705 206	390 319 382

Thulamela Municipality 2025

(Registration number LIM343)

Audited Annual Financial Statements for the year ended 30 June 2025

Notes to the Audited Annual Financial Statements

Figures in Rand

2025

2024

8. Property, plant and equipment (continued)

Expenditure incurred to repair and maintain property, plant and equipment

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

Maintenance of Buildings and Facilities	2 270 685	4 278 196
Maintenance of Equipment	4 531 844	5 361 093
Maintenance of other Assets	15 246 117	91 941 513

22 048 646 101 580 802

Included in Work In Progress (WIP) total carrying value are projects which are taking significantly longer to complete. The total carrying value of such projects is:

Reasons for significant delays	Project Name	Class	Source of funding	Carrying value
The project is currently waiting for the community to agree on where the municipality wants to build the bridge	Dzwerani Bridge	Roads and Stormwater-WIP	Own	1
Project is on Shelf, feasibility studies done, awaiting funding for implimentation. Management intend to continue with the project	Lwamondo Zwavhavhli Ring Road	Roads and Stormwater-WIP	Own	1 642 289
Project is on Shelf, feasibility studies done, awaiting funding for implimentation. Management intend to continue with the project	Tshisaulu Riverside Ring Road	Roads and Stormwater-WIP	Own	1 052 967
Project is on Shelf, feasibility studies done, awaiting funding for implimentation. Management intend to continue with the project	TSHISHUSHU RU RING ROAD	Roads and Stormwater-WIP	Own	1 460 788
Lack of funding , its on the IDP and the project will continue	New Office Builing Block sibasa (Traffic)	Community Assets-WIP	Own	10 352 194
Project is on Shelf, feasibility studies done, awaiting funding for implimentation. Management intend to continue with the project	Makumbani Access Road	Roads and Stormwater-WIP	MIG	1 332 064
Project is on Shelf, feasibility studies done, awaiting funding for implimentation. Management intend to continue with the project	Maniini M Access Road	Roads and Stormwater-WIP	Own	2 856 735
Project is on Shelf, feasibility studies done, awaiting funding for implimentation. Management intend to continue with the project	Shayandima Ext 3 Streets	Roads and Stormwater-WIP	Own	3 403 401
Project is on Shelf, feasibility studies done, awaiting funding for implimentation. Management intend to continue with the project	Tshilungoma ring road	Roads and Stormwater-WIP	Own	1 314 713
Project is on Shelf, feasibility studies done, awaiting funding for implimentation. Management intend to continue with the project	Thohoyandou J EXT. 1 Ring Road	Roads and Stormwater-WIP	Own	1 301 863
Project is on Shelf, feasibility studies done, awaiting funding for implimentation. Management intend to continue with the project	Shayandima A and Ext 3 Streets	Roads and Stormwater-WIP	Own	1 315 309
Project is on Shelf, feasibility studies done, awaiting funding for implimentation. Management intend to continue with the project	Tshivhilundulu bus and Fondwe Clinic Road	Roads and Stormwater-WIP	Own	1 260 180
Project is on Shelf, feasibility studies done, awaiting funding for implimentation. Management intend to continue with the project	Thohoyandou M Streetlight	Electricity-WIP	Own	300 000

Thulamela Municipality 2025

(Registration number LIM343)

Audited Annual Financial Statements for the year ended 30 June 2025

Notes to the Audited Annual Financial Statements

Figures in Rand

2025

2024

8. Property, plant and equipment (continued)

Project is on Shelf, feasibility studies done, awaiting funding for implimentation. Management intend to continue with the project	Thohoyandou C Streets Lights	Electricity-WIP	Own	260 821
Lack of funding , its on the IDP and the project will continue	Thulamela Show Site	Community Assets-WIP	Own	1
Project is on Shelf, feasibility studies done, awaiting funding for implimentation. Management intend to continue with the project	Thohoyandou E Street Light	Electricity-WIP	Own	290 000
Project is on Shelf, feasibility studies done, awaiting funding for implimentation. Management intend to continue with the project	Makwarela Ext 3 and 4 Streets Lights	Electricity-WIP	Own	259 000
Project is on Shelf, feasibility studies done, awaiting funding for implimentation. Management intend to continue with the project	Shayandima Ext Street Lights	Electricity-WIP	Own	260 870
Project is on Shelf, feasibility studies done, awaiting funding for implimentation. Management intend to continue with the project	Thohoyandou L Street Lighting	Electricity-WIP	Own	260 000
Project is on Shelf, feasibility studies done, awaiting funding for implimentation. Management intend to continue with the project	Thohoyandou D and E Streetlight	Electricity-WIP	Own	215 021
In progress	Tshaulu Testing Station	Community Assets-WIP	Own	5 948 536
Project is on Shelf, feasibility studies done, awaiting funding for implimentation. Management intend to continue with the project	Thohoyandou E Highmast x3	Electricity-WIP	Own	1 285 049
Still wiating for Eskom to Install meters	Makuya Highmast Light	Electricity-WIP	Own	435 610

36 807 412

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.

Thulamela Municipality 2025

(Registration number LIM343)

Audited Annual Financial Statements for the year ended 30 June 2025

Notes to the Audited Annual Financial Statements

Figures in Rand

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	4 792 194	(4 360 383)	431 811	4 792 194	(4 157 747)	634 447

Reconciliation of intangible assets - 2025

	Opening balance	Amortisation	Total
Computer software, other	634 447	(202 636)	431 811

Reconciliation of intangible assets - 2024

	Opening balance	Amortisation	Total
Computer software, other	837 069	(202 622)	634 447

Pledged as security

No intangible assets has been pledged as security.

Thulamela Municipality 2025

(Registration number LIM343)

Audited Annual Financial Statements for the year ended 30 June 2025

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024
10. Finance lease obligation		
Minimum lease payments due		
- within one year	799 792	-
- in second to fifth year inclusive	66 649	-
	866 441	-
less: future finance charges	(56 590)	-
Present value of minimum lease payments	809 851	-
Present value of minimum lease payments due		
- within one year	743 201	-
- in second to fifth year inclusive	66 650	-
	809 851	-
Non-current liabilities	66 650	-
Current liabilities	743 201	-
	809 851	-

The cellphone lease contracts were signed with Vodacom over a period of 2 years.

Interest rates are linked to prime at the assessment date.

11. Payables from exchange transactions

Trade payables	25 018	20 568 505
Payments received in advanced	14 433 049	13 825 285
Accruals	40 372 539	44 240 699
Retentions	40 742 278	36 102 206
Accrued bonus	7 623 223	7 120 846
Unallocated deposits	4 094 360	2 076 960
VAT output accruals	27 043 861	22 483 692
	134 334 328	146 418 193

Vat Output Accrual

Vat Output Accrual	46 167 520	40 028 713
Provision for doubtful debt impairment	(19 123 659)	(17 545 021)
	27 043 861	22 483 692

12. Consumer deposits

Building plans	100 670	73 508
Housing rental	354 314	351 383
	454 984	424 891

Thulamela Municipality 2025

(Registration number LIM343)

Audited Annual Financial Statements for the year ended 30 June 2025

Notes to the Audited Annual Financial Statements

Figures in Rand

2025

2024

13. Employee benefit obligations

Defined benefit plans - General information

Long service awards

Long service awards policy:

Long service benefits are awarded in the form of a number of leave days awarded once an employee has completed a certain number of years in service.

The Municipality long service award policy is in accordance with the Collective Agreement on Conditions of Service for the Limpopo Division, which came into effective on 1 September 2023, and offers employees LSA for every five years of service completed, from five years of service to 45 years of service, inclusive.

In the month that each "completed service" milestone is reached, the employee is granted an LSA. Working days are valued at 1/250th of annual earnings per day.

Employees' basic salaries, referred to as "earnings" in this report, are used to determine the Rand value of LSA.

Valuation method:

GRAP 25, derived from IPSAS 39 and IAS 19, has been approved by the ASB and the Minister of Finance, and is effective for financial periods commencing on or after 1 April 2023. It applies to institutions falling within the ambit of the Finance Management Act.

The projected unit credit method has been used to value the DBO. The GRAP 25 statement contains significant detail on the accounting approach required with regard to "defined benefit" plans.

The projected unit credit method is an actuarial valuation method that 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.

Under the PUC methodology, an employee's current salary is projected to future dates using a salary growth scale. It is assumed that benefits that will accrue in the future are earned evenly between the employee's date of joining and the date that the benefit becomes available to the employee.

In order to determine the present value of the defined benefit obligations (i.e. the actuarial liability) the cost of the benefits payable in the future is attributed between past service (i.e. service before the valuation date) and future service (i.e. service after the valuation date) on a prorated basis. The actuarial present value of the benefits attributed to past service is the defined benefit obligation.

The amount of the actuarial liability that will be attributed to the employee over the one-year period after the valuation date, is known as the current service cost. It represents the value (at the valuation date) of the benefits that will be earned over the following year due to one additional year's service.

In order to determine the defined benefit obligation and the current service cost, future benefits are discounted for investment returns (time-value of money), mortality and other relevant decrements.

Long service award relate to the legal obligation to provide long service leave awards. Actuarial benefits have been calculated for 557 eligible employees as at 30 June 2025 that are entitled to long service awards. The long service awards liability is not a funded arrangement. i.e. no separate assets have been set aside to meet this liability.

Thulamela Municipality 2025

(Registration number LIM343)

Audited Annual Financial Statements for the year ended 30 June 2025

Notes to the Audited Annual Financial Statements

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

13. Employee benefit obligations (continued)

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

Carrying value

Present value of the defined benefit obligation-wholly unfunded	(24 267 000)	(17 238 321)
Non-current liabilities	(22 461 000)	(15 991 033)
Current liabilities	(1 806 000)	(1 247 288)
	(24 267 000)	(17 238 321)

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

Opening balance	17 238 321	16 682 879
Service cost	1 293 954	1 183 397
Interest cost	1 982 407	1 958 570
Expected benefits vesting	(1 247 287)	(2 816 543)
Actuarial (gains) losses	778 605	230 018
Policy changes	4 221 000	-
	24 267 000	17 238 321

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

Service cost	5 514 954	1 183 397
- Current service cost	1 293 954	1 183 397
- Past service cost	4 221 000	-
- Plan amendment (Policy changes)	4 221 000	-
Net interest on the net defined benefit liability	1 982 407	1 958 570
Remeasurements of the net defined benefit liability	(468 682)	(2 586 525)
- Actuarial gains and losses arising from:	778 605	230 018
- Changes in demographic assumptions	(565 000)	-
- Changes in financial assumptions	(580 000)	(254 549)
- Experience adjustments	1 923 605	484 567
- Expected benefits vesting	(1 247 287)	(2 816 543)
	7 028 679	555 442

Calculation of actuarial gains and losses

Actuarial (gains) losses – Obligation	778 605	230 018
---------------------------------------	---------	---------

Thulamela Municipality 2025

(Registration number LIM343)

Audited Annual Financial Statements for the year ended 30 June 2025

Notes to the Audited Annual Financial Statements

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

13. Employee benefit obligations (continued)

Key assumptions used

Assumptions used at the reporting date:

Financial assumptions		
Discount rates used	9.60 %	11.50 %
CPI inflation rate	3.60 %	6.06 %
General earnings inflation rate	4.60 %	7.06 %
Net discount rate	4.80 %	4.15 %
Demographic Assumptions		
Normal retirement age	65 years	65 years
Average retirement age	62 years	63 years
Mortality	SA 85-90	SA 85-90

It is difficult to predict future investment returns and inflation rates. The relationship between them is more stable and therefore easier to predict. GRAP 25 requires that financial assumptions be based on market expectations at this valuation for the period over which the DBO is to be settled.

Discount rate:

GRAP 25 stipulates that the choice of this rate should be derived from government bond yields consistent with the estimated term of the DBO. However, where there is no deep market in government bonds with a sufficiently long maturity to match the estimated term of all the benefit payments, current market rates of the appropriate term should be used to discount shorter term payments, and the discount rate for longer maturities should be estimated by extrapolating current market rates along the yield curve.

Consequently, a discount rate of 9.6% per annum has been used. The corresponding index-linked yield is 5.3%. These rates do not reflect any adjustment for taxation, and were deduced from the interest rate data obtained from the JSE after the market close on 30 June 2025.

A discount rate of 11,50% per annum was used in the previous valuation.

These yields were obtained by calculating the duration of the DBO and then taking the fixed-interest and index-linked yields from the respective yield curves at that duration using an iterative process (because the yields depend on the duration, which in turn depends on the DBO). The duration of the DBO was estimated to be 7.5 years.

Earnings Inflation Rate:

This assumption is required to reflect the estimated growth in earnings of the eligible employees until retirement. It is important in that the LSA are based on an employee's earnings at the date of the award.

The assumption is traditionally split into two components, namely general earnings inflation and promotional earnings escalation. The latter is considered under demographic assumptions.

General Earnings Inflation Rate

This assumption is more stable relative to the growth in consumer price index (CPI) than in absolute terms. In most industries, experience has shown that over the long term, earnings inflation is between 1.0% and 1.5% above CPI inflation.

The CPI inflation assumption of 3.6% per annum was obtained from the differential between market yields on index-linked bonds (5.3%) consistent with the estimated term of the DBO and those of nominal bonds (9.6%) with a risk premium adjustment for the uncertainty implicit in guaranteeing real increases (0.5%).

Thus, a general earnings inflation rate of 4.6% per annum over the expected term of the DBO has been assumed, which is 1.0% higher than the estimate of CPI inflation over the same term. This assumption reflects a net discount rate of 4.8%.

It was assumed that the next general earnings increase will take place on 1 July 2026.

Thulamela Municipality 2025

(Registration number LIM343)

Audited Annual Financial Statements for the year ended 30 June 2025

Notes to the Audited Annual Financial Statements

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

13. Employee benefit obligations (continued)

Sensitivity analysis

Discount rate

The liabilities calculated using different real rates compare as follows:

2025	One percentage point increase	One percentage point decrease
Effect on the service cost	1 210 661	1 386 951
Effect on interest cost	2 034 387	1 921 875
Effect on defined benefit obligation	23 046 000	25 612 000
2024	One percentage point increase	One percentage point decrease
Effect on the service cost	1 210 661	1 386 951
Effect on interest cost	2 034 387	1 921 875
Effect on defined benefit obligation	16 275 099	18 303 568

Amounts for the current and previous four years of net defined benefit liability and experience adjustments are as follows:

	2025	2024	2023	2022	2021
Present value of defined benefit obligation	24 267 000	17 238 321	16 682 879	17 158 053	14 768 463
Experience adjustments on plan liabilities	1 923 605	484 567	(644 650)	2 556 666	-
	26 190 605	17 722 888	16 038 229	19 714 719	14 768 463

Change in accounting policy

During the year, the municipality started using long service award policy which is in accordance with the Collective Agreement on Conditions of Service for the Limpopo Division, which came into effective on 1 September 2023, and offers employees LSA for every five years of service completed, from five years of service to 45 years of service, inclusive. The effect of the change resulted in an increase in defined benefit obligation by R4 221 000.

14. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

Municipal Infrastructure Grant	-	250
Neighbourhood Development Partnership Grant	-	4 057 056
	-	4 057 306

Movement during the year

Balance at the beginning of the year	4 057 306	28 000 000
Additions during the year	148 555 000	147 002 000
Income recognition during the year	(152 612 306)	(170 944 694)
	-	4 057 306

Thulamela Municipality 2025

(Registration number LIM343)

Audited Annual Financial Statements for the year ended 30 June 2025

Notes to the Audited Annual Financial Statements

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

14. Unspent conditional grants and receipts (continued)

The nature and extent of government grants recognised in the audited annual financial statements and an indication of other forms of government assistance from which the municipality has directly benefited; and

See note 27 for reconciliation of grants from National/Provincial Government.

15. Provisions

Reconciliation of provisions - 2025

	Opening Balance	Additions	Change in discount factor	Change in provision of obligation	Total
Environmental rehabilitation	27 923 984	-	2 979 601	5 179 636	36 083 221
Provision for leave	26 852 294	2 422 174	-	-	29 274 468
	54 776 278	2 422 174	2 979 601	5 179 636	65 357 689

Reconciliation of provisions - 2024

	Opening Balance	Additions	Change in discount factor	Change in provision of obligation	Total
Environmental rehabilitation	26 596 763	-	3 037 776	(1 710 555)	27 923 984
Provision for leave	26 681 239	171 055	-	-	26 852 294
	53 278 002	171 055	3 037 776	(1 710 555)	54 776 278

Non-current liabilities	36 083 221	27 923 984
Current liabilities	29 274 468	26 852 294
	65 357 689	54 776 278

Environmental rehabilitation provision

The provision for environmental rehabilitation of landfill sites relates to the legal obligation to rehabilitate landfill sites used for waste disposal. For this landfill the rate associated with the maximum period of 10 years was used, i.e. 5.75% above CPI.

Key Assumptions used:

The Remaining Useful life (RUL) of landfill site	9 years
CPI	2.8878%
Discount rate	8.6378%
Net effective discount rate	5.75%

Provision for leave

The Municipality grants its employees either 12,22,24 and 27 working days leave per year in recognition of services rendered. Provision is made for employees who are having leave credit at the end of the financial period and is provided up to 48 days in terms of the SALBC agreement. The leave provision is calculated by taking the total basic salary/no of working days per year x number of days unused. The municipality has decided not to assess the provision quarterly, however to calculate the provision for leave towards end of financial year to salvage cost.

Thulamela Municipality 2025

(Registration number LIM343)

Audited Annual Financial Statements for the year ended 30 June 2025

Notes to the Audited Annual Financial Statements

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

16. Sales of goods and rendering of services

Tender documents	54 843	105 058
Sale of property	13 475 935	7 339 799
Building plan fees	707 705	797 273
Property rezoning	125 491	84 216
Application of deed grant	230 514	199 878
Advertising	60 514	218 743
Application fees for land usage	736 578	395 157
Application of sub-division	90 502	89 318
Property transfer fees	814 967	645 503
Cemetery and Burials	321 996	350 354
Clearance certificates	53 275	43 419
Traffic control	3 101	1 478
Trading of animals	5 526	3 460
Demolition application fees	281 616	114 791
Demarcation fees	2 518 415	1 526 944
Escort fee	13 821	-
	19 494 799	11 915 391

17. Service charges

Solid waste	27 399 535	26 877 504
-------------	------------	------------

18. Construction contracts

Current-year receipts	14 617 000	28 200 000
Less: Output VAT	(1 906 565)	(3 678 261)
Conditions met - transferred to revenue	(12 710 435)	(24 521 739)
	-	-

The allocation was used to address the electrification backlog of permanently occupied residents. There after the projects are handed over to Eskom for collection of revenue and maintenance.

19. Rental of facilities and equipment

Facilities and equipment

Rental of facilities	3 549 317	2 854 645
----------------------	-----------	-----------

20. Interest on receivables from exchange transactions

Interest on receivables from exchange transactions	11 200 398	9 830 067
--	------------	-----------

21. Agency services

Vehicle Registration	10 196 567	10 783 704
----------------------	------------	------------

Thulamela Local Municipality acts as an implementing agent on behalf of the Department of Transport (Principal) as they administer certain functions on behalf of the Department such as licensing and registration of motor vehicles.

The Municipality would retain a certain portion of all receipts as compensation (agency fees) for administering these services on behalf of the Department.

The Department uses the Municipality and its staff due to the proximity of the Municipality to households.

Thulamela Municipality 2025

(Registration number LIM343)

Audited Annual Financial Statements for the year ended 30 June 2025

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024
21. Agency services (continued)		
The Municipality only recognised the net revenues (agency fees) that accrued to it and only the expenditure incurred by the Municipality		
22. Licences and permits		
Trading	1 204 025	726 645
23. Other income		
Staff recoveries	17 000	18 121
Printing and photocopying	261 340	265 263
Insurance	1 496 050	2 311 605
Sundry revenue	1 080 653	1 253 071
Commissions received	9 247	12 821
Skills development levy refund	502 207	1 247 757
	3 366 497	5 108 638
24. Investment revenue		
Interest revenue		
Bank	77 673 000	83 815 978
25. Property rates		
Rates received		
Residential	46 436 298	27 609 053
Commercial	23 701 428	20 941 543
State	36 481 184	48 294 979
	106 618 910	96 845 575
Valuations		
Residential	6 998 223 260	6 820 200 100
Commercial	3 127 008 002	3 035 222 802
State	1 084 572 200	2 918 128 100
Municipal	3 295 589 500	1 181 000 000
	14 505 392 962	13 954 551 002
Valuations on land and buildings are performed every five years. The last general valuation came into effect on 1 July 2019. The validity period of the general valuation roll was extended from 01 July 2019 to 30 June 2024. Supplementary valuations are processed on an annual basis to take into account changes in individual property values due to alterations. Municipal rates on the tariff listing is applied to property valuations to determine assessment rates. Rates are levied on a monthly basis on property owners.		
The new general valuation will be implemented on 01 July 2025.		
26. Interest from non-exchange receivables		
Interest from non-exchange receivables	19 988 436	18 334 561

Thulamela Municipality 2025

(Registration number LIM343)

Audited Annual Financial Statements for the year ended 30 June 2025

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024
27. Government grants & subsidies		
Operating grants		
Equitable share	622 657 000	589 600 382
Financial Management Grant	1 800 000	1 700 000
Expanded Public Works Program Grant	3 683 000	4 237 000
Infrastructure Skills Development Grant	5 500 000	4 920 000
Energy Efficiency and Demand Side Management Grant	4 000 000	-
	637 640 000	600 457 382
Capital grants		
Municipal Infrastructure Grant	117 147 000	139 144 750
Neighbourhood Development Partnership Grant	16 425 000	20 942 944
	133 572 000	160 087 694
	771 212 000	760 545 076
Conditional and Unconditional		
Included in above are the following grants and subsidies received:		
Conditional grants received	148 555 000	199 144 694
Unconditional grants received	622 657 000	589 600 382
	771 212 000	788 745 076
Equitable Share		
In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.		
Included in Equitable Share is re-payment of unspent grant that relates to rollover application for Neighbourhood Development Partnership Grant that was denied and withheld.		
Municipal Infrastructure Grant		
Balance unspent at beginning of year	250	28 000 000
Current-year receipts	117 147 000	111 145 000
Conditions met - transferred to revenue	(117 147 250)	(139 144 750)
	-	250
Conditions still to be met - remain liabilities (see note 14).		
This grant was used to construct basic municipal infrastructure to provide basic services for the benefit of households.		
Expanded Public Works Program Grant		
Current-year receipts	3 683 000	4 237 000
Conditions met - transferred to revenue	(3 683 000)	(4 237 000)
	-	-
The grant was used for extended public works programs.		
Financial Management Grant		
Current-year receipts	1 800 000	1 700 000
Conditions met - transferred to revenue	(1 800 000)	(1 700 000)
	-	-

Thulamela Municipality 2025

(Registration number LIM343)

Audited Annual Financial Statements for the year ended 30 June 2025

Notes to the Audited Annual Financial Statements

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

27. Government grants & subsidies (continued)

This grant was used to promote and support reforms to municipal financial management and the implementation of the MFMA 2003.

Infrastructure Skills Development Grant

Current-year receipts	5 500 000	4 920 000
Conditions met - transferred to revenue	(5 500 000)	(4 920 000)
	-	-

The grant was used for skills development related to infrastructure improvements.

Neighbourhood Development Partnership Grant

Balance unspent at beginning of year	4 057 056	-
Current-year receipts	16 425 000	25 000 000
Conditions met - transferred to revenue	(16 425 000)	(20 942 944)
Re-payment of unspent grant	(4 057 056)	-
	-	4 057 056

Re-payment of unspent grant relates to rollover application for Neighbourhood Development Partnership Grant that was denied and withheld.

Energy Efficiency and Demand Side Management Grant

Current-year receipts	4 000 000	-
Conditions met - transferred to revenue	(4 000 000)	-
	-	-

28. Fines, Penalties and Forfeits

Building Fines	77 039	54 354
Law Enforcement Fines	5 905	7 289
Municipal Traffic Fines	3 466 790	1 991 200
	3 549 734	2 052 843

29. Reversal of impairments

Receivables from non-exchange revenue - Traffic fines	-	29 827 996
Property, Plant and Equipment	235 555	601 461
	235 555	30 429 457

Thulamela Municipality 2025

(Registration number LIM343)

Audited Annual Financial Statements for the year ended 30 June 2025

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024
30. Employee related costs		
Basic	248 584 646	227 454 155
Bonus	18 427 227	17 439 393
Medical aid - company contributions	14 210 628	12 688 206
UIF	1 487 434	1 429 038
Leave pay provision charge	4 044 886	1 906 407
Defined contribution plans	43 490 142	40 970 742
Overtime payments	13 974 212	12 450 825
Long-service awards	6 246 805	3 430 842
Acting allowances	239 756	203 722
Car allowance	26 174 248	24 135 520
Housing benefits and allowances	359 951	359 381
Cellphone and telephone allowance	79 429	105 240
Bargain council	80 470	77 827
	377 399 834	342 651 298

Included in basic salary is a fringe benefit of R3 243 546.29 (2024: R4 344 803.43) for insurance on vehicles paid by the municipality on behalf of the employees

Remuneration of municipal manager - Makumule MT

Annual Remuneration	1 306 924	1 262 580
Housing allowance and Car allowance	318 825	364 024
13th cheque Bonus	107 215	103 507
Contributions to UIF, Medical and Pension Funds	2 269	18 368
Fringe benefit	27 661	46 947
	1 762 894	1 795 426

Acting municipal manager - Todani NA

Acting allowance	-	8 009
------------------	---	-------

Remuneration of chief finance officer - Mufamadi AC

Annual Remuneration	1 095 790	1 050 196
Housing allowance and Car allowance	258 822	301 276
Contributions to UIF, Medical and Pension Funds	65 987	75 423
Fringe benefit	76 967	35 354
	1 497 566	1 462 249

Senior Manager: Corporate Services - Matshivha MM

Annual Remuneration	192 010	300 653
Housing allowance and Car allowance	54 110	204 793
Contributions to UIF, Medical and Pension Funds	567	13 621
13th Cheque	-	2 438
Fringe benefit	-	17 567
	246 687	539 072

Senior Manager: Corporate Services for 2024 financial year was Todani NA

Acting Senior Manager: Corporate Services - Sikhwivhilu NM

Acting allowance	13 919	5 705
------------------	--------	-------

Thulamela Municipality 2025

(Registration number LIM343)

Audited Annual Financial Statements for the year ended 30 June 2025

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024
30. Employee related costs (continued)		
Senior Manager: Technical Services - Gangashe A		
Annual Remuneration	429 684	1 125 309
Housing allowance and Car allowance	61 758	255 531
Contributions to UIF, Medical and Pension Funds	22 103	78 021
Leave Pay	96 590	-
	610 135	1 458 861
Acting Senior Manager: Technical Services - Chauke MH		
Acting allowance	5 726	-
Acting Senior Manager: Technical Services - Mulaudzi R		
Acting allowance	6 644	-
Senior Manager: Planning and Development - Shivhinda MT		
Annual Remuneration	1 012 914	734 254
Housing allowance and Car allowance	181 258	100 179
13th cheque Bonus	83 867	48 950
Contributions to UIF, Medical and Pension Funds	221 381	10 118
Fringe benefit	29 293	6 391
	1 528 713	899 892
Senior Manager: Community Services - Razwiedani SS		
Annual Remuneration	-	34 389
Housing allowance and Car allowance	-	7 999
Contributions to UIF, Medical and Pension Funds	-	429
	-	42 817
Acting Senior Manager: Community Services - Madi MS		
Acting allowance	15 211	6 854
Acting Senior Manager: Community Services - Nembilwi TS		
Acting allowance	1 909	-
31. Remuneration of councillors		
Mayor	1 095 799	1 064 371
Chief Whip	-	393 952
Speaker	873 134	839 621
Councillors	33 105 920	31 894 894
	35 074 853	34 192 838

Thulamela Municipality 2025

(Registration number LIM343)

Audited Annual Financial Statements for the year ended 30 June 2025

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024
31. Remuneration of councillors (continued)		
In-kind benefits		
The remuneration for the Mayor, Speaker, Chief Whip and all other councillors is inclusive of a cellphone allowance, travelling allowance and other benefits. The Executive Mayor and Speaker are full-time. Each is provided with an office.		
The Mayor and the Speaker have use of a Council owned vehicle and driver for official duties.		
The salaries, allowances and benefits are within the upper limits of the framework envisaged in section 219 of the Constitution.		
Refer to note 45: Related Parties for the detailed disclosure regarding councillors' remuneration.		
Included in remuneration of councillors is a fringe benefit of R426 499.98 (2024: R699 167.80) for insurance on vehicles paid by the municipality on behalf of the councillors		
Cllr Makungo TG Acted as Chief Whip without compensation in the course of the year		
32. Depreciation and amortisation		
Property, plant and equipment	85 313 474	82 444 033
Intangible assets	202 635	202 621
	85 516 109	82 646 654
33. Impairment loss		
Impairments		
Property, plant and equipment	9 818 527	1 272 688
34. Finance costs		
Trade and other payables	-	206
Finance leases	109 721	27 280
Long service awards	1 982 407	1 958 570
Environment rehabilitation provision	2 979 601	3 037 776
	5 071 729	5 023 832
35. Lease rentals on operating lease		
Equipment		
Contractual amounts	4 734 236	4 596 531
36. Debt impairment		
Debt impairment	64 833 486	51 463 744
37. Bad debts written off		
Bad debts written off	6 221 971	35 525 162

Thulamela Municipality 2025

(Registration number LIM343)

Audited Annual Financial Statements for the year ended 30 June 2025

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024
38. Contracted services		
Outsourced Services		
Administrative and Support Staff	-	1 314 948
Burial Services	84 300	141 000
Business and Advisory	6 869	-
Catering Services	1 717 595	1 359 939
Cleaning Services	66 378	-
Security Services	24 993 798	17 415 211
Consultants and Professional Services		
Business and Advisory	37 407 277	28 355 872
Infrastructure and Planning	2 426 358	7 312 794
Legal Cost	47 049 064	65 071 828
Contractors		
Artists and Performers	72 000	74 000
Audio-visual Services	93 065	123 167
Building	25 569	464 384
Electrical	19 157 328	33 833 003
Employee Wellness	1 216 115	4 803 856
Event Promoters	35 096	-
Graphic Designers	55 000	13 300
Maintenance of Buildings and Facilities	2 270 685	4 278 196
Maintenance of Equipment	4 531 844	5 361 093
Maintenance of other Assets	15 246 117	91 941 513
Pest Control and Fumigation	14 751	28 919
Stage and Sound Crew	4 900	49 600
	156 474 109	261 942 623
39. Transfer and subsidies		
Other subsidies		
Grant in aid	1 687 436	1 696 803

Thulamela Municipality 2025

(Registration number LIM343)

Audited Annual Financial Statements for the year ended 30 June 2025

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024
40. General expenses		
Advertising	924 338	666 633
Auditors remuneration	6 070 308	5 582 849
Bank charges	230 601	232 128
Consumables	24 432 554	17 859 288
Entertainment	51 000	16 000
Hire	982 177	851 179
Insurance	9 317 078	7 767 997
Levies	2 987 610	2 802 876
Indigent Relief	795 176	1 381 571
Fuel and oil	12 225 924	13 524 647
Postage and courier	167 129	907 308
Printing and stationery	-	828 086
Protective clothing	8 173 361	6 303 611
Royalties and license fees	1 089 471	789 482
Subscriptions and membership fees	6 248 003	5 976 353
Telephone and fax	12 042 881	11 380 502
Travel - local	10 007 747	7 727 441
Title deed search fees	8 890	8 828
Assets expensed	1 925	-
Utilities - Other	14 805 566	12 304 001
Conference expenses	1 811 106	1 748 691
Dumping fees	4 667 613	4 456 292
Ward committee allowances	7 210 400	7 246 400
Workmen's compensation fund	1 801 945	1 893 474
Decommissioning, Restoration & Similar Liability : Landfill	-	(1 710 555)
Cost of site sold	3 793 438	3 345 543
	129 846 241	113 890 625

41. Cash generated from operations

Surplus	32 851 943	145 788 811
Adjustments for:		
Depreciation and amortisation	85 516 109	82 646 654
Gain on sale of assets and liabilities	155 656 291	3 083 288
Finance costs - Finance leases	109 721	27 280
Impairment deficit	9 818 527	1 272 688
Debt impairment	64 833 486	51 463 744
Bad debts written off	6 221 971	35 525 162
Movements in retirement benefit assets and liabilities	7 028 679	555 442
Movements in provisions	10 581 411	1 498 276
Inventory losses or write-downs	(2 433 838)	(636 908)
Reversal of impairments	(235 555)	(30 429 457)
Changes in working capital:		
Inventories	7 807 448	2 657 988
Receivables from exchange transactions	(62 080 428)	(66 851 520)
Receivables from non-exchange transactions	(15 536 140)	(15 475 654)
Payables from exchange transactions	(12 083 865)	8 220 249
Unspent conditional grants and receipts	(4 057 306)	(23 956 076)
Consumer deposits	30 093	40 515
Retention reversal transferred to investing activities	(4 640 072)	(1 463 549)
	279 388 475	193 966 933

42. Financial instruments disclosure

Categories of financial instruments

Thulamela Municipality 2025

(Registration number LIM343)

Audited Annual Financial Statements for the year ended 30 June 2025

Notes to the Audited Annual Financial Statements

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

42. Financial instruments disclosure (continued)

2025

Financial assets

	At amortised cost	Total
Trade and other receivables from exchange transactions	21 732 535	21 732 535
Cash and cash equivalents	1 013 940 301	1 013 940 301
	1 035 672 836	1 035 672 836

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	126 711 104	126 711 104
Consumer deposits	454 984	454 984
Finance lease liability	809 851	809 851
	127 975 939	127 975 939

2024

Financial assets

	At amortised cost	Total
Trade and other receivables from exchange transactions	18 862 180	18 862 180
Cash and cash equivalents	921 273 338	921 273 338
	940 135 518	940 135 518

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	139 297 347	139 297 347
Consumer deposits	424 891	424 891
	139 722 238	139 722 238

Thulamela Municipality 2025

(Registration number LIM343)

Audited Annual Financial Statements for the year ended 30 June 2025

Notes to the Audited Annual Financial Statements

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

43. Commitments

Authorised capital expenditure

Approved and contracted

• Community assets	4 786 303	4 590 204
• Roads and stormwater Infrastructure	201 810 218	150 676 248
	206 596 521	155 266 452

Total capital commitments

Approved and contracted	206 596 521	155 266 452
-------------------------	-------------	-------------

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

Operating leases - as lessee (expense)

Minimum lease payments due

- within one year	157 465	2 808 017
- in second to fifth year inclusive	-	157 465
	157 465	2 965 482

The municipality entered into an operating lease agreement with Edusolution Bookshop CC (bid no:26/2021/2022A) for 42 High-end multifunction printers, effective from 1 June 2022. The contract is for 36 months and doesn't permit the municipality to sub-lease/sell the machines to a third party. There is no purchase option at the end of the lease term and there is no escalation clause.

The municipality entered into an operating lease agreement with Edusolution Bookshop CC (bid no:06/2022/2023) for 2(two) Sharp MX-m1204, Blank Cartridge multifunction printer, effective from 1 November 2022. The contract is for 36 months and doesn't permit the municipality to sub-lease/sell the machines to a third party. There is no purchase option at the end of the lease term and there is no escalation clause.

Thulamela Municipality 2025

(Registration number LIM343)

Audited Annual Financial Statements for the year ended 30 June 2025

Notes to the Audited Annual Financial Statements

Figures in Rand

2025

2024

44. Contingencies

The table below comprises all the law suits which are deemed to be possible obligations and neither the expense nor the accompanying liability was recognised. Thulamela Municipality's legal counsel has indicated that the likelihood of the court ruling being in favour of the applicant is very slim albeit not remote

Case	Progress	Applicant	Case No.	2025	2024
Applicant is suing the municipality an amount of R40 000 000 alleging the municipality to have expropriated his site Portion 46 of 468 at Tshilungoma along Punda Maria Road	We have issued a notice of intention to oppose the application And have since filed the answering affidavit	Fhambanani Frank Mbedzi	638/2019	2 762 436	2 618 422
Tshivhase Ungani Martha is suing the municipality for Loss of support as a result of the death of her husband who passed away after a tree fell on him	The matter is waiting for a trial date	Tshivhase Ungani Martha	662/16	5 406 277	5 124 433
Hilda Mabaya is suing the municipality for personal injury. Plaintiff alleges that she visited the municipality for services, the chair in the municipal waiting area broke and she fell, as a result she was seriously injured	Waiting for judicial Pre trial date	Hilda Mabaya	352/16	240 840	228 284
Mudau Tshimangadzo Noria is suing the municipality for damages alleging that her child was injured by the municipal pipes	The applicants has submitted a proposal for settlement of the matter at R870 000 and we are still checking the proposal	Mudau Tshimangadzo Noria	534/2017	4 452 100	4 220 000
Plaintiff alleges that he was arrested by traffic officers and acquitted in court. He is suing the municipality for unlawful arrest and detention, injury to his dignity, loss of personal freedom and general damages	The matter is waiting for a trial date	Shumani Moses	606/15	40 000	37 915
Matumba Elekanyani is suing the municipality an amount of R2 000 000 for unlawful detention, contumelia, pain and suffering after he was arrested for failing to pay traffic fine and he was detained in a traffic van and later the traffic van was involved in an accident	A pre-trial conference was held on the 19th February 2019 and we have filed the pre-trial minutes	Matumba Elekenyani	117/2015	392 088	371 647
Nevondo Mukovhe is suing the municipality in an amount of R300 000 for unlawful detention, contumelia, pain and suffering after he was arrested for failing to pay traffic fine and he was detained in a traffic van and later the traffic van was involved in an accident	A pre-trial conference was held on the 19th February 2019 and we have filed the pre-trial minutes	Nevondo Mukovhe	439/2015	392 088	371 647
Applicant is suing the municipality in an amount of R4 698 886.28 regarding Makonde Stadium Project	We have issued a notice to oppose the summons and the matter is on replication stage	Mopicon Construction Pty Ltd	1087/2019 and 1074/2020	4 698 886	4 453 920
Applicant is suing the municipality an amount of R1 849 000 for the death of his son. Plaintiff alleges that the deceased was crossing a water filled trench using a wooden roof beam that has been placed across the open trench as a makeshift bridge when deceased lost her footing and fell into the water filled trench	The matter is postponed sine die	Masithi Awelani	831/2020	2 689 702	2 549 480

Thulamela Municipality 2025

(Registration number LIM343)

Audited Annual Financial Statements for the year ended 30 June 2025

Notes to the Audited Annual Financial Statements

Figures in Rand

2025

2024

44. Contingencies (continued)

Applicant is suing the municipality for expropriation of land without compensation by the Venda Government	We have issued a notice to oppose the summons and the matter is on replication stage	Victor Gidimani Ramabulana	167/2020	2 762 436	2 618 422
Plaintiff is suing the municipality for unlawful arrest, unlawful detention and defamation of character by the traffic officers	We have issued a notice of intention to oppose the application and have since filed the answering affidavit	Hlungwane Siphon Lawrence	1461/2020	316 500	300 000
This is the matter which involved claim of an amount R 1 986 999.90 for work done at Makhuvha sport facility		Mopicon DII Joint Venture	659/2015	1 987 000	1 883 412
Plaintiff is suing the municipality for unlawful arrest, unlawful detention and defamation of character by the traffic officers	We have issued a notice of intention to oppose the application and have since filed the answering affidavit	Hlungwane Amos Maitakhole	469/2021	316 500	300 000
Plaintiff is suing the municipality for falling into a ditch/hole at Muledane area	We have issued a notice of intention to defend	Gomedzo Thomas	328/2021	1 113 025	1 055 000
Plaintiff is suing the municipality for loss of his site at Muledane area		Christopher Matodzi	400/2022	1 000 000	947 867
The applicant is suing the municipality an amount of R 5 000 000.00 for loss of residential site, financial loss, psychological stress, loss of business and contumelia	We have issued a notice to oppose the summons	Tshitereke Wilson Mufamadi	333/2022	4 393 910	4 164 844
Madaba Joseph is suing the municipality an amount of R12 000 000 for expropriation of land without compensation	We have issued a notice to oppose the summons and the matter is on replication stage	Madaba Joseph	804/2023	2 762 436	2 618 422
Mathoho Musundwa is suing the municipality for an amount of R450 000 due to damages that were incurred by Lebaka Construction during construction of Extension E tarred Road	We have opposed the summons	Mathoho Musundwa	2126/2022	474 750	450 000
Plaintiff is suing the municipality for failing to transfer the site at Tshilungoma into his names	The matter is still on pleading stage	Neduvhuledza Bethuel	945/2017	2 762 436	2 618 422
Plaintiff is suing the municipality for damages after failing to control a motor vehicle and hit a tree alleging it was as a result of a pothole	Application to compel was filed against Plaintiff	Khuliso Nekhumbe	2485/2022	505 609	450 000
Plaintiff is claiming damages as a result of negligence of Mr Tshikovhi an employee of Thulamela Municipality	Application to lift the bar was filed, still waiting for answering affidavit from applicant	Ntambudzeni Ricardo Mabila	730/2024	67 113	63 615
Included in the main primary bank account is a guarantee/security of R850 000 to the Post Office. Should the Municipality fail to meet payment obligations with the Post Office the amount will be paid over to the Post Office by the bank				850 000	850 000
				40 386 132	38 295 752

Prior year contingent liabilities have been restated in line with the updated municipality policy.

Thulamela Municipality 2025

(Registration number LIM343)

Audited Annual Financial Statements for the year ended 30 June 2025

Notes to the Audited Annual Financial Statements

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

45. Related parties

Relationships

Accounting Officers

Members of key management

Refer to accounting officers' report note

MT Makumule - Municipality Manager

M Matshivha - Acting Municipal Manager

AC Mufamadi - Chief Financial Officer

MS Madi - Acting Senior Manager: Community services

Nembilwi TS - Acting Senior Manager: Community services

M Matshivha - Senior Manager: Corporate Services

NM Sikhwivhilu - Acting Senior Manager: Corporate Services

A Gangashe - Senior Manager: Technical Services

MH Chauke - Acting Senior Manager Technical Services

R Mulaudzi - Acting Senior Technical Services

M Tshivhinda - Senior Manager: Planning & Development

The municipality has councillors that act as a governing body who may have significant influence over the financial and/or operating policies of the municipality.

All Councillors have disclosed their interest in related parties and no one has the ability to control or exercise significant influence over the Council in making financial and operational decisions.

During the financial year no Councillor or Official had any interest in related parties and no one could control or influence Council in making financial or operational decisions.

The municipality had no other related party transactions or balances during the financial year outside of the contractual remuneration of senior management, councillor allowances of the councillors and councillors arrear accounts.

Refer to Note 30 for the disclosure of senior management remuneration.

Refer to Note 54 for the disclosure of councillor arrear accounts.

Remuneration of management

Management class: Mayoral Committee members

2025

Name	Basic salary	Cellphone allowance	Pension and Medical Aid	Fringe benefits	Total
Cllr Rambuda AS - Mayor	861 037	43 200	166 782	24 780	1 095 799
Cllr Mutheiwana FA - Speaker	697 164	43 200	125 623	7 147	873 134
	1 558 201	86 400	292 405	31 927	1 968 933

Cllr Makungo TG Acted as Chief Whip without compensation in the course of the year

2024

Name	Basic salary	Car allowance	Cellphone allowance	Pension and Medical Aid	Fringe benefits	Total
Cllr Rambuda AS - Mayor	824 667	-	45 600	159 738	34 366	1 064 371

Thulamela Municipality 2025

(Registration number LIM343)

Audited Annual Financial Statements for the year ended 30 June 2025

Notes to the Audited Annual Financial Statements

Figures in Rand					2025	2024
45. Related parties (continued)						
Cllr Mutheiwana FA - Speaker	667 154	-	45 600	120 546	6 322	839 622
Cllr Malada TP - Chief Whip	233 362	92 241	26 743	30 480	11 126	393 952
	1 725 183	92 241	117 943	310 764	51 814	2 297 945

Management class: Councillors

2025

Name	Basic salary	Car allowance	Cellphone allowance	Pension and Medical Aid	Fringe benefits	Total
Mayoral committee members	1 558 201	-	86 400	292 405	31 927	1 968 933
Cllr Nelufhangan TI	285 536	-	43 200	40 572	-	369 308
Cllr Vhulahani L	285 536	-	43 200	40 572	4 112	373 420
Cllr Nekhavhambe TS	214 152	82 092	43 200	30 430	-	369 874
Cllr Nehzhelele N	214 152	82 092	43 200	30 430	7 154	377 028
Cllr Mbengeni R	214 152	82 092	43 200	30 430	8 812	378 686
Cllr Lalumbe RG	366 434	-	43 200	52 062	9 161	470 857
Cllr Matshomo TT	285 536	-	43 200	40 572	341	369 649
Cllr Phalanndwa NB	214 152	82 092	43 200	30 430	10 166	380 040
Cllr Matshavha M	214 152	82 092	43 200	30 430	2 638	372 512
Cllr Nemasiwana FJ	285 536	-	43 200	40 572	-	369 308
Cllr Netshishivhe AA	274 825	105 350	43 200	39 050	15 460	477 885
Cllr Ravhuanzwo SL	214 152	82 092	43 200	30 430	2 912	372 786
Cllr Mabasa HP	285 536	-	43 200	40 572	-	369 308
Cllr Netsianda MJ	214 152	82 092	43 200	30 430	1 103	370 977
Cllr Mukhathi H	285 536	-	43 200	40 572	-	369 308
Cllr Mathoma RR	285 536	-	43 200	40 572	-	369 308
Cllr Mathidi P	285 536	-	43 200	40 572	-	369 308
Cllr Nelushi TA	214 152	82 092	43 200	30 430	2 080	371 954
Cllr Tshigwili T	274 825	105 350	43 200	39 050	-	462 425
Cllr Liphadzi TS	285 536	-	43 200	40 572	-	369 308
Cllr Thanyani RD	274 825	105 350	43 200	39 050	8 199	470 624
Cllr Mphaphuli M	366 435	-	43 200	52 062	-	461 697
Cllr Mulaudzi ER	285 536	-	43 200	40 572	-	369 308
Cllr Netangaheni NP	214 152	82 092	43 200	30 430	10 569	380 443
Cllr Maela RT	214 152	82 092	43 200	30 430	7 246	377 120
Cllr Madzivhandila M	274 825	105 350	43 200	39 050	-	462 425
Cllr Netshikweta R	274 825	105 350	43 200	39 050	7 171	469 596
Cllr Ravhura ME	214 152	82 092	43 200	30 430	6 588	376 462
Cllr Munyai TT	214 152	82 092	43 200	30 430	17 250	387 124
Cllr Mmbi NM	285 536	-	43 200	40 572	-	369 308
Cllr Maduse LS	283 130	108 533	43 200	40 226	3 257	478 346
Cllr Mulaudzi MM	214 152	82 092	43 200	30 430	18 911	388 785
Cllr Muligwe M	285 536	-	43 200	40 572	744	370 052
Cllr Molaudzi NA	285 536	-	43 200	40 572	-	369 308
Cllr Makungo TG	214 152	82 092	43 200	30 430	-	369 874
Cllr Nemalegeni TJ	214 152	82 092	43 200	30 430	6 888	376 762
Cllr Maganu AE	285 536	-	43 200	40 572	5 773	375 081
Cllr Khangale AC	366 433	-	43 200	52 062	3 218	464 913
Cllr Munzhedzi TE	285 536	-	43 200	40 572	6 002	375 310
Cllr Ligaraba MJ	214 152	82 092	43 200	30 430	-	369 874
Cllr Ligaraba LE	13 191	4 133	-	-	-	17 324
Cllr Mulaudzi KE	283 130	5 750	43 200	40 226	-	372 306
Cllr Mulaudzi NS	214 152	107 133	43 200	30 430	5 735	400 650
Cllr Mulovhedzi HP	214 152	82 092	43 200	30 430	10 164	380 038
Cllr Mahosi NG	214 152	82 092	43 200	30 430	14 965	384 839

Thulamela Municipality 2025

(Registration number LIM343)

Audited Annual Financial Statements for the year ended 30 June 2025

Notes to the Audited Annual Financial Statements

Figures in Rand					2025	2024
45. Related parties (continued)						
Cllr Tshifhango AS	285 536	77 742	43 200	40 572	20 604	467 654
Cllr Shavhani ME	507 742	4 708	43 200	113 038	12 260	680 948
Cllr Lieba NA	507 742	151 920	43 200	98 663	3 160	804 685
Cllr Nekhunguni AE	285 536	157 753	43 200	40 572	607	527 668
Cllr Munenyiwa ME	274 825	5 581	43 200	39 050	8 224	370 880
Cllr Davhana AJ	214 152	104 118	43 200	30 430	11 010	402 910
Cllr Radamba NC	643 251	77 742	43 200	92 594	-	856 787
Cllr Muedi ET	214 152	4 350	43 200	30 430	623	292 755
Cllr Dali TS	214 645	81 525	43 200	30 430	30 755	400 555
Cllr Nemaranzhe K	214 152	82 092	43 200	30 430	-	369 874
Cllr Phosha LS	285 536	77 742	43 200	40 572	-	447 050
Cllr Kwinda SC	507 742	8 545	43 200	98 663	3 170	661 320
Cllr Malindi TO	492 632	167 757	43 200	69 984	17 930	791 503
Cllr Madumi MA	285 536	178 838	43 200	40 572	-	548 146
Cllr Mulovhedzi MK	283 130	5 750	43 200	40 226	7 213	379 519
Cllr Madondo LM	214 152	107 133	43 200	30 430	17 493	412 408
Cllr Ligege VP	283 130	83 492	43 200	40 226	19 059	469 107
Cllr Phosiwa L	214 152	107 133	43 200	30 430	7 546	402 461
Cllr Maphiri ME	285 537	77 742	43 200	40 572	-	447 051
Cllr Begwa FM	214 152	10 720	43 200	36 800	-	304 872
Cllr Mphaho TW	214 152	75 722	43 200	30 430	7 531	371 035
Cllr Marole RT	259 316	77 742	43 200	65 011	6 012	451 281
Cllr Kwinda MR	214 152	4 350	43 200	30 430	-	292 132
Cllr Mashawana NE	283 130	83 492	43 200	40 226	-	450 048
Cllr Bongwe K	285 538	102 783	43 200	40 572	-	472 093
Cllr Madzimbalela HE	214 152	4 350	43 200	30 430	13 470	305 602
Cllr Tshisikule K	285 536	77 742	43 200	40 572	-	447 050
Cllr Razwinzhi IE	285 536	-	43 200	40 572	-	369 308
Cllr Tshikhuwana LR	214 152	4 350	43 200	30 430	-	292 132
Cllr Ramulifho HB	214 152	82 092	43 200	30 430	3 715	373 589
Cllr Padelani TS	285 536	77 742	43 200	40 572	7 572	454 622
Cllr Badamarema M	285 536	-	43 200	40 572	-	369 308
Cllr Netshivhumbe G	284 223	-	43 200	40 572	-	367 995
Cllr Tshiololi RM	257 733	-	42 192	51 064	-	350 989
Cllr Mudzielwana NE	270 289	-	42 192	37 284	-	349 765
	23 243 572	4 392 703	3 497 184	3 514 894	426 500	35 074 853

2024

Name	Basic salary	Car allowance	Cellphone allowance	Pension and Medical Aid	Fringe benefits	Total
Mayoral committee members	1 725 183	92 241	117 943	310 764	51 814	2 297 945
Cllr Nelufhangan TL	272 609	-	45 600	39 216	-	357 425
Cllr Vhulahani L	272 609	-	45 600	39 216	4 851	362 276
Cllr Nekhavhambe TS	204 456	78 375	45 600	29 412	15 964	373 807
Cllr Nehzhelele N	204 456	78 375	45 600	29 412	8 453	366 296
Cllr Mbengeni R	204 456	78 375	45 600	29 412	11 637	369 480
Cllr Lalumbe RG	349 847	-	45 600	50 332	21 223	467 002
Cllr Matshomo TT	272 609	-	45 600	39 216	5 146	362 571
Cllr Phalanndwa NB	204 456	78 375	45 600	29 412	6 971	364 814
Cllr Matshavha M	204 456	78 375	45 600	54 050	7 280	389 761
Cllr Nemasiwana FJ	272 609	-	45 600	39 216	-	357 425
Cllr Netshishivhe AA	263 157	99 693	45 600	37 740	20 902	467 092
Cllr Ravhuanzwo SL	204 456	78 375	45 600	29 412	13 039	370 882
Cllr Mabasa HP	272 609	-	45 600	39 216	-	357 425
Cllr Netsianda MJ	204 456	78 375	45 600	29 412	5 497	363 340
Cllr Mukhathi H	272 609	-	45 600	39 216	-	357 425

Thulamela Municipality 2025

(Registration number LIM343)

Audited Annual Financial Statements for the year ended 30 June 2025

Notes to the Audited Annual Financial Statements

Figures in Rand				2025	2024
45. Related parties (continued)					
Cllr Mathoma RR	272 609	-	45 600	39 216	- 357 425
Cllr Mathidi P	272 609	-	45 600	39 216	- 357 425
Cllr Nelushi TA	204 456	78 375	45 600	29 412	7 841 365 684
Cllr Tshigwili T	260 851	99 993	45 600	37 740	- 444 184
Cllr Liphadzi TS	272 609	-	45 600	39 216	- 357 425
Cllr Thanyani RD	262 385	100 581	45 600	37 740	15 734 462 040
Cllr Mphaphuli M	349 847	-	45 600	50 332	- 445 779
Cllr Mulaudzi ER	272 609	-	45 600	39 216	- 357 425
Cllr Netangaheni NP	204 456	78 375	45 600	29 412	19 214 377 057
Cllr Maela RT	204 456	78 375	45 600	29 412	8 548 366 391
Cllr Madzivhandila M	262 385	100 581	45 600	37 740	- 446 306
Cllr Netshikweta R	262 385	100 581	45 600	37 740	8 425 454 731
Cllr Ravhura ME	204 456	78 375	45 600	29 412	6 778 364 621
Cllr Munyai TT	204 456	78 375	45 600	29 412	4 687 362 530
Cllr Mmbi NM	272 609	-	45 600	39 216	- 357 425
Cllr Maduse LS	270 316	103 621	45 600	38 884	8 496 466 917
Cllr Mulaudzi MM	204 456	78 375	45 600	29 412	19 333 377 176
Cllr Muligwe M	272 609	-	45 600	39 216	- 357 425
Cllr Molaudzi NA	272 609	-	45 600	39 216	8 918 366 343
Cllr Makungo TG	204 456	78 375	45 600	29 412	50 040 407 883
Cllr Nemalegeni TJ	204 456	78 375	45 600	29 412	7 828 365 671
Cllr Maganu AE	272 609	-	45 600	39 216	6 529 363 954
Cllr Khangale AC	349 847	-	45 600	50 332	7 555 453 334
Cllr Munzhedzi TE	272 609	-	45 600	39 216	13 189 370 614
Cllr Ligaraba MJ	204 456	78 375	45 600	29 412	- 357 843
Cllr Ligaraba LE	449 346	141 443	43 037	95 527	26 357 755 710
Cllr Mulaudzi KE	270 316	103 621	45 600	38 884	- 458 421
Cllr Mulaudzi SN	204 456	78 375	45 600	29 412	9 657 367 500
Cllr Mulovhedzi HP	206 863	75 607	45 600	29 412	11 874 369 356
Cllr Mahosi NG	204 456	78 375	45 600	29 412	18 759 376 602
Cllr Tshifhango AS	272 609	-	45 600	39 216	24 629 382 054
Cllr Shavhani ME	484 349	152 604	45 600	77 282	16 436 776 271
Cllr Lieba NA	484 349	158 433	45 600	94 342	14 267 796 991
Cllr Nekhunguni AE	272 609	-	45 600	39 216	2 451 359 876
Cllr Munenyiwa ME	263 157	99 693	45 600	37 740	10 079 456 269
Cllr Davhana AJ	204 456	78 375	45 600	29 412	13 574 371 417
Cllr Radamba NC	349 847	-	45 600	50 332	- 445 779
Cllr Muedi ET	204 456	78 375	45 600	29 412	4 276 362 119
Cllr Dali TS	223 300	56 705	45 600	31 818	18 383 375 806
Cllr Nemananzhe SK	204 456	78 375	45 600	29 412	- 357 843
Cllr Lavhengwa L	4 814	1 845	1 600	-	10 625 18 884
Cllr Phosha SL	272 609	-	45 600	39 216	- 357 425
Cllr Kwindi SC	484 349	161 018	45 600	94 342	5 399 790 708
Cllr Malinda TO	470 335	180 295	45 600	67 648	28 551 792 429
Cllr Madumi MA	272 609	-	45 600	39 216	- 357 425
Cllr Mulovhedzi MK	270 316	103 621	45 600	38 884	12 883 471 304
Cllr Madondo LM	211 724	77 285	45 600	29 412	17 722 381 743
Cllr Ligege VP	270 316	103 621	45 600	38 884	10 745 469 166
Cllr Phosiwa L	204 456	78 375	45 600	29 412	3 625 361 468
Cllr Maphiri ME	272 609	-	45 600	39 216	- 357 425
Cllr Begwa FM	204 456	78 375	45 600	29 412	4 626 362 469
Cllr Mphaho TW	204 456	78 375	45 600	29 412	7 926 365 769
Cllr Marole RT	239 348	-	45 600	66 006	8 340 359 294
Cllr Kwindi MR	204 456	78 375	45 600	29 412	- 357 843
Cllr Mashawana NE	270 316	103 621	45 600	38 884	- 458 421
Cllr Bongwe K	272 609	-	45 600	39 216	- 357 425
Cllr Madzimbalela HE	204 456	78 375	45 600	29 412	10 434 368 277
Cllr Tshisikule K	272 609	-	45 600	39 216	- 357 425
Cllr Razwinzhi IE	272 609	-	45 600	39 216	- 357 425

Thulamela Municipality 2025

(Registration number LIM343)

Audited Annual Financial Statements for the year ended 30 June 2025

Notes to the Audited Annual Financial Statements

Figures in Rand					2025	2024
45. Related parties (continued)						
Cllr Tshikhuwana LR	206 462	76 068	45 600	29 412	-	357 542
Cllr Ramulifho HB	204 456	78 375	45 600	29 412	4 617	362 460
Cllr Padelani TS	272 609	-	45 600	39 216	7 045	364 470
Cllr Badamarema M	272 608	-	45 600	39 214	-	357 422
Cllr Netshivhumbe G	219 151	-	36 000	32 880	-	288 031
	22 070 397	4 408 896	3 664 180	3 380 193	669 172	34 192 838

Refer to note 31 "Remuneration of councillors"

46. 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:

The impact of the error on the each line item is highlighted by brackets ()

46.1 During the current year, sale of good good and rendering of services have been mapped in the same class in line with mSCOA and GRAP requirements

The financial impact of the error was determined to be as follows:

Statement of financial performance	2024
Sale of goods - Increase/(Decrease)	9 172 414
Rendering of services - Increase/(Decrease)	2 943 590

Statement of financial performance	
Sale of goods and rendering of services - (Increase)/Decrease	(12 116 004)

46.2 During the current year, it was noted that correction for sale of sites was erroneously incorrectly recorded

The financial impact of the error was determined to be as follows:

Statement of financial performance	2024
Sale of goods and rendering of services - Increase/(Decrease)	200 613

Statement of financial position	
Accumulated surplus - (Increase)/Decrease	(200 613)

46.3 During the current year, commissions received and skills development levy refund have been reclassified to other income in line with mSCOA and GRAP requirements

The financial impact of the error was determined to be as follows:

Statement of financial performance	2024
Commissions received - Increase/(Decrease)	12 821
Skills development levy fund - Increase/(Decrease)	1 247 757

Statement of financial performance	
Other income - (Increase)/Decrease	(1 260 578)

Thulamela Municipality 2025

(Registration number LIM343)

Audited Annual Financial Statements for the year ended 30 June 2025

Notes to the Audited Annual Financial Statements

Figures in Rand

2025

2024

46. Prior-year adjustments (continued)

46.4 During the current year through revenue data cleansing exercise it was noted that revenue was erroneously billed to incorrect debtor accounts

The financial impact of the error was determined to be as follows:

Statement of financial performance	2024
Fines, Penalties and Forfeits - Increase/(Decrease)	886.92
Interest on receivables from exchange transactions - Increase/(Decrease)	1 325 987.70
Interest on receivables from non-exchange receivables - Increase/(Decrease)	178 566.95
Other income - Increase/(Decrease)	588.86
Service charges - Increase/(Decrease)	985 821.58

Statement of financial position	
Receivables from exchange transactions - Increase/(Decrease)	(22 808 368.37)
Receivables from non-exchange transactions - Increase/(Decrease)	(1 708 524.51)
Payables from exchange transactions - Increase/(Decrease)	1 975 812.03
Accumulated surplus - Increase/(Decrease)	20 049 228.84

46.5 During the prior year audit, it was noted that correction for refuse removal was erroneously incorrectly recorded in the municipality records

The financial impact of the error was determined to be as follows:

Statement of financial performance	2024
Service charges - Increase/(Decrease)	158 487.44

Statement of financial position	
Accumulated surplus - (Increase)/Decrease	(158 487.44)

46.6 During the current year, it was noted that transfer of unallocated debtors to refuse was erroneously transferred to suspense debtor

The financial impact of the error was determined to be as follows:

Statement of financial performance	2024
Service charges - Increase/(Decrease)	622.25

Statement of financial position	
Payables from exchange transactions - (Increase)/Decrease	(622.25)

46.7 During the current year, it was noted that some customer accounts were erroneously being billed twice for rates and services

The financial impact of the error was determined to be as follows:

Statement of financial performance	2024
Property rates - Increase/(Decrease)	42 891.12
Interest on receivables from non-exchange receivables - Increase/(Decrease)	10 666.94

Statement of financial position	
Receivables from non-exchange transactions - Increase/(Decrease)	(42 891.12)
Receivables from exchange transactions - Increase/(Decrease)	(10 666.94)

Thulamela Municipality 2025

(Registration number LIM343)

Audited Annual Financial Statements for the year ended 30 June 2025

Notes to the Audited Annual Financial Statements

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

46. Prior-year adjustments (continued)

46.8 During the current year, it was noted that traffic fines issued and licensing revenue were erroneously incorrectly captured

The financial impact of the error was determined to be as follows:

Statement of financial performance	2024
Fines, Penalties and Forfeits - Increase/(Decrease)	500.00

Statement of financial position	
Receivables from non-exchange transactions - Increase/(Decrease)	(113 000.00)
Payables from exchange transactions - (Increase)/Decrease	(34 163.34)
Accumulated surplus - Increase/(Decrease)	146 663.34

46.9 During the prior year audit, it was noted that fringe benefits were erroneously understated and vat was not accounted for

The financial impact of the error was determined to be as follows:

Statement of financial performance	2024
Employee related costs - Increase/(Decrease)	(610 684.30)
Remuneration of councillors - (Increase)/Decrease	669 167.79
General Expenses - (Increase)/Decrease	520 051.65

Statement of financial position	
Payables from exchange transactions - (Increase)/Decrease	(578 535.14)

46.10 During the current year, provision for debtors impairment for exchange transactions and non-exchange transactions was reassessed in line with the revenue data cleansing exercise performed

The financial impact of the error was determined to be as follows:

Statement of financial performance	2024
Debt Impairment - Increase/(Decrease)	(24 108 671.41)

Statement of financial position	
Receivables from non-exchange transactions - (Increase)/Decrease	1 705 648.61
Receivables from exchange transactions - (Increase)/Decrease	22 403 022.80

46.11 During the current year, it was noted that legal fees invoices relating to the prior years were erroneously not included in the income statement of the municipality due to late submission of invoices by attorneys

The financial impact of the error was determined to be as follows:

Statement of financial performance	2024
Contracted services - (Increase)/Decrease	31 516 703.80

Statement of financial position	
Payables from exchange transactions - (Increase)/Decrease	(32 280 403.85)
Receivables from exchange transactions - (Increase)/Decrease	763 700.05

Thulamela Municipality 2025

(Registration number LIM343)

Audited Annual Financial Statements for the year ended 30 June 2025

Notes to the Audited Annual Financial Statements

Figures in Rand

2025

2024

46. Prior-year adjustments (continued)

46.12 During the current year, it was noted that INEP projects disclosed as Attributable Construction contract costs - INEP were erroneously not accounted for correctly in terms of the Circular 16 that requires it to be accounted for as contracted services in the statement of financial performance

The financial impact of the error was determined to be as follows:

Statement of financial performance	2024
Contracted services - (Increase)/Decrease	24 491 398.00
Attributable construction contract costs - Increase/(Decrease)	(24 491 398.00)

46.13 During the current year, it was noted that water invoices relating to the prior years were erroneously not included in the income statement of the municipality due to late submission of invoices and membership invoices were incorrectly captured

The financial impact of the error was determined to be as follows:

Statement of financial performance	2024
General Expenses - (Increase)/Decrease	284 108.88

Statement of financial position	
Payables from exchange transactions - (Increase)/Decrease	(474 508.89)
Receivables from exchange transactions - (Increase)/Decrease	65 305.07
Accumulated surplus - Increase/(Decrease)	125 094.94

46.14 During the prior year audit, it was noted that retention on community assets work in progress were erroneously not accounted for correctly

The financial impact of the error was determined to be as follows:

Statement of financial position	2024
Community Assets - WIP - (Increase)/Decrease	454 104.71
Receivables from exchange transactions - (Increase)/Decrease	68 115.70
Payables from exchange transactions - (Increase)/Decrease	(522 220.41)

46.15 During the current year, it was noted that land inventory for ERF 237 portion 2, 3 and 4 belonging to the municipality was erroneously not accounted for in the municipality accounting records

The financial impact of the error was determined to be as follows:

Statement of financial position	2024
Inventory: land - (Increase)/Decrease	6 070 000
Accumulated surplus -(Increase)/Decrease	(6 070 000)

46.16 During the current year, it was noted that land inventory belonging to the municipality was illegally invaded in the prior years

The financial impact of the error was determined to be as follows:

Statement of financial position	2024
Inventory: land - Increase/(Decrease)	(5 277 954)
Accumulated surplus - Increase/(Decrease)	5 277 954

Thulamela Municipality 2025

(Registration number LIM343)

Audited Annual Financial Statements for the year ended 30 June 2025

Notes to the Audited Annual Financial Statements

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

46. Prior-year adjustments (continued)

46.17 During the prior year audit, it was noted that employee costs relating to resigned employees and councillors was erroneously not accrued for in the correct period.

The financial impact of the error was determined to be as follows:

Statement of financial performance	2024
Employee related costs - (Increase)/Decrease	365 846.35
Remuneration of councillors - (Increase)/Decrease	9 013.93

Statement of financial position	
Payables from exchange transactions - (Increase)/Decrease	(374 860.28)

46.18 During the current year, it was noted that amortisation for intangible assets for 2024 was incorrectly calculated

The financial impact of the error was determined to be as follows:

Statement of financial performance	2024
Depreciation and amortisation - (Increase)/Decrease	88 127.66

Statement of financial position	
Intangible assets (Amortisation) - (Increase)/Decrease	(88 127.66)

46.19 During the prior year audit, it was noted that bad debts written off for prior year was incorrectly captured

The financial impact of the error was determined to be as follows:

Statement of financial performance	2024
Bad debts written off - (Increase)/Decrease	41 559.93
Property rates - (Increase)/Decrease	(115 426.00)

Statement of financial position	
Receivables from exchange transactions - (Increase)/Decrease	73 866.07

46.20 During the current year, hundred percent verification of traffic fines was performed which resulted in an adjustment for traffic fines impairment

The financial impact of the error was determined to be as follows:

Statement of financial performance	2024
Debt Impairment - Increase/(Decrease)	(72 320.00)

Statement of financial position	
Receivables from non-exchange transactions - (Increase)/Decrease	72 320.00

46.21 During the current year, bad debts written off that was disclosed under debt impairment has been disclosed separately in accordance with GRAP requirements.

The financial impact of the error was determined to be as follows:

Statement of financial performance	2024
Bad debts written off - (Increase)/Decrease	35 483 602.00
Debt Impairment - Increase/(Decrease)	(35 483 602.00)

Thulamela Municipality 2025

(Registration number LIM343)

Audited Annual Financial Statements for the year ended 30 June 2025

Notes to the Audited Annual Financial Statements

Figures in Rand

2025

2024

46. Prior-year adjustments (continued)

46.22 During the current year, reversal of impairment that was disclosed under debt impairment and impairment loss has been reclassified under Reversal of impairments in accordance with GRAP requirements .

The financial impact of the error was determined to be as follows:

Statement of financial performance	2024
Impairment loss - (Increase)/(Decrease)	601 461.00
Debt Impairment - (Increase)/Decrease	29 827 996.00
Reversal of impairments - (Increase)/Decrease	(30 429 457.00)

46.23 During the current year, one hundred percent assessment was done on customer accounts for possible double billing which resulted in corrections for prior periods

The financial impact of the error was determined to be as follows:

Statement of financial position	2024
Receivables from exchange transactions - Increase/(Decrease)	(89 792.87)
Receivables from non-exchange transactions - Increase/(Decrease)	(149 805.53)
Accumulated surplus - Increase/(Decrease)	239 598.40

46.24 During the current year, it was noted that INEP revenue disclosed under Government grants & subsidies was erroneously not accounted for correctly in terms of the Circular 16 that requires it to be disclosed as for as Construction Contract Revenue in the statement of financial performance

The financial impact of the error was determined to be as follows:

Statement of financial performance	2024
Government grants & subsidies - Increase/(Decrease)	28 200 000.00
Construction Contract Revenue - (Increase)/Decrease	(24 521 739.13)
Statement of financial position	
Payables from exchange transactions - (Increase)/Decrease	(3 678 260.87)

46.25 During the current year it was noted that finance costs relating to long service awards was erroneously captured under employee costs in the prior year .

The financial impact of the error was determined to be as follows:

Statement of financial performance	2024
Finance costs - (Increase)/Decrease	1 958 570.00
Employee related costs - Increase/(Decrease)	(1 958 570.00)

46.26 During the current year it was noted that debtors in advance for consumer debtors were incorrectly classified between payables from exchange, receivables from exchange and receivables from non-exchange transactions

The financial impact of the error was determined to be as follows:

Statement of financial position	2024
Payables from exchange transactions - (Increase)/Decrease	(287 146.97)
Receivables from exchange transactions - (Increase)/Decrease	286 612.20
Receivables from non-exchange transactions - (Increase)/Decrease	534.77

Thulamela Municipality 2025

(Registration number LIM343)

Audited Annual Financial Statements for the year ended 30 June 2025

Notes to the Audited Annual Financial Statements

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

46. Prior-year adjustments (continued)

46.27 During the 2024/25 financial year it was noted that methodology used to determine revised useful lives was not in line with GRAP 17 and GRAP 3 ,since it is unclear on how condition and utilisation was incorporated to determine the revised useful lives.The same methodology was applied in prior years

The financial impact of the error was determined to be as follows:

Statement of financial performance	2024
Depreciation - (Increase)/Decrease	308 795.46
Statement of financial position	
Accumulated surplus - (Increase)/Decrease	(376 539.10)
Property, plant and equipment - (Increase) /Decrease	67 743.64

Statement of financial position

2024

	Note	As previously reported	Correction of error	Restated
Receivables from non exchange transactions		19 465 673	(235 720)	19 229 953
Receivables from exchange transactions		18 110 386	751 794	18 862 180
Inventories		26 169 739	792 045	26 961 784
Property, plant and equipment		2 276 587 661	521 849	2 277 109 510
Intangible assets		722 578	(88 128)	634 450
Payables from exchange transactions		(110 163 285)	(36 254 910)	(146 418 195)
Accumulated Surplus		(2 925 575 727)	19 032 900	(2 906 542 827)
		(694 682 975)	(15 480 170)	(710 163 145)

Statement of financial performance

Thulamela Municipality 2025

(Registration number LIM343)

Audited Annual Financial Statements for the year ended 30 June 2025

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024			
46. Prior-year adjustments (continued)					
2024					
	Note	As previously reported	Correction of error	Re-classification	Restated
Sale of goods and rendering of services		-	200 613	(12 116 004)	(11 915 391)
Sale of goods		(9 172 414)	-	9 172 414	-
Service charges		(28 022 435)	1 144 931	-	(26 877 504)
Construction contracts		-	(24 521 739)	-	(24 521 739)
Rendering of services		(2 943 590)	-	2 943 590	-
Rental of facilities and equipment		(2 854 645)	-	-	(2 854 645)
Interest on receivables from exchange transactions		(11 156 055)	1 325 988	-	(9 830 067)
Commissions received		(12 821)	-	12 821	-
Other income		(3 848 649)	589	(1 260 578)	(5 108 638)
Property rates		(96 773 042)	(72 532)	-	(96 845 574)
Skills development levy fund		(1 247 757)	-	1 247 757	-
Interest on receivables from non-exchange receivables		(18 523 795)	189 234	-	(18 334 561)
Government grants & subsidies		(788 745 076)	28 200 000	-	(760 545 076)
Fines, Penalties and Forfeits		(2 054 230)	1 387	-	(2 052 843)
Reversal of impairments		-	(30 429 457)	-	(30 429 457)
Employee related costs		344 854 705	(2 203 408)	-	342 651 297
Remuneration of councillors		33 514 658	678 182	-	34 192 840
Depreciation and amortisation		82 249 858	396 923	-	82 646 781
Impairment loss		671 231	601 461	-	1 272 692
Finance costs		3 065 262	1 958 570	-	5 023 832
Debt Impairment		81 300 341	(29 836 597)	-	51 463 744
Bad debts written off		-	35 525 162	-	35 525 162
Attributable Construction contract costs - INEP		24 491 398	(24 491 398)	-	-
Contracted services		205 934 522	56 008 101	-	261 942 623
General Expenses		113 086 465	804 161	-	113 890 626
Surplus for the year		(76 186 069)	15 480 171	-	(60 705 898)

Change in accounting policy

During the year, the municipality started using long service award policy which is in accordance with the Collective Agreement on Conditions of Service for the Limpopo Division, which came into effective on 1 September 2023, and offers employees LSA for every five years of service completed, from five years of service to 45 years of service, inclusive. The effect of the change resulted in an increase in defined benefit obligation by R4 221 000

47. Change in estimate

Property, plant and equipment

In terms of the requirements of GRAP 17 the useful lives of all asset items were reviewed by management at year end. The remaining useful live expectations of some asset items differed from previous estimates. This resulted in a revision of some of the previous estimates which was accounted for as a change in accounting estimate. The effect of this revision is an decrease in the depreciation charges for the current period of 2025:R3 493 629.11.Future effect of this revision is R3 520 019.84

48. Comparative figures

The presentation and classification of items in the current year is consistent with prior periods.

49. Risk management

Financial risk management

Thulamela Municipality 2025

(Registration number LIM343)

Audited Annual Financial Statements for the year ended 30 June 2025

Notes to the Audited Annual Financial Statements

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

49. Risk management (continued)

Liquidity risk

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

At 30 June 2025	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables	126 711 104	-	-	-
Consumer deposits	454 984	-	-	-
Finance lease obligation	743 201	66 650	-	-
At 30 June 2024	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables	139 297 347	-	-	-
Consumer deposits	424 891	-	-	-

Credit risk

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

Included in the main primary bank account is a guarantee/security of R850,000 to the Post Office. Should the Municipality fail to meet payment obligations with the Post Office the amount will be paid over to the Post Office by the Bank.

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

Financial instrument	2025	2024
FNB Money Market Investments	116 199 671	59 598 534
FNB Current Account	770 350 734	445 096 412
FNB Call Account	127 389 893	416 578 391
Receivables from exchange transactions	21 732 535	18 862 180

The municipality is exposed to a number of guarantees and for guarantees issued in favour of the Post Office. Refer to note 7 for additional details.

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. At year end (June 2025), the financial instruments exposed to interest rate risk were as follows:

	2025	2024
FNB Money Market Investments	116 199 671	59 598 534
FNB Current Account	770 350 734	445 096 412
FNB Call Account	127 389 893	416 578 391

50. Going concern

We draw attention to the fact that at 30 June 2025, the municipality had an accumulated surplus (deficit) of 3 085 183 579 and that the municipality's total assets exceed its liabilities by 3 085 183 579.

The audited 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.

Thulamela Municipality 2025

(Registration number LIM343)

Audited Annual Financial Statements for the year ended 30 June 2025

Notes to the Audited Annual Financial Statements

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

50. Going concern (continued)

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality.

51. Unauthorised expenditure

Opening balance as previously reported	1 003 375	-
Add: Unauthorised expenditure - current	152 292 422	1 003 375
Less: Amount authorised - current	(1 003 375)	-
Closing balance	152 292 422	1 003 375

The over expenditure incurred by municipal departments during the year is attributable to the following categories:

Non-cash	145 427 303	-
Cash	6 865 119	1 003 375
	152 292 422	1 003 375

Analysed as follows: non-cash

Loss on disposal of property, plant and equipment	145 427 303	-
---	-------------	---

Analysed as follows: cash

Property, plant and equipment	6 865 119	1 003 375
-------------------------------	-----------	-----------

Recoverability steps taken/criminal proceedings

Current financial year unauthorised expenditure will be reported to Council in the next financial year

Disciplinary steps taken/criminal proceedings

No criminal or disciplinary steps have yet been taken as a consequence of the above expenditure.

52. Fruitless and wasteful expenditure

Opening balance as previously reported	3 226 527	3 366 023
Add: Fruitless and wasteful expenditure identified - current	52 666	7 923
Add: Fruitless and wasteful expenditure identified - prior period	-	365 468
Less: Amount recovered - current	(21 267)	(18 327)
Less: Amount written off - current	-	(494 560)
Closing balance	3 257 926	3 226 527

Fruitless and wasteful expenditure is presented inclusive of VAT

Amount recovered

After the council committee investigations, council adopted the council committee recommendations to recover an amount of R21 267 (2024: R18 327).

Flight tickets cost	-	18 121
Interest on Eskom Account	-	206
EPWP Salary paid to terminated employee	21 267	-
	21 267	18 327

Thulamela Municipality 2025

(Registration number LIM343)

Audited Annual Financial Statements for the year ended 30 June 2025

Notes to the Audited Annual Financial Statements

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

52. Fruitless and wasteful expenditure (continued)

Recoverability steps taken/criminal proceedings

Management submitted all fruitless and wasteful expenditure incurred in current and prior periods to council for investigation. At 30 June 2025, all fruitless and wasteful expenditure were investigated by the Municipal Public Accounts Committee and a total amount of R (2024: R 494 560) was approved for write off by Council.

Disciplinary steps taken/criminal proceedings

No criminal or disciplinary steps have yet been taken as a consequence of the above expenditure.

53. Irregular expenditure

Opening balance as previously reported	8 627 002	34 290 238
Add: Irregular expenditure - current	28 452 624	16 983 804
Add: Irregular expenditure - prior period	2 159 739	-
Less: Amount written off - current	(8 419 919)	(42 647 040)
Less: Amount written off - prior period	(3 092 202)	-
Closing balance	27 727 244	8 627 002

Amount written-off

After the council committee investigations, council adopted the council committee recommendation to write-off an amount of R11 512 120.40 (2024: R42 647 040) from the total irregular expenditure amount as it was proven without reasonable doubt that the amount was not recoverable.

Council Resolution - SC 01/08/2024	-	34 290 237
Council Resolution - SC 01/08/2024	-	3 078 495
Council Resolution - SC 01/08/2024	-	2 785 715
Council Resolution - SC 01/08/2024	-	2 492 593
Council Resolution - OC 06/01/2025	2 357 592	-
Council Resolution - OC 06/01/2025	725 380	-
Council Resolution - OC 06/01/2025	9 230	-
Council Resolution - SC 01/07/2025	2 159 739	-
Council Resolution - SC 01/07/2025	5 687 608	-
Council Resolution - SC 01/07/2025	402 910	-
Council Resolution - SC 01/07/2025	169 662	-
	11 512 121	42 647 040

Recoverability steps taken/criminal proceedings

Management submitted all irregular expenditure incurred in prior periods to council for investigation. At 30 June 2025, all prior year and current year irregular expenditure that was being investigated by the Municipal Public Accounts Committee were approved for write off.

Disciplinary steps taken/criminal proceedings

No criminal or disciplinary steps have yet been taken as a consequence of the above expenditure.

Thulamela Municipality 2025

(Registration number LIM343)

Audited Annual Financial Statements for the year ended 30 June 2025

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024
54. Additional disclosure in terms of Municipal Finance Management Act		
Contributions to organised local government		
Current year subscription / fee	4 141 485	4 156 062
Amount paid - current year	(4 141 485)	(4 156 062)
	-	-
Material losses through criminal conduct		
There were no losses suffered through financial misconduct during the current financial period.		
Audit fees		
Current year subscription / fee	6 070 308	5 580 625
Amount paid - current year	(6 070 308)	(5 580 625)
	-	-
PAYE and UIF		
Current year subscription / fee	64 559 741	59 747 478
Amount paid - current year	(64 559 741)	(59 747 478)
	-	-
Pension and Medical Aid Deductions		
Current year subscription / fee	88 575 067	84 422 789
Amount paid - current year	(88 575 067)	(84 422 789)
	-	-
Defined contribution plan		
Municipal Gratuity Fund	14 862 206	14 060 971
Momentum provident Funds	2 617 598	2 531 177
National Fund for Municipal workers	20 477 340	18 276 213
Municipal Employees pension fund	5 457 408	6 102 382
Municipal Councillors pension fund	3 299 650	3 171 900
	46 714 202	44 142 643

It is the policy of the municipality to provide retirement benefits to all its employees. A number of defined contribution funds were used in the current financial year. The municipality is under no obligation to cover any unfunded benefits. The total municipal contribution to such schemes are as listed above.

Councillors' arrear consumer accounts

There were no Councillors that had arrear accounts outstanding for more than 90 days at 30 June 2025:

During the year there were no Councillors' that had arrear accounts outstanding for more than 90 days.

Thulamela Municipality 2025

(Registration number LIM343)

Audited Annual Financial Statements for the year ended 30 June 2025

Notes to the Audited Annual Financial Statements

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

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

Deviation from supply chain management regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the Municipal Manager and noted by Council. The expenses incurred as listed hereunder have been condoned.

Incident

Conference expenses	602 738	737 420
Hire Charges	442 781	706 337
Inventory:Consumables	324 741	559 287
Maintenance of Equipment	3 622 940	3 925 816
Maintenance of Unspecified Assets	757 970	604 597
Subscriptions and membership fees	34 579	240 120
Travel	1 733 758	801 654
Maintenance of Vehicles	74 425	-
	7 593 932	7 575 231

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

Thulamela Municipality 2025

(Registration number LIM343)

Audited Annual Financial Statements for the year ended 30 June 2025

Notes to the Audited Annual Financial Statements

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

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

Awards to close family members

Municipal Supply Chain Management Regulations 45(a), (b) & (c) of Government Gazette No.27636 issued on 30 May 2005 states that the notes to the annual financial statements of a municipality or municipal entity must disclose particulars of any award of more than R2 000 to a person who is a spouse, child or parent of a person in the service of the state, or has been in the service of the state in the previous 12 months, including—

(a) the

name of that person;

(b) the capacity in which that person is in the service of the state; and

(c) the amount of the award

Bidder and Name of state employee	Capacity	Amount
Mbulaheni Steven Ramaano	Major – National Police (Spouse of director of Malili Trading)	16 500
Lambani Fhatuwani Eric	Teacher – Department of Education – Spouse of a director of Arikonirothe Trading	19 850
Mabada Takalani Lawrence	Military Practitioner – Department of Defence - Spouse of director of DTGD Holdings	18 600
Kwinda Azwiitei	Officer – Social Development – Spouse of a director of Chosen One Projects	52 980
Khorommbi Lutendo	Teacher – Department of Education – Spouse of a director of Silver Corn Empire	15 595
Tshikhudo Elekanyani	Baggage Handler – SA Airlink – Spouse of a director of Nemavince Pty Ltd	5 380
Nemukhwathoni Robert	Warrant Officer – SAPS – Spouse of a director of Tshifaro Catering Services & Trading	28 700
Budeli Ndivhuwo	Chief Audit Executive – Department of Justice – Spouse of a director of Mulaudzi Transport Services	7 000
Budeli Ndivhuwo	Chief Audit Executive – Department of Justice – Spouse of a director of Mulaudzi Transport Services	7 000
Nethononda Humbulani Tshilande	Teacher – Department of Education – Spouse of a director of Amazon Financial Services	15 295
Maswanganyi Hlamalani	Agricultural Specialist - Department of Agriculture – Spouse of a director of Mkhacani Construction	109 811 936
Monyela Gavaza Seakamela	Nurse – Department of Health – Spouse of a director of The Curve Suite Guest & Accomodation	4 750
Mulaudzi Thanyani Eric	Teacher – Department of Education – Spouse of a director of Dembelashu Trading	5 250
Mulaudzi Thanyani Eric	Teacher – Department of Education – Spouse of a director of SM & N Holdings	7 250
Damons Shirneal Adama	Chief Dietician – Department of health – Spouse of director of The Balmoral	32 040
Munzhelele Calvin Mbulaheni	Teacher – Department of Education – Spouse of a director of Thanziela Construction	18 027

Thulamela Municipality 2025

(Registration number LIM343)

Audited Annual Financial Statements for the year ended 30 June 2025

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024
54. Additional disclosure in terms of Municipal Finance Management Act (continued)		
Mulaudzi Thanyani	Teacher – Department of Education – Spouse of a director of THEMAK Enterprise	14 100
Govender Saroshni	Teacher – Department of Education – Spouse of a director of Action Ford Louis Trichardt	188 672
Thembekile Olivia Mayayise	Manager - Eskom – Spouse of director of KTN Consulting Engineering & Project Managers	-
Neluheni Mudanalwo	Manager – Limpopo Office of Premier – spouse of director of Tshashu Consulting & Project Managers	-
Delekisa Mokgadi	Department of Social Services – Spouse of director of DMV Limpopo Consulting (Pty) LTD	-
Hageman Magrita	Teacher – Department of Education – Spouse of director of DMV Limpopo Consulting (Pty) Ltd	-
Tshibalanganda Rofhiwa Constance	Chief Accounting Clerk – Department of Health – Spouse to director of Gerson Matamela Holdings	2 000 000
Namane Nthabiseng	Technician – Department of Roads and Public works – Spouse of director of TM Mash Consulting (Pty) Ltd	-
Makwarela Vhutshilo	Tshwane University of Technology – Spouse of director of Muteo Consulting	2 000 000
R W Moekwa	Eskom – Spouse of director of ADY EM Technical	-
		114 268 925

55. Accounting by principals and agents

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

Details of the arrangement(s) is|are as follows:

Thulamela Local Municipality acts as an implementing agent on behalf of the Department of Transport (Principal) as they administer certain functions on behalf of the Department such as licensing and registration of motor vehicles.

The provincial government, through the respective provincial department of transport, is mandated to collect motor vehicle licenses on an annual basis. The provincial department of transport determines the fee that is payable annually by motor vehicle owners, which varies depending on the type of motor vehicle owned.

To make the payment of the motor vehicle licenses easier, the provincial departments entered into a contractual arrangement with the Thulamela local municipality to undertake this activity on their behalf. In terms of the arrangement:

- The provincial department of transport issues the motor vehicle licence renewal form to the respective owners of the motor vehicles, indicating the amount due for the year
- The municipality provide facilities for owners of motor vehicles to pay their licences.
- The provincial department provides the municipality with access to its IT systems so that they can capture the amounts received and issue the motor vehicle licenses on their behalf. The system automatically generates the motor vehicle license upon capturing the payment of the fees due.
- The municipality collect the fees due from motor vehicles owners and simultaneously issue the new licenses on behalf of the provincial government.
- The municipalities are required to pay over any revenue (cash) collected to the provincial government in respect of motor vehicle licenses.
- The municipalities are entitled to retain 20% and 3% of the cash collected for undertaking this activity for the provincial Department of Transport and AARTO respectively.

Thulamela Municipality 2025

(Registration number LIM343)

Audited Annual Financial Statements for the year ended 30 June 2025

Notes to the Audited Annual Financial Statements

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

55. Accounting by principals and agents (continued)

Entity as agent

Revenue recognised

The aggregate amount of revenue that the entity recognised as compensation for the transactions carried out on behalf of the principal is 10 196 567 (2024: 10 783 704).

Additional information

Revenue and expenses that relate to transactions with third parties undertaken in terms of the principal-agent arrangement

Category(ies) of revenue received or to be received on behalf of the principal, are:

Categories

Licensing

Amount of revenue received on behalf of the principal during the reporting period

Licensing	33 590 907	25 946 769
-----------	------------	------------

Receivables and/or payables recognised based on the rights and obligations established in the binding arrangement(s)

Reconciliation of the carrying amount of payables

Opening balance	2 028 192	-
Revenue received or to be received on behalf of the principal	23 394 339	25 946 769
Amounts transferred to the principal	(23 397 748)	(23 918 577)
	2 024 783	2 028 192

All categories

Opening balance	2 028 192	-
Revenue received or to be received on behalf of the principal	23 394 339	25 946 769
Amounts transferred to the principal	(23 397 748)	(23 918 577)
	2 024 783	2 028 192

56. Segment information

General information

Thulamela Municipality 2025

(Registration number LIM343)

Audited Annual Financial Statements for the year ended 30 June 2025

Notes to the Audited Annual Financial Statements

Figures in Rand

2025

2024

56. Segment information (continued)

Identification of segments

For management purposes, the municipality is organised and operates in four key functional segments (or business units). To this end, management monitors the operating results of these business units for the purpose of making decisions about resource allocations and assessment of performance. Revenues, expenditures, liabilities and assets relating to these business units are allocated at a transactional level. Costs relating to the governance and administration of the municipality are not allocated to these business units

Segments were identified based on the Municipal Finance Management Act section 71 monthly budget statements, which executive management and Council review to make strategic decisions and monitor segment performance. The disclosure of information about segments in the budget statements is organised around the type of service delivered, and is presented in a standardised format. As such, it is considered appropriate for external reporting purposes to achieve the objectives of GRAP 18.

The four key business units comprise of:

- Community and public safety which includes community and social services, sport and recreation, public safety, health and housing services;
- Economic and environmental services which includes planning and development, road transport and environmental protection services
- Trading services which includes energy sources, water management, waste water management and waste management services
- Governance and administration which includes executive and council, finance and administration and internal audit

Aggregated segments

The grouping of these segments is consistent with the functional classification of government activities which considers the nature of the services, the beneficiaries of such services and the fees charged for the services rendered (if any).

Types of goods and/or services by segment

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

Reportable segment

Community and public safety

Economic and environmental services

Trading services

Governance and administration (Unallocated)

Goods and/or services

Community and social services, sport and recreation facilities, crime prevention, traffic enforcement, public housing and health. These activities are performed by various departments with aligned objectives

Urban planning and development, transport, road maintenance and environmental protection. These activities are performed by various departments with aligned objectives.

Collecting and disposing of waste in a safe manner, as required by legislation. Ensuring the general cleanliness of the city's streets, public spaces, beaches and rivers.

Providing the link between Eskom and electricity consumers
All aspects of governance and the centralised financial administration of the Municipality

Thulamela Municipality 2025

(Registration number LIM343)

Audited Annual Financial Statements for the year ended 30 June 2025

Notes to the Audited Annual Financial Statements

Figures in Rand

56. Segment information (continued)

Segment surplus or deficit, assets and liabilities

2025

	Community and public safety	Economic and environmental services	Trading services	Total
Revenue				
Sales of goods and rendering of services	338 918	19 042 237	5 526	19 386 681
Service charges	-	-	27 399 535	27 399 535
Construction contracts	12 710 435	-	-	12 710 435
Rental of facilities and equipment	1 619 105	1 930 212	-	3 549 317
Interest on receivables from exchange transactions	-	134 338	11 066 060	11 200 398
Agency services	-	10 196 567	-	10 196 567
Licences and permits	881 556	322 469	-	1 204 025
Other income	-	444 701	295 132	739 833
Government grants & subsidies	-	142 755 000	4 000 000	146 755 000
Fines, Penalties and Forfeits	-	3 549 734	-	3 549 734
Reversal of impairments	-	235 555	-	235 555
Total segment revenue	15 550 014	178 610 813	42 766 253	236 927 080
Unallocated revenue				831 472 125
Entity's revenue				1 068 399 205

Thulamela Municipality 2025

(Registration number LIM343)

Audited Annual Financial Statements for the year ended 30 June 2025

Notes to the Audited Annual Financial Statements

Figures in Rand

	Community and public safety	Economic and environmental services	Trading services	Total
56. Segment information (continued)				
Expenditure				
Employee related costs	30 137 817	163 253 332	73 061 664	266 452 813
Depreciation and amortisation	12 263 488	61 297 674	7 150 913	80 712 075
Impairment loss	2 232 940	6 425 727	1 159 860	9 818 527
Finance costs	-	-	2 979 601	2 979 601
Debt Impairment	-	-	18 676 188	18 676 188
Contracted Services	21 728 665	20 817 416	3 800	42 549 881
Transfers and Subsidies	1 687 436	-	-	1 687 436
Loss on disposal of assets and liabilities	470 807	154 521 918	258 823	155 251 548
Inventories losses/write-downs	5 882	3 154	-	9 036
General Expenses	21 646 892	44 468 689	8 766 902	74 882 483
Total segment expenditure	90 173 927	450 787 910	112 057 751	653 019 588
Total segmental surplus/(deficit)	(74 623 913)	(272 177 097)	(69 291 498)	(416 092 508)
Unallocated expenses				(382 527 685)
Total revenue reconciling items				831 472 125
Entity's surplus (deficit) for the period				32 851 932
Assets				
Inventories	(15 481 440)	(28 025 369)	(17 342 201)	(60 849 010)
Statutory receivables	(112 500)	6 552 114	5 299 988	11 739 602
Receivables from exchange transactions	(189 359 215)	168 128 949	(75 048 314)	(96 278 580)
Cash and cash equivalents	(582 424 260)	(512 008 759)	7 713 597	(1 086 719 422)
Property, plant and equipment	350 181 663	1 727 070 174	93 626 820	2 170 878 657
Intangible assets	-	1 344 120	-	1 344 120
Total segment assets	(437 195 752)	1 363 061 229	14 249 890	940 115 367
Unallocated assets				2 370 292 060

Thulamela Municipality 2025

(Registration number LIM343)

Audited Annual Financial Statements for the year ended 30 June 2025

Notes to the Audited Annual Financial Statements

Figures in Rand

	Community and public safety	Economic and environmental services	Trading services	Total
56. Segment information (continued)				
Total assets as per Statement of financial Position				3 310 407 427
Liabilities				
Payables from exchange transactions	(1 645 034)	(34 002 790)	(2 194 768)	(37 842 592)
Provisions	-	-	(36 083 221)	(36 083 221)
Total segment liabilities	(1 645 034)	(34 002 790)	(38 277 989)	(73 925 813)
Unallocated liabilities				(151 298 036)
Total liabilities as per Statement of financial Position				(225 223 849)

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

2024

Community and public safety	Economic and environmental services	Trading services	Total
-----------------------------------	---	---------------------	-------

Thulamela Municipality 2025

(Registration number LIM343)

Audited Annual Financial Statements for the year ended 30 June 2025

Notes to the Audited Annual Financial Statements

Figures in Rand

56. Segment information (continued)

Revenue

Sales of goods and rendering of services	534 641	11 228 815	3 460	11 766 916
Service charges	-	-	26 877 504	26 877 504
Construction contracts	24 521 739	-	-	24 521 739
Rental of facilities and equipment	1 141 629	1 713 016	-	2 854 645
Interest on receivables from exchange transactions	-	125 849	9 704 218	9 830 067
Agency services	-	10 783 704	-	10 783 704
Licences and permits	591 320	135 327	-	726 647
Other income	-	438 305	817 496	1 255 801
Government grants & subsidies	-	169 244 694	-	169 244 694
Fines, Penalties and Forfeits	(500)	2 053 343	-	2 052 843
Reversal of impairments	29 827 996	601 461	-	30 429 457

Total segment revenue	56 616 825	196 324 514	37 402 678	290 344 017
------------------------------	-------------------	--------------------	-------------------	--------------------

Unallocated revenue				794 297 809
---------------------	--	--	--	-------------

Entity's revenue				1 084 641 826
-------------------------	--	--	--	----------------------

Expenditure

Employee related costs	31 838 300	157 801 524	57 969 787	247 609 611
Depreciation and amortisation	13 064 786	60 537 649	4 432 732	78 035 167
Impairment loss	996 413	276 275	-	1 272 688
Finance costs	-	-	3 037 776	3 037 776
Debt Impairment	-	-	5 465 219	5 465 219
Contracted Services	38 884 464	106 074 831	-	144 959 295
Transfers and Subsidies	1 696 803	-	-	1 696 803
Gain or loss on disposal of assets and liabilities	13 286	2 527 865	(1)	2 541 150
General Expenses	18 802 844	37 580 495	6 270 880	62 654 219

Total segment expenditure	105 296 896	364 798 639	77 176 393	547 271 928
----------------------------------	--------------------	--------------------	-------------------	--------------------

Total segmental surplus/(deficit)	(48 680 071)	(168 474 125)	(39 773 715)	(256 927 911)
--	---------------------	----------------------	---------------------	----------------------

Total revenue reconciling items				794 297 809
---------------------------------	--	--	--	-------------

Unallocated expenses				(391 581 085)
----------------------	--	--	--	---------------

Entity's surplus (deficit) for the period				145 788 813
--	--	--	--	--------------------

Thulamela Municipality 2025

(Registration number LIM343)

Audited Annual Financial Statements for the year ended 30 June 2025

Notes to the Audited Annual Financial Statements

Figures in Rand

	Community and public safety	Economic and environmental services	Trading services	Total
56. Segment information (continued)				
Assets				
Inventories	(11 183 318)	(19 760 339)	(14 138 423)	(45 082 080)
Statutory receivables	(112 500)	4 829 764	5 299 988	10 017 252
Receivables from exchange transactions	(188 732 418)	171 091 533	(81 396 842)	(99 037 727)
Cash and cash equivalents	(532 696 425)	(479 065 353)	1 884 873	(1 009 876 905)
Property, plant and equipment	351 778 319	1 778 705 677	95 846 576	2 226 330 572
Intangible assets	-	1 358 207	-	1 358 207
Total segment assets	(380 946 342)	1 457 159 489	7 496 172	1 083 709 319
Unallocated assets				2 191 537 308
Total assets as per Statement of financial Position				3 275 246 627
Liabilities				
Payables from exchange transactions	(1 657 550)	(47 449 795)	(3 747 335)	(52 854 680)
Unspent conditional grants and receipts	-	(4 057 306)	-	(4 057 306)
Provisions	-	-	(27 923 984)	(27 923 984)
Total segment liabilities	(1 657 550)	(51 507 101)	(31 671 319)	(84 835 970)
Unallocated liabilities				(138 079 019)
Total liabilities as per Statement of financial Position				(222 914 989)

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

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.

Thulamela Municipality 2025

(Registration number LIM343)

Audited Annual Financial Statements for the year ended 30 June 2025

Notes to the Audited Annual Financial Statements

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

56. Segment information (continued)

Information about geographical areas

The municipality's operations are located in the Republic of South Africa, in the Limpopo Province. Information to report on different geographic areas is not available, and the cost to develop this functionality would be excessive.