



Mogale City
Local Municipality
The City of Human Origin

**ANNUAL FINANCIAL
STATEMENTS FOR
THE YEAR ENDED
30 JUNE 2025**



Mogale City Local Municipality

GT481 Annual Financial Statements for the year ended 30 June 2025

General Information

Legal form of entity

Municipality in terms of section 1 of the Local Government: Municipal Structures Act (Act 117 of 1998) read with section 155 (1) of the Constitution of the Republic of South Africa (Act 108 of 1996)

Nature of business

Local government (Municipality). The principal activities of the city are to: provide democratic and accountable government to the local communities, ensure sustainable service delivery to communities, promote social and economic development, promote a safe and healthy environment and encourage the involvement of communities and community organisations in the matters of local government.

Legislation governing the municipality's operations

Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003)
Local Government: Municipal Systems Act, 2000 (Act 32 of 2000)
Local Government: Municipal Structures Act, 1998 (Act 117 of 1998)
Constitution of the Republic of South Africa (Act 108 of 1998)
Local Government: Municipal Property Rates Act, 2004 (Act 6 of 2004)
Division of Revenue Act (Act 1 of 2007) and various other acts and regulations

Members of Council

Executive Mayor
Deputy Mayor
Speaker
Chief Whip
Municipal Public Accounts Committee
Members of Mayoral Committee

Cllr L. Sele
Cllr B. Nkosi
Cllr D. David
Cllr T. Ramaisa
Cllr M. Lephadi
MMC Finance: Cllr. B. Molefe
MMC Social Development: Cllr W. Segolodi
MMC Human Settlement, Real Estate & Rural Development: Cllr M. Mogoje
MMC Local Economic Development: Cllr L. Resha
MMC Utility Management Services: Cllr P. Modise
MMC Public Safety: Cllr F. Makgatho
MMC Public Works, Roads & Transport: Cllr J. Koboekae
MMC Corporate Support Services: Cllr K. Mandyu
MMC Sports, Recreation, Arts, Culture & Heritage: Cllr C. Mankazana
MMC Integrated Environmental Management: Cllr X. Mkruquli
Cllr V. Khumalo
Cllr D. Modiko
Cllr B. Mdlane-Molatudi
Cllr J. Muravha
Cllr N. Xhale
Cllr R. Moeketsi
Cllr S. Mokgwathi
Cllr E. Munyai
Cllr N. Segapela
Cllr. N. Sithole
Cllr C. Mosala
Cllr M. Taunyane
Cllr P. Tabiwa
Cllr V. Khol
Cllr L. Lesuthu
Cllr D. Witbooi
Cllr R. Mokoto

Councillors

Mogale City Local Municipality

GT481 Annual Financial Statements for the year ended 30 June 2025

General Information

Cllr N. Nhlapo
Cllr K. Motlhope
Cllr L. Pii
Cllr W. Mnyaji
Cllr S. Dabhelia
Cllr T. Tshose
Cllr L. Ntshabele
Cllr B. Kubayi
Cllr M. Nqosa
Cllr S. Govindsamy
Cllr P. Matshaba
Cllr E. Mahne
Cllr M. Naude
Cllr J. Tapani
Cllr O. Moralo
Cllr J. Kotze
Cllr L. Du Toit
Cllr A. Jooste
Cllr L. Zwankhuizen
Cllr C. Van Der Westhuizen
Cllr M. Trump
Cllr S. Cochrane
Cllr A. Van Loggerenberg
Cllr D. Nieuwenhuizen
Cllr T. Gray
Cllr L. Lekoto
Cllr J. Holtzhausen
Cllr K. Lekagane
Cllr L. Moleba
Cllr B. Twala
Cllr J. Pannel
Cllr B. Seleke
Cllr G. Britz
Cllr T. Koto
Cllr F. Ngobeni
Cllr M. Hleza
Cllr K. Ntshangase
Cllr M. Badenhorst
Cllr D. Toerien
Cllr L. Gouws
Cllr A. Steyn
Cllr J. Liebenberg
Cllr T. Steenkamp
Cllr T. Ntando
Cllr S. Lebesa

Grading of local authority

High Capacity (Grade 5)

Accounting Officer

Mr M.A. Msezana

Chief Financial Officer

Ms B.V. Monkwe

Mogale City Local Municipality

GT481 Annual Financial Statements for the year ended 30 June 2025

General Information

Registered office	Civic Centre Cnr Commissioner & Market Street Krugersdorp 1740
Business address	Civic Centre Cnr Commissioner & Market Street Krugersdorp 1740
Postal address	P.O Box 94 Krugersdorp
Telephone number	011 951 2000
Attorneys	Various-per appointed panel
Auditors	Auditor - General South Africa (AGSA) Registered Auditors
Audit Committee members	Mr. Makgoba Mongalo (Chair) (1 May 2025 - 30 June 2025) Mr. Vernon Makaleni (1 May 2025 - 30 June 2025) Ms. Sizo Mzizi (1 May 2025 - 30 June 2025) Adv. Nontutuzelo Njeza (1 May 2025 - 30 June 2025) Adv. Johannes Weapond (1 May 2025 - 30 June 2025) Dr Len Konar (Chair) (1 July 2024 - 28 February 2025) Mr. Bashir Ahmed (1 July 2024 - 28 February 2025) Mr. Luyanda Mangquku (1 July 2024 - 28 February 2025) Mr. Maphanga Maseko (1 July 2024 - 28 February 2025) Mr. Lufuno Ravhuhali (1 July 2024 - 28 February 2025)
Bankers	ABSA

Mogale City Local Municipality

GT481 Annual Financial Statements for the year ended 30 June 2025

Index and Acronyms

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

Index	Page
Accounting Officer's Responsibilities and Approval	6
Statement of Financial Position	7
Statement of Financial Performance	8
Statement of Changes in Net Assets	9
Cash Flow Statement	10
Statement of Comparison of Budget and Actual Amounts	11 - 15
Significant Accounting Policies	16 - 41
Notes to the Annual Financial Statements	41 - 116
Appendixes Appropriation Statement	117 - 119

Mogale City Local Municipality

GT481 Annual Financial Statements for the year ended 30 June 2025

Index and Acronyms

AIDS	Acquired Immunodeficiency Syndrome
COIDA	Compensation for Occupational Injuries and Diseases Act
DBSA	Development Bank of Southern Africa
DoE	Department of Energy
FMG	Finance Management Grant
GRAP	Generally Recognised Accounting Practice
HDA	Housing Development Agency
HIV	Human Immunodeficiency Virus
HSDG	Human Settlement Development Grant
INEP	Integrated National Electrification Programme
IUDG	Integrated Urban Development Grant
MCLM	Mogale City Local Municipality
MFMA	Municipal Finance Management Act
MMC	Member of Mayoral Committee
MPAC	Municipal Public Accounts Committee
mSCOA	Municipal Standard Chart of Accounts
MWIG	Municipal Water Infrastructure Grant
NDPG	Neighbourhood Development Grant
NERSA	National Electricity Regulator of South Africa
SRAC	Sports, Recreation, Arts and Culture
VAT	Value Added Tax
WRDM	West Rand District Municipality
WSIG	Water Services Infrastructure Grant

Mogale City Local Municipality

GT481 Annual Financial Statements for the year ended 30 June 2025

Accounting Officer's Responsibilities and Approval

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

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

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

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

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

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

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

Although the Accounting Officer is primarily responsible for the financial affairs of the municipality, he is supported by the municipality's internal auditors.

I certify that the salaries, allowances and benefits of councillors as disclosed in note 35 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 External Auditors are responsible for a statutory audit and reporting on the municipality's annual financial statements.

The annual financial statements set out on page 7 to 119, which have been prepared on the going concern basis, were approved and signed by the Accounting Officer on 29 August 2025.

Accounting Officer
Makhosana Msezana

Mogale City Local Municipality

GT481 Annual Financial Statements for the year ended 30 June 2025

Statement of Financial Position as at June 30, 2025

Figures in Rand	Note(s)	2025	2024 Restated*
Assets			
Current Assets			
Inventories	2	36,636,851	36,836,053
Receivables from non-exchange transactions	3	253,676,733	239,237,712
Receivables from exchange transactions	4	1,120,222,105	916,860,744
Cash and cash equivalents	5	299,900,387	149,607,630
Operating lease asset	6	45,577	32,846
		1,710,481,653	1,342,574,985
Non-Current Assets			
Living resources	8	2,541,121	3,193,428
Investment property	7	667,058,084	766,692,301
Property, plant and equipment	9	5,854,558,944	5,850,220,849
Intangible assets	10	64,957,436	65,739,733
Heritage assets	11	15,028,104	15,028,104
Investment in shares	12	865,420	789,780
		6,605,009,109	6,701,664,195
Total Assets		8,315,490,762	8,044,239,180
Liabilities			
Current Liabilities			
Operating lease payments liability	6	9,472	9,176
Employee benefit obligation	13	23,710,090	15,348,481
Unspent conditional grants and receipts	14	1,755,563	3,522,090
Provisions	15	5,512,606	3,880,165
Payables from non-exchange transactions	16	99,948,884	101,986,085
Payables from exchange transactions	17	1,122,796,030	1,021,852,129
Borrowings	18	35,320,861	33,598,649
Sundry deposits	20	12,463,602	12,605,276
Consumer deposits and guarantees	21	77,954,557	74,607,303
Short-term trade and other payables	19	72,128,221	72,128,221
		1,451,599,886	1,339,537,575
Non-Current Liabilities			
Operating lease payments liability	6	-	296
Employee benefit obligation	13	260,516,879	255,517,409
Provisions	15	121,378,503	116,375,218
Borrowings	18	87,348,304	122,669,165
Long-term trade and other payables	19	72,128,221	144,256,442
		541,371,907	638,818,530
Total Liabilities		1,992,971,793	1,978,356,105
Net Assets		6,322,518,969	6,065,883,075
Social Responsibility		72,544,409	61,264,855
Accumulated surplus		6,249,974,560	6,004,618,220
Total Net Assets		6,322,518,969	6,065,883,075

* See Note 48

Mogale City Local Municipality

GT481 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			
Service charges	23	2,474,777,992	2,368,009,237
Rental of facilities and equipment	24	6,595,700	4,999,537
Income from agency services	25	26,250,054	22,912,195
Licences and permits		26,210	502,006
Operational revenue from exchange transactions	26	31,635,337	24,179,694
Interest received - Outstanding debtors	27	209,017,632	167,374,356
Investment revenue - Interest revenue	28	22,966,187	17,172,201
Investment revenue - Dividends revenue	28	34,746	31,232
Proceeds from sale of land	29	17,272,031	-
Total revenue from exchange transactions		2,788,575,889	2,605,180,458
Revenue from non-exchange transactions			
Statutory income: Property rates	30	731,732,916	649,993,282
Transfers and subsidies	31	995,241,016	1,074,768,040
Donations	32	4,553,231	103,285,341
Fines, Penalties and Forfeits	33	53,520,044	63,386,840
Non-exchange interest (debt relief)		16,870,519	39,270,818
Municipal debt relief write-off		72,128,221	-
Total revenue from non-exchange transactions		1,874,045,947	1,930,704,321
Total revenue		4,662,621,836	4,535,884,779
Expenditure			
Employee related costs	34	(1,063,252,957)	(1,028,416,902)
Remuneration of councillors	35	(40,095,260)	(39,488,117)
Depreciation and amortisation	36	(242,913,613)	(251,997,561)
(Impairment loss)/Reversal of impairments	37	(82,316,423)	(14,048,943)
Interest costs	38	(18,487,019)	(22,965,599)
Debt Impairment	39	(406,407,634)	(393,975,722)
Collection costs	40	(22,213,920)	(24,095,585)
Bulk purchases	41	(1,839,851,907)	(1,632,117,928)
Contracted services	42	(377,626,297)	(341,094,340)
Transfers and Subsidies		(2,937,157)	(2,140,054)
Operational costs	43	(245,163,146)	(345,615,276)
Total expenditure		(4,341,265,333)	(4,095,956,027)
		321,356,503	439,928,752
Gains	44	17,068,937	16,709,153
Fair value adjustments - Investment property	45	(93,107,482)	10,109,384
Fair value adjustments - Shares	45	75,640	220,283
Surplus for the year		245,393,598	466,967,572

* See Note 48

Mogale City Local Municipality

GT481 Annual Financial Statements for the year ended 30 June 2025

Statement of Changes in Net Assets

Figures in Rand	Social Responsibility	Accumulated surplus	Total net assets
Opening balance as previously reported	-	5,415,509,833	5,415,509,833
Adjustments			
Total changes/Surplus(Deficit) for the year	-	144,043,545	144,043,545
Correction of error	-	(21,902,728)	(21,902,728)
Restated* Balance at July 1, 2023	50,434,216	5,537,650,650	5,588,084,866
Surplus 2024	-	584,474,374	584,474,374
Correction of error	-	(117,506,791)	(117,506,791)
Restated* surplus for the year	-	466,967,572	466,967,572
Total changes	10,830,639	6,004,618,220	6,015,448,859
Restated* Balance at July 1, 2024	61,264,855	6,004,618,220	6,065,883,075
Changes in net assets			
Surplus for the year	-	245,393,598	245,393,598
Total changes	11,279,554	245,393,598	256,673,152
Balance at June 30, 2025	72,544,409	6,249,974,560	6,322,518,969
Note(s)	-	48	

Mogale City Local Municipality established a 2% Corporate Social Responsibility (CSR) levy. All Suppliers/Service Providers that are situated outside the borders of the Municipality that are awarded a tender through the Supply Chain Management processes, are obliged to contribute a 2% levy of all the payments that the Municipality makes to them throughout the tender tenure to the Municipality's CSR Fund.

* See Note 48

Mogale City Local Municipality

GT481 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		658,477,850	612,359,464
Sale of goods and services		1,941,532,548	1,814,365,858
Interest income		231,983,819	184,546,557
Dividends or similar distributions received		34,746	31,232
Grants		993,474,489	1,062,595,343
Other receipts		154,598,594	165,631,804
		<u>3,980,102,046</u>	<u>3,839,530,258</u>
Payments			
Employee costs		(1,087,602,321)	(1,027,839,665)
Suppliers		(2,320,218,881)	(2,490,546,931)
Interest costs		(18,487,019)	(22,965,599)
		<u>(3,426,308,221)</u>	<u>(3,541,352,195)</u>
Net cash flows from operating activities	46	<u>553,793,825</u>	<u>298,178,063</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	9	(369,902,419)	(260,007,257)
Net cash flows from investing activities		<u>(369,902,419)</u>	<u>(260,007,257)</u>
Cash flows from financing activities			
Repayment of borrowings		(33,598,649)	(33,064,978)
Net cash flows from financing activities		<u>(33,598,649)</u>	<u>(33,064,978)</u>
Net increase/(decrease) in cash and cash equivalents		150,292,757	5,105,828
Cash and cash equivalents at the beginning of the year		149,607,630	144,501,802
Cash and cash equivalents at the end of the year	5	<u>299,900,387</u>	<u>149,607,630</u>

* See Note 48

Mogale City Local Municipality

GT481 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
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Figures in Rand

Statement of Financial Performance

Revenue

Revenue from exchange transactions

Service charges	2,542,432,316	330,598,535	2,873,030,851	2,474,777,992	(398,252,859)	47.1
Rental of facilities and equipment	4,749,274	571,991	5,321,265	6,595,700	1,274,435	47.2
Interest received (Outstanding debtors)	107,049,278	38,039,232	145,088,510	209,017,632	63,929,122	47.3
Income from agency services	41,527,170	20,940,239	62,467,409	26,250,054	(36,217,355)	47.4
Licences and permits	49,483	963,139	1,012,622	26,210	(986,412)	47.5
Proceeds from sale of land	-	-	-	17,272,031	17,272,031	
Operational revenue from exchange transactions	59,584,346	51,001,576	110,585,922	31,635,337	(78,950,585)	48.6
Investment revenue - Interest revenue	16,808,450	3,191,550	20,000,000	22,966,187	2,966,187	47.7
Investment revenue - Dividends revenue	-	81,398	81,398	34,746	(46,652)	47.8
Total revenue from exchange transactions	2,772,200,317	445,387,660	3,217,587,977	2,788,575,889	(429,012,088)	

Revenue from non-exchange transactions

Statutory income: Property rates	681,186,606	27,633,602	708,820,208	731,732,916	22,912,708	
Non-exchange interest (debt relief)	-	-	-	16,870,519	16,870,519	47.9
Municipal debt relief write-off	-	-	-	72,128,221	72,128,221	47.10
Transfers and subsidies - Operational	681,777,213	(852,444)	680,924,769	679,688,621	(1,236,148)	
Transfers and subsidies - Capital	314,252,556	2,034,444	316,287,000	315,552,395	(734,605)	
Donations	-	-	-	4,553,231	4,553,231	47.11
Fines, Penalties and Forfeits	77,590,192	-	77,590,192	53,520,044	(24,070,148)	47.12
Total revenue from non-exchange transactions	1,754,806,567	28,815,602	1,783,622,169	1,874,045,947	90,423,778	

Total revenue	4,527,006,884	474,203,262	5,001,210,146	4,662,621,836	(338,588,310)	
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Expenditure

Employee related costs	(1,052,627,799)	(39,223,481)	(1,091,851,280)	(1,063,252,957)	28,598,323	
Remuneration of councillors	(45,062,766)	(3,500,000)	(48,562,766)	(40,095,260)	8,467,506	47.13
Depreciation and amortisation	(253,274,565)	(28,058,265)	(281,332,830)	(242,913,613)	38,419,217	
Impairment loss/ Reversal of impairments	(20,000,000)	(62,316,424)	(82,316,424)	(82,316,423)	1	
Interest costs	(23,660,086)	-	(23,660,086)	(18,487,019)	5,173,067	47.14
Debt Impairment	(347,497,652)	(63,049,858)	(410,547,510)	(406,407,634)	4,139,876	
Collection costs	(23,328,114)	1,114,194	(22,213,920)	(22,213,920)	-	
Bulk purchases	(1,764,985,485)	(102,813,955)	(1,867,799,440)	(1,839,851,907)	27,947,533	
Contracted Services	(351,204,366)	(81,738,961)	(432,943,327)	(377,626,297)	55,317,030	
Transfers and Subsidies (operational expenditure)	(6,937,169)	(2,661,924)	(9,599,093)	(2,937,157)	6,661,936	47.15

Mogale City Local Municipality

GT481 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						
Operational costs	(214,558,930)	(30,604,216)	(245,163,146)	(245,163,146)	-	
Total expenditure	(4,103,136,932)	(412,852,890)	(4,515,989,822)	(4,341,265,333)	174,724,489	
Operating surplus	423,869,952	61,350,372	485,220,324	321,356,503	(163,863,821)	
Gains and losses	-	-	-	17,068,937	17,068,937	
Fair value adjustments - Investment property	-	-	-	(93,107,482)	(93,107,482)	
Fair value adjustments - Shares	-	-	-	75,640	75,640	
	-	-	-	(75,962,905)	(75,962,905)	
Surplus/(deficit)	423,869,952	61,350,372	485,220,324	245,393,598	(239,826,726)	

Mogale City Local Municipality

GT481 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
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Figures in Rand

Statement of Financial Position

Assets

Current Assets

Inventories	978,000	6,053,000	7,031,000	36,636,851	29,605,851	
Receivables from non-exchange transactions	71,066,000	67,872,000	138,938,000	253,676,733	114,738,733	
Receivables from exchange transactions	1,640,423,000	238,421,000	1,878,844,000	1,120,222,105	(758,621,895)	
Cash and cash equivalents	11,141,000	11,273,000	22,414,000	299,900,387	277,486,387	
Operating lease asset	49,000	-	49,000	45,577	(3,423)	
	1,723,657,000	323,619,000	2,047,276,000	1,710,481,653	(336,794,347)	

Non-Current Assets

Investment property	668,197,000	-	668,197,000	667,058,084	(1,138,916)	
Property, plant and equipment	5,993,113,000	23,578,000	6,016,691,000	5,854,558,944	(162,132,056)	
Living resources	3,064,000	-	3,064,000	2,541,121	(522,879)	
Intangible assets	2,272,000	-	2,272,000	64,957,436	62,685,436	
Heritage assets	2,450,000	-	2,450,000	15,028,104	12,578,104	
Investment in shares	-	-	-	865,420	865,420	
	6,669,096,000	23,578,000	6,692,674,000	6,605,009,109	(87,664,891)	

Total Assets

8,392,753,000 347,197,000 8,739,950,000 8,315,490,762 (424,459,238)

Liabilities

Current Liabilities

Employee benefit obligation	-	-	-	23,710,090	23,710,090	
Unspent conditional grants and receipts	-	-	-	1,755,563	1,755,563	
Provisions	2,042,000	-	2,042,000	5,512,606	3,470,606	
Payables from non-exchange transactions	165,380,000	(859,000)	164,521,000	99,948,884	(64,572,116)	
Payables from exchange transactions	848,256,000	286,235,000	1,134,491,000	1,122,796,030	(11,694,970)	
Borrowings	48,725,000	-	48,725,000	35,320,861	(13,404,139)	
Sundry deposits	-	-	-	12,463,602	12,463,602	
Consumer deposits and guarantees	82,794,000	-	82,794,000	77,954,557	(4,839,443)	
Operating lease liability	-	-	-	9,472	9,472	
VAT payable	381,365,000	-	381,365,000	-	(381,365,000)	
Short-term trade and other payables	-	-	-	72,128,221	72,128,221	
	1,528,562,000	285,376,000	1,813,938,000	1,451,599,886	(362,338,114)	

Non-Current Liabilities

Employee benefit obligation	225,342,000	-	225,342,000	260,516,879	35,174,879	
Provisions	97,895,000	-	97,895,000	121,378,503	23,483,503	
Borrowings	140,610,000	-	140,610,000	87,348,304	(53,261,696)	
Long-term trade and other payables	144,256,000	-	144,256,000	72,128,221	(72,127,779)	
	608,103,000	-	608,103,000	541,371,907	(66,731,093)	

Mogale City Local Municipality

GT481 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						
Total Liabilities	2,136,665,000	285,376,000	2,422,041,000	1,992,971,793	(429,069,207)	
Net Assets	6,256,088,000	61,821,000	6,317,909,000	6,322,518,969	4,609,969	
Net Assets						
Reserves						
Social Responsibility Fund	50,434,000	-	50,434,000	72,544,409	22,110,409	
Accumulated surplus	6,205,654,000	61,821,000	6,267,475,000	6,249,974,560	(17,500,440)	
Total Net Assets	6,256,088,000	61,821,000	6,317,909,000	6,322,518,969	4,609,969	

Mogale City Local Municipality

GT481 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
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Figures in Rand

Cash Flow Statement

Cash flows from operating activities

Receipts

Property rates	606,256,000	81,000	606,337,000	658,477,850	52,140,850	
Sale of goods and services	2,262,765,000	-	2,262,765,000	1,941,532,548	(321,232,452)	
Other receipts	425,164,000	8,000,000	433,164,000	154,598,594	(278,565,406)	
Transfers and Subsidies	996,030,000	-	996,030,000	993,474,489	(2,555,511)	
Interest	16,808,000	3,192,000	20,000,000	231,983,819	211,983,819	
Dividend	-	-	-	34,746	34,746	
	4,307,023,000	11,273,000	4,318,296,000	3,980,102,046	(338,193,954)	

Payments

Suppliers and Employees	(3,995,499,000)	-	(3,995,499,000)	(3,407,821,202)	587,677,798	
Interest costs	(23,660,000)	-	(23,660,000)	(18,487,019)	5,172,981	
Transfers and subsidies	(8,728,000)	-	(8,728,000)	-	8,728,000	
	(4,027,887,000)	-	(4,027,887,000)	(3,426,308,221)	601,578,779	

Net cash flows from operating activities	279,136,000	11,273,000	290,409,000	553,793,825	263,384,825	
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Cash flows from investing activities

Purchase of property, plant and equipment	(412,503,000)	-	(412,503,000)	(369,902,419)	42,600,581	
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Cash flows from financing activities

Repayment of borrowing	-	-	-	(33,598,649)	(33,598,649)	
Net increase/ decrease in cash held	(133,367,000)	11,273,000	(122,094,000)	150,292,757	272,386,757	
Cash and cash equivalents at the beginning of the year	144,508,000	-	144,508,000	149,607,630	5,099,630	
Cash and cash equivalents at the end of the year	11,141,000	11,273,000	22,414,000	299,900,387	277,486,387	

Mogale City Local Municipality

GT481 Annual Financial Statements for the year ended 30 June 2025

Significant Accounting Policies

1. Presentation of Annual Financial Statements

The financial statements of Mogale City Local Municipality for the year ended 30 June 2025 were authorized for issue by the Accounting Officer on 29 August 2025.

1.1 General Information

The address of Mogale City Local Municipality's registered office, principal place of business, legal form of entity, nature of business and principal activities are disclosed under 'General Information' on page 1 and 4 of these annual financial statements.

1.2 Basis of preparation

The annual financial statements were prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), including any interpretations, guidelines and directives issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

The cash flow statement has been prepared in accordance with the direct method. The amount and nature of any restrictions on the cash balance are disclosed.

1.3 Basis of preparation

These 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 No 56 of 2003).

The Financial Statements were prepared on the accrual basis of accounting and incorporate the historical cost conventions as the basis of measurement, except where specified otherwise.

1.4 Functional and presentation currency

These Financial Statements are presented in South African Rand, which is the functional currency of the Municipality and all values are rounded to the nearest rand.

1.5 Offsetting

Financial assets and liabilities are offset and the net amount reported on the Statement of Financial Position only when there is a legally enforceable right to set off the recognised amount, and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

1.6 Going Concern

The financial statements were prepared on a going-concern basis. The assumption is that Mogale City will be able to continue operating for a period that is sufficient to carry out its commitments, obligations and objectives.

1.7 Standards issued and not yet effective

Amended Standards	Effective date	Expected impact:
GRAP 103 Heritage Assets	Not yet effective	No material impact on the municipality's reporting requirements
GRAP 104 Financial Instruments	1 April 2025	Material
GRAP 1 Presentation of Financial Statements	Not yet effective	Material
iGRAP 22 Foreign currency transactions and advance considerations	1 April 2025	Material

Amendments to GRAP 105, GRAP 106 and GRAP 107 on Transfers of Functions and Mergers - Amended to align GRAP 105, GRAP 106 and GRAP 107 to IPSAS 40 on Public Sector Combinations and IFRS 3 on Business Combinations. The municipality may not early adopt. The Minister must still determine effective date. No material impact on the municipality's reporting requirements is expected from this amendment.

Improvements to Standards of GRAP, 2023 - Minor amendments aligned with international standard-setters as well as local stakeholder input. The municipality may not early adopt. The Minister must still determine effective date. No material impact on the municipality's reporting requirements is expected from this amendment.

1.8 Significant judgements and estimates

Mogale City Local Municipality

GT481 Annual Financial Statements for the year ended 30 June 2025

Significant Accounting Policies

(continued)

In the application of the municipality's accounting policies, which are described below, management is required to make judgement, estimates and assumption that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. The estimates and associated assumptions are based on historical experiences and other factors that are considered to reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

These estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. Significant judgements include:

Provisions

Provisions were raised and management determined an estimate based on the information available. The provision is discounted when the time value of money is material. Additional disclosure of these estimates of provisions are included in note 18 - Provisions: Professional engineers were utilised to determine the cost of rehabilitation of landfill sites as well as the remaining useful life of each specific landfill site. Interest rates (investment rate) linked to prime was used to calculate the effect of the time value of money.

Leave accrual

The provision for staff leave is based on accrued leave at year-end. The uncertainty is when the leave will be taken or if employment will be terminated.

Prepaid electricity

Pre-paid electricity is only recognised as income as electricity is consumed. The estimate is based on pre-paid electricity sold at year-end, but still unused.

Estimates of unused consumption of prepaid metered services, based on the consumption history, are made at year-end. Sales for prepaid metered services are recognised as revenue upon receipt of payment for these services, except at year-end when estimates for unused consumption up to reporting date are reversed from revenue and accrued as payment for services received in advance. These accruals are reversed in the new financial year to revenue again, deemed to be consumed after 30 June. In respect of estimates of consumption between the last date of purchase and the reporting date, an accrual for payments received in advance is made based on the average monthly consumption of consumers on the reporting date.

Useful lives of property, plant and equipment and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for the property, plant and equipment and other assets. This estimate involves a matter of judgement based on the experience of the municipality with similar assets, and whether the assets will be sold or used to the end of their economic lives and the condition at the time. The municipality considers all the facts and circumstances estimating the useful lives of assets, which included the consideration of financial, technical and other facts. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives and decrease the depreciation charge where useful lives are more than the previously estimated useful lives.

The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

The policy is also applicable to certain intangible assets and Living Resources.

1.9 Use of estimates

Management makes estimates and assumptions concerning the future in applying its accounting policies. The resulting accounting estimates may, by definition, not equal the related actual results.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are detailed in the notes to the financial statements where applicable.

Management continually evaluates estimates and judgments based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions are recognised in the period in which the estimates are reviewed and in any future periods affected.

In the process of applying Mogale City's accounting policies, management has made the following significant accounting judgements, estimates and assumptions, which have the most significant effect on the amounts recognised in the financial statements.

1.9.1 Classification of leases

All arrangements that are classified as leases are evaluated as Operating and Finance leases. These are then accounted for in the annual financial statements in terms of the relevant GRAP standard.

1.9.2 Employee benefits including pension and other post-employment benefits

The cost of defined-contribution plans and other employment medical aid benefits are determined by using actuarial

Significant Accounting Policies

(continued)

valuations. The actuarial valuation involves making assumptions about discount rates, health care cost inflation rate, net of health care cost inflation discount rate, maximum subsidy inflation rate, and net of maximum subsidy inflation discount rate, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty. We value the liability by using the Projected Unit Credit Method.

1.9.3 Impairment of receivables

A comprehensive methodology for impairment of receivables is utilised by the municipality in assessing receivables for impairment and for determining the extent to which receivables are impaired in line with GRAP 104. Management's estimates and judgement are utilised in the analysis of receivables and calculation of impairment.

The Municipality assesses at the end of each reporting date whether there is objective evidence that a receivable account or group of receivable accounts is impaired.

The following accounts are specifically excluded from impairment testing:

Receivable accounts with a credit balance at reporting date;

Receivable accounts where the balance at reporting date is zero;

Receivable accounts where the Municipality is the owner;

Receivable accounts where the Government is the owner;

Receivable accounts that have no balance outstanding longer than 30 days at reporting date as these accounts are considered not to be past due (with the exception of handed over accounts).

Any one of the following events is considered to provide objective evidence that a receivable account or group of receivable accounts could be impaired.

Accounts handed over to debt collectors for collection.

Accounts identified as section 118(3) historical debts.

Accounts wherein the account holder is indicated to be or will be under debt review, subject to liquidation, sequestration or any similar arrangement.

Accounts where the account holder has a current repayment arrangement as at the reporting date.

All accounts indicated as in-active accounts on the system;

Accounts that have been formally presented to Council for write-off.

Accounts with balances outstanding for 30 days and longer as these account holders have defaulted and the accounts are considered to be past due date.

Accounts where the account holder is an approved indigent at reporting date.

Accounts where the last payment date by the account holder was more than 2 months before the end of the reporting period.

Accounts other than the above which in Management's view could be impaired taking any other factors at management's disposal into consideration.

The impairment loss is calculated as the difference between the carrying values of the receivable at reporting date less the present value of expected future cash flows. Expected future cash flows will be calculated based on management's experienced judgement.

Receivables will not be discounted when calculating the estimated impairment allowance as account holders within a municipality are granted normal credit terms that are applicable in the public sector. Accounts where a formal debt repayment arrangement has been entered into with the customer will however be discounted at the prime lending rate as the municipality does not charge interest on accounts wherein an arrangement has been entered into.

A provision for impairment of traffic fines is raised based on the average percentage of uncollected fines in the preceding 3 years, fines older than 3 years are considered to be impaired and are written off.

1.9.4 Impairment of property, plant and equipment, heritage assets and intangible assets

The Municipality tests for impairment where there is an indication that an asset might 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, heritage assets, intangible assets and investment property is greater than the estimated recoverable amount (or recoverable service amount) it is written down immediately to its recoverable amount (or recoverable service amount), an impairment loss is charged to the Statement of Financial Performance and the carrying value is adjusted accordingly by the loss.

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

1.9.5 Provisions, landfill rehabilitation provision and contingent liabilities

Management's judgement is required when recognising and measuring provisions, landfill rehabilitation provision and contingent liabilities. Provisions are discounted where the effect of discounting is material.

The Municipality has an obligation to rehabilitate its landfill sites in terms of its licence stipulations. The amount of the provision is recognised at the present value of the expenditure expected to settle the obligation using an appropriate discounting rate, representing the time value of money and is carried at amortised cost.

Mogale City Local Municipality

GT481 Annual Financial Statements for the year ended 30 June 2025

Significant Accounting Policies

(continued)

1.9.6 Useful lives of property, plant and equipment and intangible assets

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

The estimated residual values of assets are also based on management's judgement on whether the assets will be sold or used to the end of their useful lives, and what their condition will be at that time.

1.10 Budget information

Mogale City is typically subject to budgetary limits in the form of budget authorisations (or equivalent), which is given effect through MFMA and the appropriate budget regulations.

The approved budget:

- Is presented by economic classification linked to performance outcome objectives; and
- Covers the fiscal period from 01 July to 30 June, annually.

The annual financial statements and the budget are prepared on the same basis of accounting. A comparison with the budgeted amounts for the reporting period was included in the Statement of Comparison of Budget and Actual Amounts.

Variances between budget and actual amounts are regarded as material when a variance exist of 10% in the statement of financial position, financial performance, cash flow statement and capital expenditure.

All material differences are explained in the notes to the annual financial statements.

1.11 Consistency of policies

The accounting policies are in all material respects consistent with those applied in the previous year.

1.12 Corresponding figures

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are reclassified. The nature and reason for the reclassification is disclosed. Reclassifications of certain accounts were made in order to comply with the requirements of Municipal Standard Chart of Accounts (mSCOA). The reclassifications have no impact on the net asset value of the municipality.

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

1.13 Corporate Social Responsibility levy

Mogale City Local Municipality established a 1% Corporate Social Responsibility (CSR) levy during the financial year that ended on 30 June 2010. The revised applicable levy for financial years from 1 July 2022 is 2% on all new tenders awarded to Service Providers that are not Mogale City based. All Suppliers/Service Providers that are situated outside the borders of the Municipality that are awarded a tender through the Supply Chain Management processes, are obliged to contribute a 2% levy of all the payments that the Municipality makes to them throughout the tender tenure to the Municipality's CSR Fund.

1.14 Accumulated surplus

The accumulated surplus represents the net difference between the total assets and the total liabilities of the municipality. Any surpluses and deficits realised during a specific financial year are credited/debited against accumulated surplus/deficits. Prior year adjustments, relating to income and expenditure, are credited/debited against accumulated surplus when retrospective adjustments are made.

2 FINANCIAL REPORTING TERMS

2.1 Assets acquired at no costs/nominal cost

Where an asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at date of acquisition.

2.2 Cash generating assets

Cash generating assets are those assets held by Mogale City 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.

2.3 Carrying Amount

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.

2.4 Cash generating unit

A cash generating unit is the smallest identifiable group of assets held with the primary 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.

Mogale City Local Municipality

GT481 Annual Financial Statements for the year ended 30 June 2025

Significant Accounting Policies

(continued)

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, Mogale City uses management's best estimate of future price(s) that could be achieved at arm's length transactions in estimating.

The future cash inflows used to determine the assets or cash generating unit's value in use; and

The future cash outflow used to determine the value in use of any other assets or cash generating units that are affected by the internal transfer pricing.

2.5 Costs of disposal

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

2.6 Cost of inventories

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.

2.7 Current replacement cost

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

2.8 Depreciation/Amortisation

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

2.9 Exchange transactions for non-monetary assets

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination thereof, the asset acquired is initially measured at fair value (the cost), unless the fair value of neither the asset received nor the asset given up is reliably measurable. If the acquired item is not measured at its cost, its cost is measured at the carrying amount of the asset given up.

2.10 Discount rate

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

2.11 Fair value

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

2.12 Impairment Loss

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).

2.13 Net realisable value

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.

2.14 Non-cash generating assets

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

At initial recognition the Municipality shall designate:

- An asset as non-cash generating or
- An asset or cash generating unit as cash generating

The designation is made on the basis of the Municipality's objective of using the asset.

2.15 Recognition criteria for assets

Assets are recognised if it is probable that future economic benefits or service potential will flow to Mogale City from the assets and the costs/fair value of the assets can be reliably measured. This applies to the following types of assets: Property, plant and equipment, Investment property, Intangible asset and Heritage assets.

2.16 Recoverable amount

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

2.17 Recoverable service amount

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

Mogale City Local Municipality

GT481 Annual Financial Statements for the year ended 30 June 2025

Significant Accounting Policies

(continued)

2.18 Useful life

Useful life is either:

The period of time over which an asset is expected to be used by Mogale City; or

The number of production or similar units expected to be obtained from the asset by Mogale City.

2.19 Value in use of cash generating assets

The following elements shall be reflected in the calculation of an asset's value in use:

An estimate of the future cash flows the Municipality expects to derive from the asset;

Expectations about possible variations in the amount or timing of those future cash flows;

The time value of money, represented by the current market risk-free rate of interest

The price for bearing the uncertainty inherent in the asset and

Other factors, such as liquidity, that market participants would reflect in pricing the future cash flows expected to be derived from the asset.

Cash-generating units are those 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.

2.20 Value in use of non-cash generating assets

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 depreciated replacement cost approach.

The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential.

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

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that Mogale City would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset.

Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

3 SIGNIFICANT ACCOUNTING POLICIES

3.1 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period. This is the criteria that the Municipality used to distinguish between Property Plant and Equipment and Investment Property. Mogale City maintains and acquires assets to provide a social service to the community, with no intention of disposing of the assets for any economic gain.

Property, plant and equipment is initially measured at cost, including all directly attributable costs necessary to bring the asset to its required working condition for its intended use. Subsequently property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Where property, plant and equipment are acquired through non-exchange transactions, the cost is deemed to be the item's fair value on the date of acquisition.

3.1.1 Assets under construction

Costs capitalised for work in progress in respect of activities to develop, enhance, or expand items of property, plant and equipment are classified as part of assets under construction. Assets under construction are capitalised once they are ready for use, that its 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. Assets under construction are carried at historical costs net of any impairment losses. Finance expenditure, net of finance income, are capitalised on qualifying assets. Depreciation only commences once the asset is ready for use.

Mogale City discloses information relating to assets under construction or development of Investment Property, Property,

Significant Accounting Policies

(continued)

Plant and Equipment, Intangible Asset and Heritage Asset in the note of the relevant asset.

3.1.2 Significant components

Significant components, major spare parts and standby equipment's that have different useful lives or can be used in more than one period, are accounted for as separate items (major components) of property, plant and equipment. Spare parts and stand by equipment which can only be used in connection with a specific item of property, plant and equipment are accounted for as part of that item. Componentization of assets is based on part of an asset significant cost in relation to the total cost.

3.1.3 Subsequent expenditure

Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery of the assets are enhanced in excess of the originally assessed standard of performance. If expenditure only restores the originally assessed standard of performance, it is regarded as repairs and maintenance, and is expensed. 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.

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. Remaining inspection costs from the previous inspection are derecognised.

3.1.4 Derecognition of items of property, plant and equipment

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. Gains or losses arising from derecognition of items of property, plant and equipment are included in surplus or deficit when the item is derecognised. This is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Derecognition of Land

When to recognise and derecognise land is based on control, not only legal title.

3.1.5 Reclassification of items of Property, Plant and Equipment

Assets which Mogale City holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities are transferred to inventories when the rentals end and the assets are available for sale. Proceeds from sales of these assets are recognised as revenue.

When the use of a property changes from owner-occupied to investment property, the property is re-measured to fair value and reclassified accordingly.

Any gain arising on this re-measurement is recognised in profit or loss to the extent that it reverses a previous impairment loss on the specific property, with any remaining gain recognised in statement of financial position and presented in the revaluation reserve. Any loss is recognised in surplus or deficit.

3.1.6 Depreciation

Depreciation is calculated on cost, using the straight-line method, over the estimated useful lives of the assets. The depreciation charge for each period is recognised in surplus or deficit in the financial performance. Land is not depreciated as it is deemed to have an indefinite life.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where appropriate, the term of the relevant lease, and are recognised in the statement of financial performance. The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting date. Changes in the above are accounted for as a change in accounting estimate in the Statement of Financial Performance, on a prospective basis.

As Mogale City maintains and acquires assets to provide a social service to the community, the useful lives and economic lives of these assets are equal. Consequently, no residual values are determined.

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

Asset Sub-Category Name	EUL Range
Bins & Containers	5-10
Biological Assets	4-45
Buildings	3-100
Community Facilities	3-100
Computer Equipment	3-10
Electrical infrastructure	3-80

Mogale City Local Municipality

GT481 Annual Financial Statements for the year ended 30 June 2025

Significant Accounting Policies

(continued)

Emergency Equipment	5-20
Furniture & Fittings & fixtures	5-30
Housing	5-100
Intangible assets	3-7
Inventory Assets	3-10
Library Books	5-10
Motor Vehicles	5-20
Office Equipment	3-10
Plant & Equipment	3-20
Road and Storm-water Network	3-100
Sanitation infrastructure	5-100
Sport & Recreation Facilities	3-100
Water Supply Infrastructure	5-100

3.2 Living and Non-living resources

Living resources are those resources that undergo biological transformation. Non-living resources are those resources, other than living resources, that occur naturally and have not been extracted.

Initial Recognition

Non-living resources, other than land, shall not be recognised as assets. Instead, where the municipality acts as a custodian of a living or non-living resource, or group of living or non-living resources, other than land, the municipality shall explain the nature of its custodial responsibility, including the legislation or similar means that establishes the custodial responsibility over the resources, in its financial statements.

A living resource shall be recognised as an asset if, and only if:

- (a) it is probable that future economic benefits or service potential associated with the asset will flow to the entity; and
- (b) the cost or fair value of the asset can be measured reliably.

Measurement at recognition

A living resource that qualifies for recognition as an asset shall be measured at its cost.

Where a living resource is acquired through a non-exchange transaction, its cost shall be measured at its fair value as at the date of acquisition.

The municipality does not recognise in the carrying amount of a living resource the day-to-day costs, or the costs to maintain or to hold the living resource. Day-to-day costs are those costs incurred by an entity to manage the qualitative and quantitative changes of the biological transformation. Depending on its reason for holding the living resource, the entity assesses whether the costs incurred are day-to-day operating costs, or whether the incurred costs will enhance the future economic benefits or service potential of the resource.

Subsequent cost incurred can only be recognised in the carrying amount of the living resource if the recognition criteria is met.

The cost of a living resource is the cash price equivalent at the recognition date. If payment is deferred beyond normal credit terms, the difference between the cash price equivalent and the total payment is recognised as interest over the period of credit.

One or more living resources may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets. When one non-monetary asset is exchanged for another, the cost of such a living resource is measured at fair value unless the fair value of neither the asset received nor the asset given up is reliably measurable. If the acquired living resource is not measured at fair value, its cost is measured at the carrying amount of the asset given up. The acquired item is measured in this way even if an entity cannot immediately derecognise the asset given up.

The fair value of an asset for which comparable market transactions do not exist is reliably measurable if (a) the variability in the range of reasonable fair value estimates is not significant for that asset or (b) the probabilities of the various estimates within the range can be reasonably assessed and used in estimating fair value. If the municipality is able to reliably determine the fair value of either the asset received or the asset given up, then the fair value of the asset given up

Mogale City Local Municipality

GT481 Annual Financial Statements for the year ended 30 June 2025

Significant Accounting Policies

. (continued)

is used to measure the cost of the asset received. This applies unless the fair value of the asset received is more clearly evident.

Measurement after recognition

When the municipality intends to hold a living resource for less than twelve months from the reporting date, it shall apply the principles in GRAP 12 to account for the living resource.

After recognition, living resources shall be carried at its cost less any accumulated depreciation and any accumulated impairment losses.

Depreciation

Living resources shall be depreciated and the depreciation charge for each period shall be recognised in surplus or deficit unless it is included in the carrying amount of another asset, where appropriate.

The depreciable amount of a living resource shall be allocated on a straight line basis over its useful life. The useful life of the living resources are 4-45 years.

The municipality shall assess at each reporting date whether there is any indication that the entity's expectations about the residual value and the useful life of a living resource have changed since the preceding reporting date. If any such indication exists, the municipality shall revise the expected useful life and/or residual value accordingly. The change(s) shall be accounted for as a change in an accounting estimate in accordance with the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors (GRAP 3).

Depreciation of a living resource begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation of a living resource ceases at the date that the asset is derecognised. Therefore, depreciation does not cease when the living resource becomes idle or is retired from active use.

Impairment

The municipality shall assess at each reporting date whether there is an indication that the living resource may be impaired. If any such indication exists, the entity shall estimate the recoverable amount or the recoverable service amount of the living resource.

Compensation from third parties for living resources that have been impaired, lost or given up, shall be included in surplus or deficit when the compensation becomes receivable.

Transfers

Transfers from living resources shall be made when, and only when, the particular asset no longer meets the definition of a living resource and/or is no longer within the scope of GRAP 110.

Transfers to living resources shall be made when, and only when, the asset meets the definition of a living resource.

Derecognition

The carrying amount of a living resource shall be derecognised:

- (a) On disposal (including disposal through a non-exchange transaction); or
- (b) When no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a living resource shall be included in surplus or deficit when the item is derecognised.

The consideration receivable on disposal of a living resource shall be recognised initially at its fair value. If payment for the item is deferred, the consideration received shall be recognised initially at the cash price equivalent. The difference between the nominal amount of the consideration and the cash price equivalent shall be recognised as interest revenue in accordance with GRAP 9 reflecting the effective yield on the receivable.

3.3 Investment property

Investment property is defined as property (land and/or a building, or a part thereof) held (by the owner or the lessee under

Significant Accounting Policies

(continued)

a finance lease) to earn rentals or for capital appreciation, or both (rather than for use in the production or supply of goods or services or for administration purposes or sale in the ordinary course of operations). An example of investment property is office parks that are rented out. There is no asset hierarchy for investment property; each functional item will be individually recorded. Land held for a currently undetermined use is recognised as investment property until such time as the use of the land has been determined.

A property is only classified as investment property if the main purpose and most significant use of the property is to earn rental or for capital appreciation. For example, when a municipality owns a building, mainly used for the delivery of social housing but rents out a floor of the building to shops, banks and other external parties, the building should be accounted for as property, plant and equipment as its main purpose and most significant use is the provision of social services. This should be the case irrespective of whether the rental earned from the one floor of the building is significant in relation to the rental earned from the remainder of the building.

Initial recognition

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

Where the classification of an investment property is based on management's judgement, the following criteria have been applied to distinguish investment properties from owner-occupied property or property held for resale:

- All properties held to earn market-related rentals or for capital appreciation or both and that are not used for administrative purposes and that will not be sold within the next 12 months are classified as Investment Properties.
- Land held for a currently undetermined future use;
- A building owned (or held by under a finance lease) and leased out under one or more operating leases;
- Leased properties that are held to provide a social (community) service or that are necessary for employees to perform their job functions, but which also generates rental revenue are not seen as investment properties. The rental revenue generated is incidental to the purposes for which the property is held;
- A building that is vacant but is held to be leased out under one or more operating leases;
- Property that is being constructed or developed for future use as investment property.

Subsequent measurement – fair value model

Investment property is subsequently measured using the fair value model. Investment property is carried at fair value, representing open market value determined by external valuer on reporting date. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. A gain or loss arising from a change in the fair value of investment property is included in surplus or deficit for the period in which it arises. If the Municipality determines that the fair value of an investment property under construction is not reliably measurable but expects the fair value to be reliably measurable when construction is completed, it measures that investment property at cost until the fair value can be reliably determined or construction has been completed.

Where the Municipality has determined that the fair value of an investment property (other than investment property under construction) is not determinable on a continuing basis, the Municipality measures that investment property using the cost model.

Derecognition/Disposal

Investment properties are derecognised (eliminated from the statement of financial position) on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal. The gain or loss arising on the disposal of an investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property (property, plant and equipment), the deemed cost for subsequent accounting is the fair value [or carrying amount if cost model is used] at the date of change in use. If owner-occupied property becomes an investment property, the entity accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

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

3.4 Intangible assets

Intangible assets are identifiable non-monetary assets without physical substance held for use in the production or supply of goods or services, for rental to others, or for administrative purposes are classified and recognised as intangible assets.

Mogale City Local Municipality

GT481 Annual Financial Statements for the year ended 30 June 2025

Significant Accounting Policies

(continued)

Initial recognition and measurement

Intangible assets are initially recognised at cost. The cost of an intangible asset is the purchase price and other costs attributable to bring the intangible asset to the location and condition necessary for it to be capable of operating in the manner intended by the Municipality, or where an intangible asset is acquired at no cost, or for a nominal cost, the cost shall be its fair value as at the date of acquisition. Trade discounts and rebates are deducted in arriving at the cost.

Intangible assets acquired separately or internally generated are reported at cost less accumulated amortisation and accumulated impairment losses.

Subsequent measurement

Amortisation is calculated on cost, using the straight-line method, over the useful lives of the assets. The useful life of intangible assets are 3-5 years. Where intangible assets are deemed to have an indefinite useful life, such intangible assets are not amortised.

Derecognition

Intangible 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 on the disposal or retirement of an intangible asset is determined as the difference between the net disposals proceeds and the carrying value and is recognised in the Statement of Financial Performance.

3.5 Heritage assets

A heritage asset is defined as an asset that has a cultural, environmental, historical, natural, scientific, technological or artistic significance, and is held and preserved indefinitely for the benefit of present and future generations.

The Municipality classifies assets as heritage assets where the significance as a heritage asset can be determined. In regard to land and buildings all graded sites are classified as Heritage Assets. Furthermore, land with a natural significance is not componentised but seen as a single Heritage Asset due to all parts contributing together to make up its significance.

Land and buildings that qualify as Heritage assets, but of which a significant portion of that land and buildings is held for use in the production or supply of goods or services or for administrative purposes, are recognised as property, plant and equipment, rather than heritage assets.

Initial recognition and measurement

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

Heritage assets are initially recognised at cost on its acquisition date or in the case of assets acquired by grant or donation, deemed cost, being the fair value of the asset on initial recognition. The cost of an item of heritage assets 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 the Municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

Where an asset 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 that asset on the date acquired. The cost of an item of heritage assets acquired in exchange for a non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up.

Subsequent Measurement

Subsequent expenditure relating to Heritage Assets is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the entity and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the Municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequently all heritage assets (excluding Heritage Assets which are land and buildings) are measured at cost less accumulated impairment losses. Heritage assets are not depreciated.

Derecognition

The carrying amount of an item of Heritage Assets is derecognised on disposal, or when no future economic benefits or

Mogale City Local Municipality

GT481 Annual Financial Statements for the year ended 30 June 2025

Significant Accounting Policies

. (continued)

service potential are expected from its use or disposal.

Gains or losses are calculated as the difference between the carrying value of assets (cost less accumulated impairment losses) and the disposal proceeds is included in the Statement of Financial Performance as a gain or loss on disposal of Heritage Assets.

3.6 Inventories

Inventory consist of consumables, which are valued at the lower of cost, determined on the weighted average basis, and net realisable value, except for items which are valued at the tariffs charged. Where it is held for distribution or consumption at no charge or for a nominal amount, inventories are valued at the lower of cost and current replacement value.

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

Redundant and slow moving inventory are identified and written down to their estimated net realisable values estimated by management. Inventories are written down according to their age, condition and utility. Differences arising on the measurement of such inventory at the lower of cost and net realisable value are recognised in the Statement of Financial Performance in the year in which they arise. The amount of any reversal of any write-down of inventory arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventory recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventory 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.

Water Inventory

Water is regarded as inventory when the Municipality purchases water in bulk with the intention to resell it to the consumers or to use it internally, or where the Municipality has incurred purification costs on water obtained from natural resources (rain, rivers, springs, boreholes etc.). However, water in dams, that are filled by natural resources and that has not yet been treated and is under the control of the Municipality but cannot be measured reliably as there is no cost attached to the water, and it is therefore not recognised in the Statement of Financial Position.

The basis of determining the cost of water purchased and not yet sold at Statement of Financial Position date comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventory to its present location and condition, net of trade discounts and rebates. Water is valued by using the weighted average method, at the lowest of purified cost and net realisable value, insofar as it is stored and controlled in reservoirs at year-end.

Land Held for Distribution to Beneficiaries

Land held for distribution to beneficiaries is recognised as inventory when the municipality holds land for the purpose of distribution at no or nominal consideration.

Such land is initially measured at cost. Where the land is acquired at no cost, or for a nominal amount, its cost is measured at fair value as at the date of acquisition.

Subsequent measurement is at the lower of cost and net realisable value. When the land is distributed to beneficiaries, the carrying amount of the land is derecognised, and no revenue is recognised as the distribution is a non-exchange transaction.

3.7 Receivables (Financial Instruments)

Receivables are recognised initially at fair value, plus transaction costs. Receivables are subsequently recognised at amortised cost, using an effective interest rate less provision for impairment. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. An estimate for impairment of receivables is determined based on the impairment methodology for receivables using management's judgement and reasonable estimates.

Bad debts are written off in the year during which they are identified as irrecoverable, subject to the approval by the appropriate delegated authority. Amounts receivable within 12 months from the date of reporting are classified as current. The average credit period on services rendered is 30 days from date of invoice.

An impairment allowance for impairment of receivables is established when there is objective evidence that Mogale City will not be able to collect all amounts due according to the original terms of receivables. Accordingly, the carrying amount of the receivables is reduced through the use of an impairment allowance for impairment of debtors account. The impairment loss or gain is recognised in surplus or deficit.

An impairment allowance is decreased if the decrease can be related objectively to an event occurring after the impairment

Significant Accounting Policies

(continued)

was recognised. The impairment is reversed by adjusting the allowance account. The reversal does not result in a carrying amount that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

3.8 Statutory receivables

Identification

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

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

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

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

The transaction amount (for purposes of this Standard) for a statutory receivable means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means.

Recognition

Mogale City recognises statutory receivables as follows:

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

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

Subsequent measurement

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

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

Accrued interest

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

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

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.

Significant Accounting Policies

(continued)

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

In estimating the future cash flows, 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
- 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.

3.9 Cash and cash equivalents

Cash includes cash on hand, cash with banks, and call deposits. Cash equivalents are short-term bank deposits with a maturity of three months or less from inception, readily convertible to cash without significant change in value.

Cash and cash equivalents are stated at carrying amount which is deemed to be fair value. Bank overdrafts are offset against cash and cash equivalents in the Cash Flow Statement.

Cash which is subject to restrictions on its use is stated separately at carrying amount in the statement of financial position.

3.10 Trade and other payables

3.10.1 Payables from exchange transactions

Trade and other payables are initially recognised at fair value and subsequently stated at amortised cost.

3.10.2 Payables from non-exchange transactions.

Payables from non-exchange transactions are recognised when the municipality has a present obligation arising from a non-exchange arrangement, and 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 amount of the obligation.

These include statutory obligations such as taxes, levies, fines, penalties, and transfers due to other spheres of government. Payables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method, where applicable.

3.11 Financial instruments

Financial instruments are recognised when Mogale City becomes a party to the contractual provisions of the instrument, and are initially measured at fair value. In the case of a financial instrument not measured at fair value, transaction costs that are directly attributable to the acquisition or issue of the instrument are added to, or deducted from, the fair value, as appropriate on initial recognition.

Mogale City Local Municipality

GT481 Annual Financial Statements for the year ended 30 June 2025

Significant Accounting Policies

(continued)

3.11.1 Financial assets

The classification of financial assets depends on their nature and purpose, and is determined at the time of initial recognition.

Financial assets other than those at fair value are assessed for indicators of impairment at the end of each reporting period. Impairment is considered when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and Mogale City has transferred substantially all risks and rewards of ownership, or when the enterprise loses control of contractual rights that comprise the assets.

3.11.2 Financial assets at fair value

Financial assets that are held for trading or non-derivate financial assets with fixed or determinable payments that are designated at fair value at initial recognition. Subsequent to initial recognition, all changes to fair value are recognised through the Statement of Financial Performance.

3.11.3 Financial assets at amortised cost

Non-derivative financial assets with fixed or determinable payments and fixed maturity dates which Mogale City has positive intent and ability to hold to maturity are stated at amortised cost using the effective interest method less any impairment.

3.11.4 Financial assets at cost

Residual interests that do not have a quoted market price in an active market and the fair value of which cannot be reliably measured are stated at cost, less any impairment.

3.11.5 Financial liabilities

After initial recognition, Mogale City measures all financial liabilities, including payables, at amortised cost, using the effective interest rate method. Financial liabilities include borrowings, other non-current liabilities (excluding provisions) and payables (excluding provisions and employee related costs). Interest bearing external loans and bank overdrafts are recorded net of direct issue costs.

Finance charges, including premiums payable, are accounted for on an accrual basis.

Financial liabilities are derecognised when the obligation specified in the contract is discharged or cancelled or when it expires.

3.11.6 Classification

The municipality has the following types of financial assets as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Financial assets	Financial assets measured at fair value
Receivables from exchange transactions	Financial assets measured at amortised costs
Call Accounts money market accounts	Financial assets measured at amortised costs
Cash and cash equivalents	Financial assets measured at amortised costs

The municipality has the following types of financial liabilities as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Financial liabilities	Financial liabilities measured at amortised costs
Payables from non-exchange transactions	Financial liabilities measured at amortised costs
Payables from exchange transactions (excluding third party payments, overtime accrual, leave accrual, 13th cheque accrual and salary accrual)	Financial liabilities measured at amortised costs
Consumer deposits	Financial liabilities measured at amortised costs
Sundry deposits	Financial liabilities measured at amortised costs
Finance lease obligation	Financial liabilities measured at amortised costs

3.12 Impairment of cash generating assets

The Municipality classifies all assets held with the primary objective of generating a commercial return as cash-generating

Significant Accounting Policies

(continued)

assets. A commercial return means that the return charged by the entity is commensurate with the risk associated with holding the asset and the asset is intended to generate positive cash inflows. All other assets are classified as non-cash-generating assets.

3.12.1. Impairment of Cash-generating Assets

The Municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the Municipality estimates the recoverable amount of the individual asset.

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 recoverable amount of the cash-generating unit to which the asset belongs is determined.

The best evidence of fair value less cost to sell is the price in a binding sale agreement in an arm's length transaction, adjusted for the incremental cost that would be directly attributable to the disposal of the asset.

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

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.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

An impairment of assets carried at revalued amount reduces the revaluation surplus for that asset. The decrease shall be debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A Municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

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 had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

3.12.2 Impairment of Non-cash-generating Assets

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

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.

The recoverable service amount is the higher of a non-cash generating asset's fair value less costs to sell and its value in use. The value in use for a non-cash generating asset is the present value of the asset's remaining service potential.

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

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

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any impairment loss of a revalued asset is treated as a revaluation decrease.

A Municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

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 had no impairment loss been recognised for the asset in prior periods.

Mogale City Local Municipality

GT481 Annual Financial Statements for the year ended 30 June 2025

Significant Accounting Policies

(continued)

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

3.13 Impairment of non-cash generating assets

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

3.13.1 Measurement and recognition

At the end of each reporting period, carrying amounts of non-cash-generating assets or cash generating assets are reviewed to determine whether there is any indication of impairment or reversal of impairment. If any such indication exists, the recoverable service amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Where the recoverable service amount is less than the 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 the Statement of Financial Performance.

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

3.13.2 Recoverable service amount

The recoverable service amount of a non-cash-generating asset or cash generating asset is the higher of fair value less costs to sell, and value-in-use. The value-in-use is the present value of the remaining service potential of the asset, and is determined using the most appropriate of the depreciated replacement cost, restoration cost or service unit's approach.

3.13.3 Reversal of an impairment loss

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable service amount. The increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years.

A reversal of an impairment loss is recognised immediately in the Statement of Financial Performance.

3.13.4 Depreciation/Amortisation

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

3.13.5 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.

3.14 Leases

At inception of an arrangement, Mogale City determines whether the arrangement is or contains a lease agreement.

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

When a lease includes land and buildings elements, Mogale City assesses the classification of each element separately. The land and the buildings elements of a lease are considered separately for the purpose of lease classification as a finance or an operating lease.

3.14.1 Finance Lease – Mogale City as lessor

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

Finance revenue is recognised based on a pattern reflecting a constant periodic rate of return on the municipality's net investment in the finance lease. Lease payment relating to the period, excluding costs for services, are applied against the gross investment in the lease to reduce both the principal and the unearned finance revenue.

3.14.2 Operating leases – Mogale City as lessor

Mogale City presents assets subject to operating leases in the Statement of Financial Position according to the nature of the asset. These assets are depreciated in accordance with Mogale City's normal depreciation policy.

Lease revenue from operating leases is recognised as revenue on a straight-line basis over the lease term, unless another systematic basis is more representative of the time pattern in which benefit derived from the leased asset is diminished.

Costs, including depreciation, incurred in earning the lease revenue are recognised as an expense.

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

Significant Accounting Policies

(continued)

3.14.3 Finance leases – Mogale City as lessee

Finance lease assets are capitalised as property, plant and equipment at the lower of fair value or the present value of the minimum lease payments at the inception of the lease with an equivalent amount being stated as finance lease liability as part of debt.

The capitalised amount is depreciated over the shorter of the lease-term and asset's useful life unless it is reasonably certain that Mogale City will obtain ownership by the end of the lease term, in which case it is depreciated over its useful life.

Lease payments are allocated between capital repayments and finance expenses using the effective interest rate method.

3.14.4 Operating leases – Mogale City as lessee

Operating leases are leases of assets under which all the risks and benefits of ownership are effectively retained by the lessor and are classified as operating leases.

Lease payments under an operating lease are charged to the Statement of Financial Performance over the lease term on a straight-line basis unless another basis is more representative of the pattern of use. Contingent rentals are charged as expenses in the periods in which they are incurred.

3.15 Employee benefits

3.15.1 Short term employee benefits

Remuneration of employees is charged to the Statement of Financial Performance.

Short-term employee benefits are those that are expected to be settled completely within 12 months after the end of the reporting period in which the services have been rendered. Short-term benefits include the paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care.

Short-term employee benefit obligations are measured on an undiscounted basis and are charged to the Statement of Financial Performance as the related service is provided.

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.

A liability is recognised for accumulated leave, incentive/performance bonuses and other employee benefits when Mogale City has a present legal or constructive obligation as a result of past service provided by the employee, and a reliable estimate of the amount can be made.

3.15.2 Defined contribution pension plan and defined benefit pension plans

Mogale City contributes to a defined contribution pension plans for its employees as determined by annual actuarial calculations. This plan is generally funded through payments on a monthly basis to a trustee-administering the funds on behalf of the employees.

3.15.3 Retirement benefits

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

Contributions to defined contribution pension plans are charged to the Statement of Financial Performance as an employee expense in the period in which related services are rendered by the employee or as they fall due.

Contributions that are expected to be wholly settled more than 12 months after the end of the reporting period, in which the employee renders the service, are discounted to their present value.

3.15.4 Defined benefit plans - Post-retirement health care benefits

Mogale City provides post-retirement benefits by subsidising the medical aid contributions of certain of its retirees and their spouses. The entitlement of these benefits is usually based on the employee remaining in service up to retirement age, the completion of a minimum service period of 10 years and the employee continuing to pay their own contributions to the scheme.

Past service costs is recognised in surplus or deficit in the reporting period in which the plan is amended irrespective of whether vesting periods exist.

The amount recognised in the Statement of Financial Position represents the present value of the defined benefit obligation. The expected costs of these benefits are accrued on a systematic basis over the expected remaining period of employment, using the project credit method. Independent actuaries perform the calculation of this obligation annually. Actuarial gains or losses are recognised, in the Statement of Financial Performance, in the period that they occur.

3.15.5 Other long-term employee benefits

Long-term benefits are those that are provided to employees more than 12 months after the reporting date. Currently Mogale City provides the following additional payments to employees based on certain criteria:

Mogale City Local Municipality

GT481 Annual Financial Statements for the year ended 30 June 2025

Significant Accounting Policies

(continued)

Gratuity payment benefits

The municipality provides additional gratuity payments for employees who were not allowed to contribute to a Pension Fund retirement benefit plans under the apartheid government. This benefit is based on half the basic salary (at retirement age) of the employee multiplied by the number of years that the employee was not allowed to contribute to the Pension Fund retirement benefit plans.

Long service awards

The municipality offers various types of long service awards to its employees, payable on completion of minimum number of years of employment.

Mogale City's liability is based on an actuarial valuation. Actuarial gains and losses on the long-term incentives are fully accounted for in the Statement of Financial Performance. The projected unit credit method was used to value the obligation. The present value of the obligation is recognised on the Statement of Financial Position.

3.16 Provisions

A provision is a liability of uncertain timing or amount.

Mogale City recognises a provision when it has a present legal or constructive obligation arising from a past event that will probably be settled, and a reliable estimate of the amount can be made. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses.

Long-term provisions are determined by discounting the expected future cash flows to their present value. The increase in discounted long-term provisions as a result of the passage of time is recognised as a finance expense in the Statement of Financial Performance.

Provisions are used only for expenditures for which the provision was originally recognised.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Those which can be settled within twelve months are treated as current liabilities. All other provisions are treated as non-current liabilities.

3.17 Landfill rehabilitation provision

Estimated long-term environmental provisions, comprising rehabilitation and landfill site closure, are based on Mogale City's policy, taking into account current technological, environmental and regulatory requirements.

The value of the provisions is based on the expected future cost to rehabilitate the various sites discounted back to the reporting date at the cost to capital. Costs include the initial estimate of the cost to rehabilitate the land, restoring the land, restoring the site, current technological, environmental and regulatory requirements.

The provision for rehabilitation is recognised as and when the environmental liability arises. In so far as the obligations relate to assets, they are capitalised as part of the cost of those assets. These provisions are reviewed at least annually.

Subsequent changes in the obligation are 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. Where the decrease in the obligation exceeds the carrying amount of the asset, the excess is recognised immediately in Statement of Financial Performance.

Where the adjustment results in an addition to the cost of an asset, Mogale City evaluates whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, Mogale City tests the asset for impairment by estimating its recoverable amount or recoverable service amount and account for any impairment loss in accordance with the relevant impairment policy.

Any unwinding of discount is charged to the statement of financial performance. The discount rate shall be the pre-tax rate that reflects current market assessments of the time value of money, and the risks specific to the liability.

3.18 Contingent liabilities

A possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality; or a present obligation that arises from past events but is not recognised because:

It is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; or

The amount of the obligation cannot be measured with sufficient reliability.

Mogale City does not recognise contingent liabilities. Contingent liabilities are disclosed in the notes to the annual financial statements, unless the possibility of an outflow of resources embodying economic benefits or service potential is highly probable. Annually Mogale City evaluates the possibility of the outflow of resources or service potential.

3.19 Contingent assets

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

Mogale City does not recognise contingent assets. Contingent assets are disclosed in the notes to the annual financial statements, where an inflow of economic benefits or service potential is probable.

Mogale City continually assesses its contingent assets to ensure that developments are appropriately reflected in the financial statements. Where it does become virtually certain that an inflow of economic benefits or service potential will

Mogale City Local Municipality

GT481 Annual Financial Statements for the year ended 30 June 2025

Significant Accounting Policies

(continued)

arise and the asset's value can be measured reliably, the asset and the related revenue are recognised in the financial statements in the period in which the change occurs.

3.20 Value-Added Tax

Mogale City accounts for value-added tax (VAT) on the Cash/Payment basis and submissions to SARS are being done on a monthly basis.

VAT accruals

VAT on goods and services is accounted for in accordance with applicable legislation. VAT receivable and payable are recognized when the underlying transaction occurs and the entity has a legal right or obligation. VAT accruals represent amounts due to or from SARS arising from timing differences between recognition of transactions and receipt/issue of tax invoices.

3.21 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.

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.

3.22 Revenue

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

Revenue is recognised when it is probable that future economic benefits or services potential will flow to Mogale City, and when these benefits can be reliably measured.

Revenue is recognised net of indirect taxes, rebates and trade discounts, and consists primarily of rates, service charges, rentals, interest received, grants from national and provincial government and other services rendered.

Revenue is measured at the fair value of the consideration received or receivable. The amount of revenue arising on a

Significant Accounting Policies

(continued)

transaction is usually determined by agreement between the Mogale City and the purchaser or user of the asset or service. Where the fair value of the goods or services received cannot be measured reliably, the revenue is measured at the fair value of the goods or services given up, adjusted by the amount of any cash or cash equivalents transferred.

When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The imputed rate of interest is the more clearly determinable of either:

The prevailing rate for a similar instrument of an issuer with a similar credit rating; or

A rate of interest that discounts the nominal amount of the instrument to the current cash sales price of the goods or services.

The difference between the fair value and the nominal amount of the consideration is recognised as interest revenue.

Mogale City derives revenue from exchange and non-exchange transactions.

3.22.1 Revenue from exchange transactions

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

Rendering of services

Mogale City recognises revenue from the rendering of services by reference to the stage of completion method when the outcome of the transaction can be measured reliably. The outcome of the transaction can be reliably measured, 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 Mogale City.

The stage of completion of the transaction at the reporting date can be measured reliably.

The costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

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.

Sale of goods

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

The entity has transferred to the purchaser the significant risks and rewards of ownership of the goods.

The entity 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 entity.

The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Tariffs (Services):

Revenue arising from the provisioning of the services which is based on the approved tariff charges is recognised when the relevant service is rendered, by applying the relevant authorised tariff.

Service charges relating to electricity and water are based on consumption. Meters are read on a periodic basis and revenue is recognised when billed. Provisional estimates of consumption are made monthly when meter readings have not been performed and are based on the consumption history or deemed consumption for households. The provisional estimates of consumption are recognised as revenue when billed. Adjustments to provisional estimates of consumption are made in the billing period when meters have been read. These adjustments are recognised as revenue in that billing period. An accrual on the basis of a determined consumption factor is made for consumption not billed as at the end of each reporting period.

Residential sanitation service charges are charged based on the applicable tariffs for financial year or period. Business and other consumers' sanitation service charges are based the average of previous financial year's consumption to the applicable tariff. Basic Sewerages is charged based on the area size of the property multiplied by the applicable tariff.

Service charges relating to refuse removal are recognised on a monthly basis based on frequency of collection, type of disposal method used and the approved tariff is then applied thereto.

Prepaid water and electricity:

Revenue from the sale of prepaid water and electricity is recognised at the point of sale.

Income from agency fees

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.

Interest revenue

Interest earned on Investments is recognised on a time proportionate basis that takes into account the effective yield on the

Mogale City Local Municipality

GT481 Annual Financial Statements for the year ended 30 June 2025

Significant Accounting Policies

(continued)

investments. Interest at the prime lending rate as at the beginning of the financial year is charged on all consumer accounts or portions of accounts which are not settled/paid on due date.

Rental of facilities and equipment

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

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

Collection charges are recognised when such amounts are legally enforceable and billed.

Penalty interest on unpaid services is recognised on a time proportion basis.

Dividends

Dividends are recognised when the municipality's right to receive payment is established.

3.22.2 Revenue from non-exchange transactions

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

Property rates

Revenue from property rates is calculated from the date when the legal entitlement to this revenue arises and is recognised when billed. Property rates are charged based on the market value of a property multiplied by the tariff applicable to that property category. Exemptions, rebates and remissions are granted to certain categories of ratepayers and are recognised net of revenue.

Transfers and Subsidies

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement.

Fines

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when the fine is issued. Traffic fines are measured at fair value, which is based on the value of the fines issued, excluding the value of any discounts, reductions, strike offs, management assumptions on withdrawals that are given by the municipality and the courts. Interest is not levied on overdue fines.

Subsequently, Mogale City evaluates the probability of recovering these fines based on historical collection on fines issued taking into account any discounts, reductions in the amount payable, past history in terms of the successful prosecution and recovery of the fines.

Donations

Donations are recognised on a cash receipt basis or, where the donation is in the form of property, plant and equipment, when the risks or rewards of ownership have transferred to the Municipality. Donations are measured at fair value.

Services in-kind

Service in kind is recognised if significant to operations and, if not significant then the nature and type is disclosed. Mogale City does not recognise services in-kind as assets or revenue.

3.23 Operating expenses

The definition of expenses encompasses expenses that arise from the ordinary activities of the municipality.

Under the accrual basis of accounting, expenses are recognised when incurred, usually when goods are received or services are rendered. This may not be when the goods or services are actually paid for. The point at which an expense is recognised is dependent on the nature of the transaction or other event that gives rise to the expense.

3.24 Borrowing costs

Borrowing costs are capitalised against qualifying assets as part of property, plant and equipment. Qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. Borrowing costs are capitalised over the period during which the asset is being acquired or constructed. Borrowing costs are capitalised net of any investment income received from the temporary investment of those borrowings.

Mogale City capitalises borrowing costs commences when: Borrowing costs have been incurred; expenditure have been incurred; and it undertakes activities which are necessary to prepare the asset for its intended use or sale. Where Mogale City applies general borrowed funds to obtain a qualifying asset, Mogale City applies a capitalisation rate that reflects the weighted average of the borrowing costs applicable to the borrowings that are outstanding during the period. This excludes

Mogale City Local Municipality

GT481 Annual Financial Statements for the year ended 30 June 2025

Significant Accounting Policies

(continued)

borrowings made specifically for the purpose of obtaining a qualifying asset. The amount of borrowing costs capitalised does not exceed the amount of borrowing costs it incurred during that period.

Mogale City suspends capitalisations of borrowing costs during extended periods in which it suspends active development of a qualifying asset. Where the construction of a qualifying asset is completed in parts and each part is capable of being used while construction continues on other parts, Mogale City ceases capitalising borrowing costs when it completes substantially all the activities necessary to prepare that part for its intended use or sale. Capitalisation ceases when construction of the asset is complete. Further borrowing costs are charged to the Statement of Financial Performance.

3.25 Consumer deposits

Consumer deposits are disclosed as a current liability. Consumer deposits are considered as partial security for future payment of a consumer account. Consumer deposits are levied in-line with Mogale City's Credit Control policy and approved tariffs to consumers when conventionally metered services are initially connected. The split of the consumer deposit is 60/40, where 60% is attributable to electricity and 40% is for water.

When services are disconnected or terminated, the outstanding deposit is utilised against any arrear accounts that the consumer might be liable for up to that date. Any excess deposit after all debt is settled is refunded to the consumer. No interest is paid on deposits.

3.26 Unauthorised expenditure

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

All expenditure relating to unauthorised expenditure is recognised as an expense in the Statement of Financial Performance in the period the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense.

In the event that the municipality incurs unauthorised expenditure, a recovery process is initiated by council with the objective of investigating the expenditure and ultimately recovering the said expenditure. Should council condone/approve this expenditure, no further action is required.

Where it is determined that this expenditure must be recovered, it is accounted for as revenue in the Statement of Financial Performance. A corresponding asset (receivable) is raised in the Statement of Financial Position which is accounted for in terms of Mogale City's accounting policy on receivables.

Unauthorised expenditure is accounted for in the financial statements and, where recovered, is subsequently accounted for as revenue in the same statement.

3.27 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); the Public Office Bearers Act (Act No. 20 of 1998); or is in contravention of the Mogale City's Supply Chain Management policy. Irregular expenditure excludes unauthorised expenditure.

All expenditure relating to irregular expenditure is recognised as an expense in the Statement of Financial Performance in the period the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense. In the event that the municipality incurs irregular expenditure, a recovery process is initiated by council with the objective of investigating the expenditure and ultimately recovering the said expenditure. Should council condone/approve this expenditure, no further action is required.

Where it is determined that this expenditure must be recovered, it is accounted for as revenue in the Statement of Financial Performance. A corresponding asset (receivable) is raised in the Statement of Financial Position which is accounted for in terms of Mogale City's accounting policy on receivables.

3.28 Fruitless and wasteful expenditure

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

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the Statement of Financial Performance in the period the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense. In the event that the municipality incurs fruitless and wasteful expenditure, a recovery process is initiated by council with the objective of investigating the expenditure and ultimately recovering the said expenditure. Should Council condone/approve this expenditure, no further action is required.

Where it is determined that this expenditure must be recovered, it is accounted for as revenue in the Statement of Financial Performance. A corresponding asset (receivable) is raised in the Statement of Financial Position which is accounted for in terms of Mogale City's accounting policy on receivables.

3.29 Related parties

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

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

Joint control is the agreed sharing of control over an activity by a binding arrangement, and exists only when the strategic

Mogale City Local Municipality

GT481 Annual Financial Statements for the year ended 30 June 2025

Significant Accounting Policies

(continued)

financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the ventures).

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

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

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

Mogale City regards a related party as a person or an entity with the ability to control the other party individually or jointly, or the ability to exercise significant influence over the other party, or vice versa. While Mogale City is part of Government of South Africa, it is a separate sphere of government. As such, the other spheres of government are not considered related parties to Mogale City.

Management is regarded as a related party. Management of Mogale City comprises of all political Office Bearers of Mogale City and the Executive Management team. Political Office Bearers comprises of the Executive Mayor, Members of Mayoral Committee, Speaker and other Councillors. The Executive Management team consists of the Municipal Manager, Chief Financial Officer, Chief Audit Executive and other Executive Managers.

Related party relationships where control exists is disclosed, irrespective of whether there have been transactions between the related parties. In the event that the municipality discloses related party transactions, the nature of the related party relationship as well as information about those transactions and outstanding balances, including commitments is disclosed. All transactions during the reporting period and balances at the end of the reporting period with related parties are disclosed.

3.30 Grants-in-aid

Mogale City transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, Mogale City does not:

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

These transfers are recognised in the Statement of Financial Performance as expenses in the period during which the events giving rise to the transfer occurred.

3.31 Commitments

Items are classified as commitments where the municipality commits itself to future transactions that will normally result in the outflow of resources. Commitments are not recognised in the Statement of Financial Position as a liability, but are included in the disclosure notes in the following cases:

Approved and contracted commitments;

Where the expenditure has been approved and the contract has been awarded at the reporting date; and where disclosure is required by a specific standard of GRAP. Where the expenditure can be reliably measured for disclosure requirements, both the operational and capital expenditure relating to the commitment is disclosed in the notes.

As and when contracts;

While the municipality may have a budget attached to the contract, there is no commitment/obligation to spend the allocated budget due the nature of the contract. Spending on these contracts will only materialise on circumstances, which may arise in the future over which management has no control. As such, the commitments in terms of these contracts cannot be reliably measured and is disclosed in terms of a narration paragraph.

3.32 Events after the reporting date

An event, which could be favourable or unfavourable, that occurs between the reporting date and the date the financial statements are authorised for issue. Mogale City classifies these events as adjusting or non-adjusting events.

An adjusting event provides further evidence of conditions that existed at the reporting date and includes an event that indicates that the going concern assumption in relation to the whole or part of Mogale City is not appropriate. These events were accounted for in the financial statements.

Mogale City Local Municipality

GT481 Annual Financial Statements for the year ended 30 June 2025

Significant Accounting Policies

. (continued)

A non-adjusting event is an event that is indicative of a condition that arose after the reporting date. Events after the reporting date that are classified as non-adjusting events have been disclosed in the notes to the financial statements

3.33 Repairs and Maintenance

Repairs and maintenance are generally charged to expenses during the financial period in which they occurred. However, major renovations are capitalised and included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the company. Major renovations are depreciated over the remaining useful life of the related asset.

The municipality discloses expenditure relating to repairs and maintenance of Property, Plant and Equipment in the notes to the Annual Financial Statements.

3.34 Segment reporting

Segments are identified by the way in which information is reported to management, both for purposes of assessing performance and making decisions about how future resources will be allocated to the various activities undertaken by the municipality. The major classifications of activities identified in budget documentation will usually reflect the segments for which an entity reports information to management.

Segment information is either presented based on service or geographical segments. Service segments relate to a distinguishable component of an entity that provides specific outputs or achieves particular operating objectives that are in line with the municipality's overall mission. Geographical segments relate to specific outputs generated, or particular objectives achieved, by an entity within a particular region.

Mogale City Local Municipality

GT481 Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand	2025	2024 Restated*
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2. Inventories

Consumable stores	2,496,184	2,742,556
Water for distribution	668,407	621,237
Land held for distribution to beneficiaries	33,472,260	33,472,260
	36,636,851	36,836,053

Consumable stores

Council item number: K(ii) 09(07/2025)

Inventory to the amount of R217 095.75 was written off as some of the stock items were identified as obsolete.

Council item number: K(ii) 10(07/2025)

Inventory to the value of R130 998.75 was adjusted as part of shortages and surpluses that were identified during the stock count.

Land held for distribution

Land inventory will be distributed to beneficiaries for the housing allocation.

Inventory pledged as security

No portion of inventory was pledged as security. Inventory is recognised at the lower of cost and net realisable value.

3. Receivables from non-exchange transactions

	Gross balance	2025 Allowance for impairment	Net balance	Gross balance	2024 Allowance for impairment	Net balance
Statutory receivables: Property rates	848,985,993	(597,014,594)	251,971,399	775,730,927	(559,661,228)	216,069,699
Statutory receivables: Traffic fines and SARS	14,574,598	(12,869,264)	1,705,334	51,287,521	(28,119,508)	23,168,013
	863,560,591	(609,883,858)	253,676,733	827,018,448	(587,780,736)	239,237,712

Age Analysis (Statutory receivables: Property rates)

Current (0 - 30 days)	98,567,901	54,762,546
31 - 60 days	22,049,188	32,248,293
61 - 90 days	21,409,028	19,708,416
91 - 120 days	17,878,878	15,781,279
+121 days	689,080,998	653,230,393
	848,985,993	775,730,927

Age Analysis (other receivables and traffic fines)

Mogale City Local Municipality

GT481 Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand	2025	2024 Restated*
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3. Receivables from non-exchange transactions (continued)

Age Analysis (Statutory receivables: Traffic Fines & SARS)

Current (0 - 30 days)	12,304,138	2,786,700
31 - 60 days	2,270,460	3,270,150
61 - 90 days	-	2,574,760
91 - 120 days	-	3,041,950
+121 days	-	39,613,961
	14,574,598	51,287,521

Receivables from non-exchange transactions pledged as security

None of the receivables from non-exchange transactions were pledged as security for overdraft facilities.

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

Statutory receivables: Rates	149,616,082	147,301,540
Statutory receivables: Traffic Fines and SARS	1,705,335	23,168,013
	151,321,417	170,469,553

2025

Receivables from non-exchange transactions past due date but not impaired - Age analysis	31-60 days	61 - 90 days	91 - 120 days	121+ days	Total
Statutory Receivables: Rates	52,734,583	13,577,670	5,361,790	77,942,039	149,616,082
Statutory Receivables: Traffic Fines and SARS	-	-	-	1,705,335	1,705,335
	52,734,583	13,577,670	5,361,790	79,647,374	151,321,417

2024

Receivables from non-exchange transactions past due date but not impaired - Age analysis	31-60 days	61 - 90 days	91 - 120 days	121+ days	Total
Statutory Receivables: Rates	27,787,365	12,308,874	5,625,258	101,580,043	147,301,540
Statutory Receivables: Traffic Fines and SARS	-	-	-	23,168,013	23,168,013
	27,787,365	12,308,874	5,625,258	124,748,056	170,469,553

Receivables from non-exchange transactions past due date but not impaired are receivables past 30 days which are not impaired in terms of the impairment methodology.

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

Opening balance	587,780,736	614,204,275
Current year contribution	124,156,275	49,342,759
Bad debts	(102,053,153)	(75,766,298)
	609,883,858	587,780,736

As at June 30, 2025, total receivables from non-exchange transactions were R 863,560,591 (2024: R 827,018,448).

The amount of the provision for impairment was R 609,883,858 as at June 30, 2025 (2024: R 587,780,736).The percentage of the provision against total receivables from non-exchange transactions was 70.62 % as at June 30, 2025 (2024: 71.07 %).

The amount written off at June 30, 2025 (R102 053 153) was in respect of traffic fines and indigent write-offs that are considered to be irrecoverable (2024: R75 766 298).

Mogale City Local Municipality

GT481 Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand

2025

2024
Restated*

4. Receivables from exchange transactions

Receivables per category	2025			2024		
	Gross balance	Allowance for impairment	Net balance	Gross balance	Allowance for impairment	Net balance
Electricity	492,310,567	(346,818,670)	145,491,897	359,606,313	(259,442,680)	100,163,633
Water	526,918,196	(373,037,647)	153,880,549	484,032,973	(349,211,922)	134,821,051
Sundry debtors and loans	174,447,132	(69,032,303)	105,414,829	124,481,711	(63,794,180)	60,687,531
Sewerage	647,384,275	(485,286,589)	162,097,686	582,735,350	(420,422,044)	162,313,306
Refuse	461,472,947	(354,582,375)	106,890,572	424,869,730	(306,527,826)	118,341,904
Other (Rentals ,interest,disconnection & reconnection fees ,etc)	1,099,858,934	(750,545,784)	349,313,150	896,336,060	(646,673,379)	249,662,681
Subtotal	3,402,392,051	(2,379,303,368)	1,023,088,683	2,872,062,137	(2,046,072,031)	825,990,106
Salary and other debtors	94,689	-	94,689	41,484	-	41,484
Subtotal	3,402,486,740	(2,379,303,368)	1,023,183,372	2,872,103,621	(2,046,072,031)	826,031,590
4.1 VAT Receivable						
Statutory Receivable: SARS	2,567,684	-	2,567,684	8,357,600	-	8,357,600
VAT input accrual	94,471,049	-	94,471,049	82,471,554	-	82,471,554
	3,499,525,473	(2,379,303,368)	1,120,222,105	2,962,932,775	(2,046,072,031)	916,860,744

Electricity

Current (0 -30 days)	197,300,957	106,132,783
31 - 60 days	24,807,736	48,998,959
61 - 90 days	17,564,834	23,278,079
91 - 120 days	24,115,304	11,525,565
121 - 365 days	228,521,737	169,670,927
	492,310,568	359,606,313

Water

Current (0 -30 days)	78,031,598	57,603,144
31 - 60 days	15,851,647	43,956,482
61 - 90 days	18,401,648	17,201,065
91 - 120 days	16,255,665	11,919,271
121 - 365 days	398,377,638	353,353,011
	526,918,196	484,032,973

Sewerage

Current (0 -30 days)	57,982,711	34,232,130
31 - 60 days	16,303,039	24,109,414
61 - 90 days	17,609,218	12,626,040
91 - 120 days	12,026,246	10,846,305
121 - 365 days	543,463,061	500,921,461
	647,384,275	582,735,350

Mogale City Local Municipality

GT481 Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand	2025	2024 Restated*
4. Receivables from exchange transactions (continued)		
Refuse		
Current (0 -30 days)	20,950,748	10,649,377
31 - 60 days	6,931,849	7,753,184
61 - 90 days	7,562,202	6,088,572
91 - 120 days	6,066,526	5,546,736
121 - 365 days	419,961,621	394,831,861
	461,472,946	424,869,730
Sundry debtors and Loans		
Current (0 -30 days)	7,488,835	57,102,314
31 - 60 days	2,115,840	1,487,371
61 - 90 days	710,992	2,166,667
91 - 120 days	6,170,984	1,159,358
121 - 365 days	157,960,481	62,566,002
	174,447,132	124,481,712
Other (including statutory receivables)		
Current (0 -30 days)	93,474,508	48,944,885
31 - 60 days	29,234,988	35,341,244
61 - 90 days	28,423,970	24,821,354
91 - 120 days	34,909,507	21,081,962
121 - 365 days	913,815,961	766,146,615
	1,099,858,934	896,336,060
Sundry register		
Current (0 -30 days)	48,017	8,886
31 - 60 days	2,639	-
61 - 90 days	182	11,476
91 - 120 days	4,214	21,122
121 - 365 days	39,637	-
	94,689	41,484

Receivables from exchange transactions as at June 30, 2025 were R 3,499,525,473 (2024: R 2,962,932,775).

The provision for impairment was R 2,379,303,368 as at June 30, 2025 (2024: R 2,046,072,031). The percentage of the provision against total receivables from exchange transactions was 67.99 % as at June 30, 2025 (2024: 69.06 %)

VAT Receivable

VAT is received and paid as required by the Value Added Tax Act no.89 of 1991 (VAT Act). VAT is applied to all relevant goods and services as stated in the VAT Act and the amount thereof is determined in terms of the VAT Act. VAT is submitted and paid on a monthly basis. VAT receivable from SARS is not impaired as SARS has sufficient funds to pay any outstanding amounts.

Mogale City Local Municipality

GT481 Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand

2025

2024
Restated*

4. Receivables from exchange transactions (continued)

Receivables from exchange transactions past due but not impaired

Electricity	77,963,595	68,284,713
Water	104,387,246	91,911,769
Sewerage	130,040,569	110,654,109
Refuse	95,265,300	80,677,414
Other	190,905,367	170,202,937
Sundry debtors and loans	3,146,025	828,613
	601,708,102	522,559,555

2025

Receivables from exchange transactions past due but not impaired - Age analysis

	31 - 60 days	61 - 90 days	91 - 120 days	121+ days	Total
Electricity	16,338,204	6,273,934	3,261,901	52,089,556	77,963,595
Water	17,884,165	12,248,263	4,056,782	70,198,036	104,387,246
Sewerage	23,168,044	13,703,315	7,793,569	85,375,641	130,040,569
Refuse	17,239,929	8,399,490	6,648,857	62,977,024	95,265,300
Other	41,064,578	21,210,132	815,571	127,815,086	190,905,367
Sundry debtors and loans	271,625	43,160	368,507	2,462,733	3,146,025
	115,966,545	61,878,294	22,945,187	400,918,076	601,708,102

2024

Receivables from exchange transactions past due but not impaired - Age analysis

	31 - 60 days)	61 - 90 days	91 - 120 days	121+ days	Total
Electricity	12,881,415	5,706,036	2,607,706	47,089,556	68,284,713
Water	17,338,487	7,680,370	3,509,993	63,382,919	91,911,769
Sewerage	20,874,093	9,246,526	4,225,739	76,307,751	110,654,109
Refuse	15,219,208	6,741,600	3,080,967	55,635,639	80,677,414
Other	32,107,547	14,222,570	6,499,833	117,372,987	170,202,937
Sundry debtors and loans	288,630	423,354	116,629	-	828,613
	98,709,380	44,020,456	20,040,867	359,788,852	522,559,555

Receivables from exchange transactions past due date but not impaired are receivables past 30 days which are not impaired in terms of the impairment methodology.

Reconciliation of allowance for impairment

Balance at beginning of the year	2,046,072,032	1,731,454,431
Contributions to allowance	464,508,720	360,493,573
Bad debts	(131,277,384)	(45,875,972)
	2,379,303,368	2,046,072,032

5. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	33,977	31,977
Bank balances	104,587,753	105,534,644
Short-term deposits	195,278,657	44,041,009
	299,900,387	149,607,630

Mogale City Local Municipality

GT481 Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand

2025

2024
Restated*

5. Cash and cash equivalents (continued)

Cash and cash equivalents pledged as collateral

Total financial assets pledged as collateral for South African Post Office Guarantee held at Standard Bank Call account no: 728430118-001 has been binded as guarantor to South African Post Office for payment of all accounts due and payable, or which may become due and payable by the municipality in respect of bulk postings provided that the total amount to be recovered under this payment guarantee shall not exceed in aggregate the sum of R500 000.	500,000	500,000
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The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	June 30, 2025	June 30, 2024	June 30, 2023	June 30, 2025	June 30, 2024	June 30, 2023
ABSA - Bank K Primary	586,476	480,126	558,433	586,476	480,126	558,433
ABSA - Bank N Direct	11,280,508	2,513,451	4,994,101	11,280,508	2,513,451	4,994,101
ABSA - Bank M Expenditure	5,507,082	8,588,187	99,851	5,507,082	8,588,187	99,851
ABSA - Bank T Traffic	375,385	130,958	1,246,186	375,385	130,958	1,246,186
ABSA - Bank P Grants	13,195	9,620,450	949,702	13,195	9,620,450	949,702
ABSA - Bank R CSR	70,585,781	62,000,990	33,118,892	70,585,781	62,000,990	33,118,892
ABSA - Bank S Salaries	419,673	56,983	46,421	419,673	56,983	46,421
ABSA - Bank L Licensing	48,532	3,741	1,000,000	48,532	3,741	1,000,000
Standard Bank - Bank I Salaries	1,531,089	173,473	14,488	1,531,199	173,573	14,488
Standard Bank - Bank H CSR	9,290	10,730	9,822	9,290	10,830	9,822
Standard Bank - Bank G Grants	9,290	10,730	9,822	9,290	10,830	9,822
Standard Bank - Bank F Traffic	734,092	392,673	30,318	734,202	391,619	30,323
Standard Bank - Bank E Expenditure	48,072	19,001	10,717	19,001	95,228	10,717
Standard Bank - Bank D Primary	49,720	125,956	48,047	49,720	125,978	48,309
Standard Bank - Bank C Direct	13,386,991	21,402,696	13,917,410	13,365,048	21,402,404	13,911,019
Standard Bank - Bank J Licensing	2,577	3,837	1,294	2,687	3,937	1,183
Call Accounts	195,278,657	44,041,009	88,420,556	195,278,657	44,041,009	88,420,556
Petty Cash	33,977	31,977	31,977	33,977	31,977	31,977
Total	299,900,387	149,606,968	144,508,037	299,849,703	149,682,271	144,501,802

2025

The differences between bank statement balances and cash book balances amounting to R 50,684 relates to transactions that are received after the cut-off time for the day and are captured the next calendar day, under the retrospective date.

These transactions, which are termed as "held overs", are processed under retrospective date of 30 June, in line with proper accounting procedures. Transactions attributing to the above difference of R 50,684 are deposits processed via Cash in transit Companies (for Auto safes) and bank charges.

2024

The differences between bank statement balances and cash book balances amounting to R,303) relates to transactions that are received after the cut-off time for the day and are captured the next calendar day, under the retrospective date.

These transactions, which are termed as "held overs", are processed under retrospective date of 30 June, in line with proper accounting procedures. Transactions attributing to the above difference of R,303) are deposits processed via Cash in transit Companies (for Auto safes) and bank charges.

Mogale City Local Municipality

GT481 Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand	2025	2024 Restated*
6. Operating lease assets and liabilities		
Current assets	45,577	32,846
Non-current liabilities	-	(296)
Current liabilities	(9,472)	(9,176)
	36,105	23,374

Leases of assets where all the risks and rewards of ownership are effectively retained by lessor are classified as operating leases. Monies received under operating leases are recognised to the Statement of Financial Performance on a straightline basis over the period of the lease. Operating lease receipts represent rental receivables by the municipality for properties leased. The terms are negotiated ranging from 6 months to 25 years. The rentals escalate on average of 10% per annum.

Mogale City Local Municipality

GT481 Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand

7. Investment property

	2025			2024		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	667,058,084	-	667,058,084	766,692,301	-	766,692,301

Reconciliation of investment property - 2025

	Opening balance	Fair value adjustments	Derecognition	Total
Investment property	766,692,301	(93,107,481)	(6,526,736)	667,058,084

Reconciliation of investment property - 2024

	Opening balance	Fair value adjustments	Derecognition	Total
Investment property	773,728,250	10,109,384	(17,145,333)	766,692,301

Pledged as security

No investment property has been pledged as security for any liabilities of the municipality

2025

The investment property of the municipality was fair valued by an independent valuer (IMQS) using the comparable sales method of valuation and accrued depreciation method of valuation.

2024

The investment property of the municipality was fair valued by an independent valuer (Bigen Africa) using the direct comparison method of valuation.

Mogale City Local Municipality

GT481 Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand

2025

2024
Restated*

8. Living resources

	2025			2024		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Water Buck	281,901	(69,788)	212,113	570,357	(109,512)	460,845
Springbok	324,668	(238,942)	85,726	398,133	(253,196)	144,937
Red Hartebeest	807,973	(258,021)	549,952	552,798	(207,523)	345,275
Ostrich	38,022	(8,334)	29,688	23,895	(7,384)	16,511
Cattle	313,605	(223,717)	89,888	270,669	(192,356)	78,313
Impala	116,659	(67,964)	48,695	164,931	(82,343)	82,588
Giraffe	67,824	(35,555)	32,269	101,736	(49,420)	52,316
Gemsbuck	23,910	(12,656)	11,254	23,910	(11,461)	12,449
Eland	469,701	(105,473)	364,228	668,420	(123,360)	545,060
Bles Buck	570,573	(321,599)	248,974	743,783	(351,611)	392,172
Muscovey/Makoue	1,877	(1,688)	189	2,033	(1,760)	273
Black Wildebeest	1,125,982	(517,318)	608,664	1,379,110	(547,420)	831,690
Hippo	60,007	(25,501)	34,506	60,007	(24,168)	35,839
Zebra	155,469	(58,470)	96,999	141,719	(51,403)	90,316
Sheep	129,092	(82,816)	46,276	84,429	(66,679)	17,750
Lion (fair values cannot be reliably measured)	134,853	(53,153)	81,700	134,853	(47,759)	87,094
Total	4,622,116	(2,080,995)	2,541,121	5,320,783	(2,127,355)	3,193,428

Reconciliation of living resources - 2025

	Opening balance	Disposals	Transfer in	Depreciation	Depreciation Transfer in	Accumulated Depreciation Write Off	Total
Water Buck	460,845	(288,456)	-	(31,687)	-	71,411	212,113
Springbok	144,937	(73,465)	-	(39,813)	-	54,067	85,726
Red Hartebeest	345,275	-	255,175	(34,550)	(15,948)	-	549,952
Ostrich	16,511	-	14,127	(597)	(353)	-	29,688
Cattle	78,313	-	42,936	(27,067)	(4,294)	-	89,888
Impala	82,588	(48,273)	-	(13,744)	-	28,124	48,695
Giraffe	52,316	(33,912)	-	(3,913)	-	17,778	32,269
Gemsbuck	12,449	-	-	(1,195)	-	-	11,254
Eland	545,060	(198,719)	-	(26,737)	-	44,624	364,228
Bles Buck	392,172	(173,210)	-	(67,616)	-	97,628	248,974
Muscovey/Makoue	273	(156)	-	(68)	-	140	189
Black Wildebeest	831,690	(253,129)	-	(86,194)	-	116,297	608,664
Hippo	35,839	-	-	(1,333)	-	-	34,506
Zebra	90,316	-	13,750	(6,442)	(625)	-	96,999
Sheep	17,750	-	44,663	(10,554)	(5,582)	-	46,277
Lion (fair values cannot be reliably measured)	87,094	-	-	(5,394)	-	-	81,700
Total	3,193,428	(1,069,320)	370,651	(356,904)	(26,802)	430,069	2,541,122

Mogale City Local Municipality

GT481 Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand

2025

2024
Restated*

8. Living resources (continued)

Reconciliation of living resources - 2024

	Opening balance	Disposals	Transfer In	Depreciation	Depreciation Transfer In	Accumulated Depreciation Write Off	Total
Water Buck	241,731	-	250,800	(17,753)	(13,933)	-	460,845
Springbok	256,232	(154,040)	-	(55,217)	-	97,962	144,937
Red Hartebeest	401,653	(31,770)	-	(36,535)	-	11,927	345,275
Ostrich	19,010	(2,655)	-	(664)	-	820	16,511
Cattle	70,661	-	34,719	(23,595)	(3,472)	-	78,313
Impala	135,100	(66,375)	-	(19,275)	-	33,138	82,588
Giraffe	37,805	-	18,424	(3,204)	(709)	-	52,316
Gemsbuck	13,645	-	-	(1,196)	-	-	12,449
Eland	462,506	-	109,291	(22,365)	(4,372)	-	545,060
Bles Buck	362,208	-	97,581	(58,746)	(8,871)	-	392,172
Muscovey/Wildebeest	82	-	700	(333)	(176)	-	273
Black Wildebeest	805,277	-	112,608	(79,156)	(7,039)	-	831,690
Hippo	37,173	-	-	(1,334)	-	-	35,839
Zebra	96,758	-	-	(6,442)	-	-	90,316
Sheep	31,220	(15,713)	9,129	(11,377)	(1,141)	5,632	17,750
Lion (fair values cannot be reliably measured)	92,489	-	-	(5,395)	-	-	87,094
	3,063,550	(270,553)	633,252	(342,587)	(39,713)	149,479	3,193,428

Mogale City Local Municipality

GT481 Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand

9. 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	311,948,881	-	311,948,881	311,948,881	-	311,948,881
Buildings	696,702,689	(389,942,741)	306,759,948	616,162,523	(384,499,289)	231,663,234
Other Assets	253,981,454	(135,013,686)	118,967,768	256,477,839	(155,111,753)	101,366,086
Infrastructure Assets	10,090,416,355	(5,881,348,735)	4,209,067,620	9,874,634,222	(5,642,946,090)	4,231,688,132
Community Assets	1,528,301,116	(620,486,389)	907,814,727	1,562,052,940	(588,498,424)	973,554,516
Total	12,881,350,495	(7,026,791,551)	5,854,558,944	12,621,276,405	(6,771,055,556)	5,850,220,849

Mogale City Local Municipality

GT481 Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand

9. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2025

	Opening balance	Additions (Capitalised costs)	Derecognition	Depreciation	Impairment	Impairment reversal	Derecognition ADP	Total
Land	311,948,881	-	-	-	-	-	-	311,948,881
Buildings	231,663,234	83,801,188	(3,261,021)	(8,040,397)	(451,342)	-	3,048,286	306,759,948
Other Assets	101,366,086	38,650,827	(41,147,212)	(18,262,879)	-	-	38,360,946	118,967,768
Infrastructure Assets	4,231,688,132	223,248,775	(7,466,641)	(181,059,356)	(76,851,265)	15,144,331	4,363,644	4,209,067,620
Community Assets	973,554,516	28,754,860	(62,506,683)	(34,478,226)	(21,023,102)	864,955	22,648,407	907,814,727
	5,850,220,849	374,455,650	(114,381,557)	(241,840,858)	(98,325,709)	16,009,286	68,421,283	5,854,558,944

Included in the additions above is Work In Progress expenditure incurred during the current financial year amounted to R 356,451,761 and donations amounting to R4 553 231.

Repairs and maintenance

All repairs and maintenance for the 2025 financial year amounting to R 341,997,800 were incurred in respect of property, plant and equipment.

Repairs and maintenance per asset class - 2025

	Employee costs	Other materials	Contracted services	Other expenditure	Total
Infrastructure Assets	127,090,449	205,071	49,120,947	83,591,054	260,007,521
Community Assets	56,798,550	329,788	6,995,241	4,262,382	68,385,961
Other Assets	9,390,817	-	3,849,112	364,389	13,604,318
	193,279,816	534,859	59,965,300	88,217,825	341,997,800

Repairs and maintenance per asset class - 2024

	Employee costs	Other materials	Contracted services	Other expenditure	Total
Infrastructure Assets	123,283,923	356,265	36,488,916	52,100,564	212,229,668
Community Assets	54,885,411	230,134	741,094	2,754,367	58,611,006
Other Assets	11,402,849	-	196,417	3,111,095	14,710,361
	189,572,183	586,399	37,426,427	57,966,026	285,551,035

Mogale City Local Municipality

GT481 Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand

9. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2024

	Opening balance	Additions (Capitalised costs)	Derecognition	Depreciation	Derecognition Acc Depreciation	Impairment	Impairment reversal	Total
Land	311,948,881	-	-	-	-	-	-	311,948,881
Buildings	165,630,162	89,914,127	(13,660,408)	(10,368,926)	-	-	148,279	231,663,234
Other Assets	97,662,027	30,621,324	(22,526,878)	(20,949,418)	16,559,031	-	-	101,366,086
Infrastructure Assets	4,235,611,106	174,907,998	(1,375,750)	(190,259,000)	32,203,179	(19,709,109)	309,708	4,231,688,132
Community Assets	974,559,222	67,849,149	(49,686,023)	(26,888,903)	2,518,892	(39,948)	5,242,127	973,554,516
Leased assets	97,347	-	(305,626)	(41,960)	250,239	-	-	-
	5,785,508,745	363,292,598	(87,554,685)	(248,508,207)	51,531,341	(19,749,057)	5,700,114	5,850,220,849

Pledged as security

No property, plant and equipment has been pledged as security for any liabilities of the municipality.

Mogale City Local Municipality

GT481 Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand

2025

2024
Restated*

9. Property, plant and equipment (continued)

Included in the above property, plant and equipment are the following capital WIP amounts

2025	Capital Cost Opening	Capital Cost	Impairment	Transfer from Capex to Opex	Capitalised	Closing Cost
Infrastructure Assets						
Building Property	132,372,912	84,240,144	-	-	(20,014,263)	196,598,793
Community Assets	329,305,121	47,237,463	(12,451,473)	-	(18,105,847)	345,985,264
Electricity Network	29,152,204	13,893,603	-	-	(41,144,853)	1,900,954
Roads and Stormwater Network	14,735,046	28,438,022	-	-	(7,144,002)	36,029,066
Sanitation Network	87,357,854	115,438,906	-	-	-	202,796,760
Water Supply Network	85,483,716	67,203,623	-	-	(20,893,224)	131,794,115
Subtotal	678,406,853	356,451,761	(12,451,473)	-	(107,302,189)	915,104,952
	678,406,853	356,451,761	(12,451,473)		-(107,302,189)	915,104,952
2024	Capital Cost Opening	Capital Cost	Impairment	Transfer from Capex to Opex	Capitalised	Closing Cost
Infrastructure Assets						
Building Property	47,296,300	85,076,612	-	-	-	132,372,912
Community Assets	325,690,042	87,538,903	-	-	(83,923,824)	329,305,121
Electricity Network	1,734,782	43,896,281	-	-	(16,478,859)	29,152,204
Roads and Stormwater Network	6,727,099	8,007,947	-	-	-	14,735,046
Sanitation Network	48,086,405	70,545,268	-	-	(31,273,819)	87,357,854
Water Supply Network	45,507,097	56,902,636	-	-	(16,926,017)	85,483,716
Subtotal	475,041,725	351,967,647	-	-	(148,602,519)	678,406,853
	475,041,725	351,967,647	-		-(148,602,519)	678,406,853

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.

Mogale City Local Municipality

GT481 Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand	2025	2024 Restated*
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9. Property, plant and equipment (continued)

Work in progress taking longer to complete

Asset Class

Community Assets	331,009,464	101,981,208
Infrastructure Assets		
Sanitation Network	128,706,809	33,960,723
Water Supply Network	91,185,230	41,084,755
	550,901,503	177,026,686

Community Assets

The projects taking longer to complete include the following: Birckvale Housing Development, Krugerdorp Game Reserve lion enclosure upgrade, Leratong Node Housing Development housing development and Luipaadvlei landfill site which was halted due to budget unavailability and the termination of the contract between the municipality and the designated contractor. Also included is Dr Motlana package plant project which was halted due to funding from provincial government, funding was subsequently allocated during the 2022/23 financial year, subsequently work continued in the 2023/24 financial year, in the 2024/25 financial year project is ongoing with challenges such as strikes from subcontractors and other site issues which led to delays in completion.

Water Supply Network

The projects included are Dr Sefularo Hosing development project which was halted due to funding from provincial government, funding was subsequently allocated during the 2022/23 financial year, engineers were assigned on the 1st September 2022 for the commencement of work, subsequently work continued in the 2023/24 financial year, in the 2024/25 financial year project is ongoing with a few site challenges. The AC Water Pipeline Replacement Programme - Noordheuwel project is also included which was anticipated to be completed in the year under review, due to insufficient budget the project was not completed.

Sanitation Network

Also included is Dr Motlana package plant and Dr Sefularo Hosing development projects which were halted due to funding from provincial government, funding was subsequently allocated during the 2022/23 financial year, engineers were assigned on the 1st September 2022 for the commencement of work, subsequently work continued in the 2023/24 financial year, in the 2024/25 financial year project is ongoing with challenges such as strikes from subcontractors and other site issues which led to delays in completion. The Flip Human WWTW is also included due to budget constraints that were insufficient to cover the costs to complete the project.

Mogale City Local Municipality

GT481 Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand

10. Intangible assets

	2025			2024		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software and servitudes	75,336,878	(10,379,442)	64,957,436	75,424,129	(9,684,396)	65,739,733

Reconciliation of intangible assets - 2025

	Opening balance	Additions (Capitalised cost)	Derecognition	Amortisation	Total
Computer software and servitudes	65,739,733	52,949	(140,200)	(695,046)	64,957,436

Reconciliation of intangible assets - 2024

	Opening balance	Derecognition	Amortisation	Total
Computer software and servitudes	76,528,475	(7,681,685)	(3,107,057)	65,739,733

11. Heritage assets

	2025			2024		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Library Books, Chief Mogale Statue & Concentration Camp Graves	15,028,104	-	15,028,104	15,028,104	-	15,028,104

Mogale City Local Municipality

GT481 Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand	2025	2024 Restated*
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11. Heritage assets (continued)

Reconciliation of heritage assets 2025

	Opening balance	Total
Library Books, Chief Mogale Statue & Concentration Camp Graves	15,028,104	15,028,104

Reconciliation of heritage assets 2024

	Opening balance	Additions	Derecognition	Total
Library books, Chief Mogale Statue & Concentration camp graves	3,123,495	11,919,420	(14,811)	15,028,104

Mogale City Local Municipality

GT481 Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand	2025	2024 Restated*
12. Investment in shares		
Residual interest at cost		
Listed shares	865,420	789,780
Listed shares (9760 ordinary shares)		
These listed shares held by Sanlam Pty Ltd and were valued at a market value of 2025: R88.67 (2024: R80.92) per share (level 1)		
Non-current assets		
Residual interest at cost	865,420	789,780
Financial assets at fair value		
Fair value hierarchy of financial assets at fair value		
Financial assets recognised at fair value, disclosure is required of a fair value hierarchy which reflects the significance of the inputs used to make the measurements. The fair value hierarchy have the following levels:		
Level 1 represents those assets which are measured using unadjusted quoted prices in active markets for identical assets.		
Level 2 applies inputs other than quoted prices that are observable for the assets either directly (i.e. as prices) or indirectly (i.e. derived from prices).		
Level 3 applies inputs which are not based on observable market data.		
Level 1		
Class 1 (9760 ordinary shares)	865,420	789,779
13. Employee benefit obligations		
The amounts recognised in the statement of financial position are as follows:		
Carrying value		
Medical aid fund	(211,017,829)	(201,957,862)
Long service awards	(73,137,059)	(68,864,117)
Ex-gratia benefits	(72,081)	(43,911)
	(284,226,969)	(270,865,890)
Non-current liabilities	(260,516,879)	(255,517,409)
Current liabilities	(23,710,090)	(15,348,481)
	(284,226,969)	(270,865,890)

The employee benefit obligations were calculated by One Pangaea expertise and solutions from employee information compiled and submitted by the municipality.

Mogale City Local Municipality

GT481 Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand	2025	2024 Restated*
13. Employee benefit obligations (continued)		
Changes in the present value of the defined benefit obligation are as follows:Medical aid subsidy		
Opening balance	201,957,862	193,598,904
Net expense recognised in the statement of financial performance	9,059,967	8,358,958
	211,017,829	201,957,862
Changes in the present value of the defined benefit obligation are as follows:Long service award		
Opening balance	68,864,117	44,664,090
Net expense recognised in the statement of financial performance	4,272,942	24,200,027
	73,137,059	68,864,117
Changes in the present value of the defined benefit obligation are as follows:Ex-gratia benefits		
Opening balance	43,911	166,659
Net expense recognised in the statement of financial performance	28,170	(122,748)
	72,081	43,911
Net expense recognised in the statement of financial performance:Medical aid subsidy		
Current service cost	9,257,621	7,502,874
Past service cost	(8,398,657)	(7,384,795)
Interest cost	25,136,525	24,950,032
Actuarial (gains) losses	(16,935,522)	(16,709,153)
	9,059,967	8,358,958
Net expense recognised in the statement of financial performance:Long service award		
Current service cost	4,695,473	3,011,152
Past service cost	(6,978,026)	(10,009,375)
Interest cost	6,602,977	4,361,682
Actuarial (gains) losses	(47,482)	26,836,568
	4,272,942	24,200,027
Net expense recognised in the statement of financial performance:Ex-gratia benefits		
Past service cost	-	(189,167)
Interest cost	3,978	8,578
Actuarial (gains) losses	24,192	57,841
	28,170	(122,748)

Mogale City Local Municipality

GT481 Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand	2025	2024 Restated*
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13. Employee benefit obligations (continued)

Key assumptions used: Medical aid subsidy

Assumptions used at the reporting date:

Discount rates used	11.65 %	12.69 %
Health care cost inflation	7.06 %	8.17 %
Net discount rate	4.28 %	4.18 %
Future price inflation expectation	5.56 %	6.67 %

GRAP25 defines the determination of the investment return assumption to be used as the rate that can be determined by reference to market yields (at the balance sheet date) on government bonds. The currency and term of the government bonds should be consistent with the currency and estimated term of the obligation.

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

The methodology of setting the financial assumptions has been updated to be more duration-specific. At the previous valuation report, 30 June 2024, the duration of liabilities was 11.76 years. At this duration, the discount rate determined by using the Bond Exchange Zero Coupon Yield Curve as at 30 June 2025 is 11.65% per annum, and the yield on inflation-linked bonds of a similar term was about 5.29% per annum. This implies an underlying expectation of inflation of 5.56% per annum $([1 + 11.65\% - 0.5\%] / [1 + 5.29\%] - 1)$. The 0.5% deduction is there to account for biases and market frictions that distort the clean nominal-real yield differential due to seasonal CPI lags in index-linked bonds, liquidity premiums, market segmentation and mismatching compounding projections that might be present in the market.

The actuaries have assumed that healthcare cost inflation would exceed general inflation by 1.50% per annum, i.e. 7.06% per annum.

However, it is the relative levels of the discount rate and healthcare cost inflation to one another that are important, rather than the nominal values. The actuaries have thus assumed a net discount factor of 4.28% per annum $([1 + 11.65\%] / [1 + 7.06\%] - 1)$.

Valuation Methodology

In accordance with the requirements of GRAP25, the Projected Unit Credit method has been applied. Accrued liabilities are defined as the actuarial present value of all benefits expected to be paid in the future based on service accrued to the valuation date and awards projected to the retirement date. In determining these liabilities, due allowance has been made for future award increases.

Demographic Assumptions

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

Assumptions	Active employees	Pensioners
Normal retirement age	65	-
Fully accrued age. This is the average age of retirement, taking into account early retirement and ill-health decrements.	62	-
Employment age used for past service period		Actual service entry ages
Age difference between spouses. We have assumed that the male spouse is older.	5 years	5 years
Proportion married	85% assumed married at retirement	Actual marital status
Mortality	SA85-90 (Normal)	PA (90) with a 1% mortality improvement per annum from 2010

Mogale City Local Municipality

GT481 Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand

2025

2024
Restated*

13. Employee benefit obligations (continued)

Continuation percentage of post-employment medical aid subsidies at retirement for active members.	90%	N/A
The proportion of active employees not on medical aid joining a medical scheme by retirement and continuing the subsidy in retirement. We have assumed they would opt for the SAMWUMED option B plan.	15%	N/A

Age Band	Withdrawal rates (Male)	Withdrawal rates (Female)
20 - 24	9.0%	9.0%
25-29	8.0%	8.0%
30-34	6.0%	6.0%
35-39	5.0%	5.0%
40-44	5.0%	5.0%
45-49	4.0%	4.0%
50-54	3.0%	3.0%
55-59	-	-
60+	-	-

Sensitivity Analysis

The accrued liability is a function of the valuation assumptions, which may or may not be borne out in practice. Variations from these assumptions will emerge in future years as experience gains or losses are recognised immediately in the income statement by Mogale City.

The valuation results are sensitive to changes in the underlying assumptions. The effects of varying these assumptions are illustrated below.

Healthcare Cost Inflation And Discount Rate					
	Percentage Change	1% decrease R's	Valuation Basis R's	1% increase R's	Percentage Change
Healthcare Cost Inflation Rate					
Opening Accrued Liability	-12.00%	185,696,111	211,017,829	241,479,321	14.44%
Service Cost	-16.43%	7,159,064	8,566,473	10,323,493	20.51%
Net Interest Expense	-12.23%	21,105,499	24,047,167	27,587,397	14.72%
Discount Rate					
Opening Accrued Liability	13.71%	239,953,133	211,017,829	187,219,748	-11.28%
Service Cost	18.67%	10,165,794	8,566,473	7,287,988	-14.92%
Net Interest Expense	4.22%	25,062,945	24,047,167	23,102,355	-3.93%

As per the table above, a 1% increase in the healthcare cost inflation rate results in a 14.44% increase in the accrued liability, whilst a 1% decrease in the salary increase rate will result in a 12.00% decrease in the accrued liability. Increasing healthcare cost inflation leads to greater subsidies being paid by the entity in respect of continuation members. This, in turn, increases the size of the accrued liability.

Inversely, a 1% increase in the discount rate results in a 11.28% decrease in the accrued liability, whilst a 1% decrease in the discount rate will result in a 1% increase in the accrued liability. The discount rate is inversely related to the accrued liability. An increase in the discount rate increases the accrued liability and vice versa.

Average Retirement Age

The actuaries examined the impact on accrued liability of decreasing the average retirement by 1 year.

Valuation Basis	-1 year R's	Percentage Change R's
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Mogale City Local Municipality

GT481 Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand	2025	2024 Restated*
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13. Employee benefit obligations (continued)

Opening Accrued Liability	211,017,829	215,066,548	1.92%
Service Cost	8,566,473	9,036,302	5.48%
Net Interest Expense	24,047,167	24,518,696	1.96%

Decreasing the average retirement age results in a 1.92% increase in the accrued liability. Decreasing the average retirement age decreases the age at which active employees start receiving post-retirement medical aid subsidies. It also implies that they receive these subsidies over a longer period. This increases the accrued liability.

Post-retirement mortality

The tables below show the impact of changing the post-retirement mortality assumption from PA(90) to PA(90) – 1.

	Valuation Basis R's	PA(90)-1 R's	Percentage Change
Opening Accrued Liability	211,017,829	217,563,773	3.10%
Service Cost	8,566,473	8,804,103	2.77%
Net Interest Expense	24,047,167	24,806,038	3.16%

The change in the post-retirement mortality assumption increases the accrued liability by 3.10%. Changing the post-retirement mortality basis from PA(90) to PA(90)-1 effectively assigns each pensioner the mortality of someone one year younger. This results in longer expected lifespans, leading to pensioners receiving subsidies over an extended period, thereby increasing the accrued liability.

Continuation Rate Assumption

The impact of reducing the continuation rate by 10% is shown in the tables below.

	Valuation Basis R's	Continuation Rate - 10% R's	Percentage Change
Opening Accrued Liability	211,017,829	198,921,809	-5.73%
Service Cost	8,566,473	7,776,968	-9.22%
Net Interest Expense	24,047,167	22,638,421	-5.86%

The reduction in the continuation rate reduced the accrued liability by 5.73%. The continuation rate reflects the percentage of active medical scheme members who are expected to receive post-retirement subsidies. A 10% reduction in this rate effectively lowers the number of employees anticipated to qualify for these subsidies after retirement, thereby decreasing the accrued liability.

Risk Analysis

Longevity Risk

The municipality has committed itself to paying for post-employment medical aid subsidies for as long as current and future continuation members and their spouses are alive. In our valuation, we have used the PA(90)-1 mortality tables with an allowance for mortality improvement over time. Should continuation members and/or their spouses live longer than predicted by the tables above, the municipality would have to pay benefits over a longer period. This would increase the liability.

Operational Risk

This is the risk emanating from inadequate, ineffective or failed internal processes, people or systems. Of key importance is the data quality. If the data quality is compromised, any calculated values based on that data will be affected. We take great care to rigorously validate and clean the data we receive. However, we might not be able to identify some data errors and inconsistencies. For instance, if a member's ID number is recorded wrongly in the employee file, this might affect the accrued liability due to the member. If that error is corrected in future, the total accrued liability will be affected as well.

Economic Risk

The valuation of the post-employment medical subsidies liability is sensitive to the discount rate used, which is influenced by the broader economic conditions and market interest rates. In this report, the discount which was used for calculation purpose was determined using the Bond Exchange Zero Coupon Yield Curve. The yield curve is a widely used benchmark for determining the appropriate discount rate in South Africa as it represents the yield curve for zero-coupon government bonds, which are considered low-risk investments and are often used as a proxy for the risk-free rate. The shape and level of the yield curve reflect the prevailing market conditions and investor expectations about future economic and interest rate developments. Any changes to these macroeconomic factors will affect the valuation of the municipality's accrued liability.

Medical Aid Inflation

We have assumed that future medical aid increases would be linked to the long-term CPI assumption. However, medical aids typically consider a wide range of factors in determining increases. Any increases in excess of the CPI+1.5% assumption would lead to increases in accrued liability beyond that predicted by our valuation.

Mogale City Local Municipality

GT481 Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand	2025	2024 Restated*
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13. Employee benefit obligations (continued)

Key assumptions used: Long service award

Assumptions used at the reporting date:

Discount rates used	8.97 %	10.15 %
Future price inflation expectation	3.42 %	4.69 %
Salary increase rate	4.42 %	5.69 %
Net discount rate	4.35 %	4.22 %

GRAP25 defines the determination of the investment return assumption to be used as the rate that can be determined by reference to market yields (at the balance sheet date) on government bonds. The currency and term of the government bonds should be consistent with the currency and estimated term of the obligation.

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

The methodology of setting the financial assumptions has been updated to be more duration-specific. At the previous valuation report, 30 June 2024, the duration of liabilities was 5.15 years. At this duration, the discount rate determined by using the Bond Exchange Zero Coupon Yield Curve as at 30 June 2025 is 8.97% per annum, and the yield on inflation-linked bonds of a similar term was about 4.88% per annum. This implies an underlying expectation of price inflation of 3.42% per annum $([1 + 8.97\% - 0.5\%] / [1 + 4.88\%] - 1)$. The 0.5% deduction is there to account for biases and market frictions that distort the clean nominal-real yield differential due to seasonal CPI lags in index-linked bonds, liquidity premiums, market segmentation and mismatching compounding projections that might be present in the market.

The actuaries have assumed that salary inflation would exceed general inflation by 1.00% per annum, i.e. 4.42% per annum.

However, it is the relative levels of the discount rate and salary inflation to one another that are important, rather than the nominal values. The actuaries have thus assumed a net discount factor of 4.35% per annum $([1 + 8.97\%] / [1 + 4.42\%] - 1)$.

Demographic Assumptions

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

Assumption	30 June 2024	30 June 2025
Normal retirement age (years)	65	65
Average retirement age (years)	62*	62*
Mortality	SA85-90**	SA85-90**

* The average retirement age for all active employees was assumed to be 62 years. This assumption implicitly allows for early retirement and ill-health retirement.

** These are standard mortality tables, and their use complies with industry practice. They are published by ASSA.

The following withdrawal assumptions were applicable over the prior and current valuation periods:

Age	Withdrawal rates (Male)	Withdrawal rates (Female)
20	9%	9%
25	8%	8%
30	6%	6%
35	5%	5%
40	5%	5%
45	4%	4%
50	3%	3%
55	-	-
60+	-	-

These rates are based on the professional judgement of the actuary and the past experience of the municipality. They are updated regularly to ensure that they align with the actual experience and expected future trends as closely as possible.

Mogale City Local Municipality

GT481 Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand

2025

2024
Restated*

13. Employee benefit obligations (continued)

Sensitivity Analysis

The accrued liability is a function of the valuation assumptions, which may or may not be borne out in practice. Variations from these assumptions will emerge in future years as experience gains or losses are recognised immediately in the income statement by Mogale City.

The valuation results are sensitive to changes in the underlying assumptions. The effects of varying these assumptions are illustrated below.

Salary Increase And Discount Rate

	Percentage Change	1% decrease R's	Valuation Basis R's	1% increase R's	Percentage Change
Salary Inflation Rate					
Opening Accrued Liability	-5.00%	69,480,195	73,137,059	77,117,074	5.44%
Service Cost	-6.26%	4,815,406	5,136,747	5,492,705	6.93%
Net Interest Expense	-5.50%	5,580,624	5,905,141	6,258,646	5.99%
Discount Rate					
Accrued Liability	5.25%	76,976,581	73,137,059	69,657,348	-4.76%
Service Cost	1.54%	5,215,841	5,136,747	4,830,844	-5.96%
Net Interest Expense	5.83%	6,249,451	5,905,141	6,220,405	5.34%

A 1% increase in the salary increase rate as at the valuation date results in a 5.44% increase in the accrued liability, whilst a 1% decrease in the salary increase rate will result in a 5.00% decrease in the accrued liability. An increase in salary inflation increases the salaries upon which the long-service awards are based. This, in turn, leads to an increase in the accrued liability.

Inversely, a 1% increase in the discount rate as at the valuation date results in a 4.76% decrease in the accrued liability, whilst a 1% decrease in the discount rate will result in a 5.25% increase in the accrued liability. The discount rate is inversely related to the accrued liability. An increase in the discount rate decreases the accrued liability and vice versa.

Average Retirement Age

The tables below highlight the effect of adjusting the average retirement age by 2 years upwards and downwards from the fully accrued retirement age of 62.

	Percentage Change	60 years R's	Valuation Basis R's	64 years R's	Percentage Change
Opening Accrued Liability	-12.80%	63,777,032	73,137,059	83,993,200	14.84%
Service Cost	-10.20%	4,612,662	5,136,747	5,714,689	11.25%
Net Interest Expense	-13.70%	5,095,927	5,905,141	6,838,266	15.80%

The above table highlights the effects of a 2-year decrease and increases in the average retirement age assumptions as at the valuation date. The adjustment would result in a 12.80% decrease and a 14.84% increase in the accrued liability, respectively. By decreasing the average retirement age, we are reducing the chances of eligible members receiving bonuses before they retire e.g. consider a member aged 61 years who is eligible to receive a bonus at age 62. Reducing the average retirement age disqualifies this member and therefore reduces the accrued liability in respect of this member. The converse applies to increasing the average retirement age. This will qualify members who were disqualified under the valuation basis.

Risk Analysis

This section outlines the key risks that Mogale City is exposed to by offering the long service awards benefit:

Mortality Risk

The long service bonus awards offered by the municipality are provided for completed years of service. As employees live longer and work for longer periods, the municipality's liability for these awards increases. This implies that the municipality may be required to pay out more in long-service bonus awards than initially anticipated, as employees continue to work and accrue additional years of service.

Operational Risk

Mogale City Local Municipality

GT481 Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand

2025

2024
Restated*

13. Employee benefit obligations (continued)

This is the risk emanating from inadequate, ineffective or failed internal processes, people or systems. Of key importance is the data quality. If the data quality is compromised, any calculated values based on that data will be affected. We take great care to rigorously validate and clean the data we receive. However, we might not be able to identify some data errors and inconsistencies. For instance, if a member's ID number is recorded wrongly in the employee file, this might affect the accrued liability due to the member. If that error is corrected in future, the total accrued liability will be affected as well.

Economic Risk

The valuation of the post-employment medical subsidies liability is sensitive to the discount rate used, which is influenced by the broader economic conditions and market interest rates. In this report, the discount which was used for calculation purposes was determined using the Bond Exchange Zero Coupon Yield Curve. The yield curve is a widely used benchmark for determining the appropriate discount rate in South Africa as it represents the yield curve for zero-coupon government bonds, which are considered low-risk investments and are often used as a proxy for the risk-free rate. The shape and level of the yield curve reflect the prevailing market conditions and investor expectations about future economic and interest rate developments. Any changes to these macroeconomic factors will affect the valuation of the municipality's accrued liability.

Regulatory/Legislative Risk

The long service awards of the municipality valued in this report are subject to legislative and regulatory risks, as changes in the relevant accounting standards, labour laws, or municipal regulations can affect the valuation methodology and the municipality's obligations. For example, if the eligibility criteria, vesting conditions, or the calculation of the bonus amounts were to be modified, the municipality would need to revise its valuation methodology to comply with the new requirements. Currently, only permanent employees are entitled to the long service awards benefits and if the regulations are to change such that contract employees are entitled to the benefits, this will lead to an increase in the accrued liability for Mogale City. Thus, any changes in the account standards, labour laws and municipality regulations will lead to changes in the projected benefit obligations and the associated accounting treatment.

Key assumptions used: Ex-gratia benefits

Assumptions used at the reporting date:

Discount rates used	7.95 %	9.06 %
Future expectation of price inflation	2.55 %	3.63 %
Salary increase rate	3.55 %	4.63 %
Net discount rate	4.24 %	4.23 %

GRAP25 defines the determination of the investment return assumption to be used as the rate that can be determined by reference to market yields (at the balance sheet date) on government bonds. The currency and term of the government bonds should be consistent with the currency and estimated term of the obligation.

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

The methodology of setting the financial assumptions has been updated to be more duration specific. At the previous valuation report, 30 June 2024 the duration of liabilities was 2.10 years. At this duration, the discount rate determined by using the Bond Exchange Zero Coupon Yield Curve as at 30 June 2025 is 7.95% per annum, and the yield on inflation-linked bonds of a similar term was about 4.77% per annum. This implies an underlying expectation of inflation of 2.55% per annum $([1 + 7.95\% - 0.5\%] / [1 + 4.77\%] - 1)$. The 0.5% deduction is there to account for biases and market frictions that distort the clean nominal-real yield differential due to seasonal CPI lags in index-linked bonds, liquidity premiums, market segmentation and mismatching compounding projections that might be present in the market.

The actuaries have assumed that salary increase rate would exceed general inflation by 1% per annum, i.e. 3.55% per annum.

However, it is the relative levels of the discount rate and salary increase to one another that are important, rather than the nominal values. The actuaries have thus assumed a net discount factor of 4.24% per annum $([1 + 7.95\%] / [1 + 3.55\%] - 1)$.

Demographic Assumptions

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

Mogale City Local Municipality

GT481 Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand	2025	2024 Restated*
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13. Employee benefit obligations (continued)

follows:

Aspect	Ex-Gratia Recipients
Retirement age (years)	65
Mortality Table	SA 85-90

Sensitivity Analysis

The accrued liability is a function of the valuation assumptions, which may or may not be borne out in practice. Variations from these assumptions will emerge in future years as experience gains or losses are recognised immediately in the income statement by Mogale City.

The valuation results are sensitive to changes in the underlying assumptions. The effects of varying these assumptions are illustrated below.

Salary Increase and Discount Rate

	Percentage Change	1% decrease R's	Valuation Basis R's	1% increase R's	Percentage Change
Salary Inflation Rate					
Opening Accrued Liability	-1.17%	71,238	72,081	72,928	1.18%
Service Cost	-	-	-	-	-
Net Interest Expense	-1.12%	7,892	7,981	8,070	1.12%
Discount Rate					
Opening Accrued Liability	1.14%	72,901	72,081	71,280	-1.11%
Service Cost	-	-	-	-	-
Net Interest Expense	-11.64%	7,052	7,981	8,890	11.39%

As per the table above, a 1% increase in the salary increase rate results in a 1.18% increase in the accrued liability whilst a 1% decrease in the salary increase rate will result in a 1.17% decrease in the accrued liability.

Inversely, a 1% increase in the discount rate results in a 1.11% decrease in the accrued liability, whilst a 1% decrease in the discount rate will result in a 1.14% increase in the accrued liability. The discount rate is inversely related to the accrued liability. An increase in the discount rate increases the accrued liability and vice-versa.

Average retirement age

In the table below we highlight the effect of adjusting the average retirement age by 1 year downwards from 65 years.

	Valuation Basis R's	1-year decrease R's	Percentage Change
Opening Accrued Liability	72,081	78,693	9.17%
Service Cost	-	-	-
Net Interest Expense	7,981	8,714	9.18%

The above table highlights the effects of a 1-year decrease in the average retirement age assumption as at 30 June 2025. The adjustment would result in a 9.17% increase in the accrued liability.

Risk Analysis

This section outlines the key risks that Mogale City is exposed to by offering ex gratia payments.

Operational Risk

This is the risk emanating from inadequate, ineffective, or failed internal processes, people, or systems. Of key importance is the data quality. If the data quality is compromised, any calculated values based on that data will be affected. We take great care to rigorously validate and clean the data we receive. However, we might not be able to identify some data errors and inconsistencies. For instance, if a member's ID number is recorded wrongly in the employee file, this might affect the accrued liability due to the member. If that error is corrected in the future, the total accrued liability will be affected as well.

Economic Risk

The valuation of ex-gratia payments liability is sensitive to the discount rate used, which is influenced by the broader economic conditions and market interest rates. In this report, the discount which was used for calculation purpose was determined using the Bond Exchange Zero Coupon Yield Curve. The yield curve is a widely used benchmark for

Mogale City Local Municipality

GT481 Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand	2025	2024 Restated*
-----------------	------	-------------------

13. Employee benefit obligations (continued)

determining the appropriate discount rate in South Africa as it represents the yield curve for zero-coupon government bonds, which are considered low-risk investments and are often used as a proxy for the risk-free rate. The shape and level of the yield curve reflect the prevailing market conditions and investor expectations about future economic and interest rate developments. Any changes to these macroeconomic factors will affect the valuation of the municipality's accrued liability.

14. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

Department of Sports, Arts, Culture and Recreation (SRAC)	1,755,563	3,522,090
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The nature and extent of conditional grants and subsidies recognised in the annual financial statements and the accounting treatment of conditional grants is explained below:

Conditional grants should only be treated as 'transfers' recognised to revenue when the grant revenue has been 'earned' by spending it in accordance with the conditions of the grant.

Any unfulfilled conditions and unspent conditional grants and subsidies will be addressed in terms of section 22 of the Division of Revenue Act and criteria for the roll-overs of unspent conditional grant funds.

See note 31 for reconciliation of grants from National/Provincial Government.

15. Provisions

Reconciliation of provisions - 2025

	Opening Balance	Additions	Change in discount factor	Interest charge	Total
Luipaardsvlei Landfill site rehabilitation	112,290,084	-	(6,491,308)	10,124,823	115,923,599
Magalies Landfill Site rehabilitation	4,481,843	-	568,948	404,113	5,454,904
Provision for performance bonuses	3,483,457	2,029,149	-	-	5,512,606
	120,255,384	2,029,149	(5,922,360)	10,528,936	126,891,109

Reconciliation of provisions - 2024

	Opening Balance	Additions	Change in discount factor	Interest charge	Total
Luipaardsvlei Landfill site rehabilitation	94,449,037	-	7,525,701	10,315,346	112,290,084
Magalies Landfill Site rehabilitation	3,767,197	-	312,626	402,020	4,481,843
Provision for performance bonuses	1,720,308	1,763,149	-	-	3,483,457
	99,936,542	1,763,149	7,838,327	10,717,366	120,255,384

Non-current liabilities	121,378,503	116,375,218
Current liabilities	5,512,606	3,880,165
	126,891,109	120,255,383

Landfill site rehabilitation

In terms of the review performed by IMQS, the provision required for restoration of the existing landfill sites is as follows:

Mogale City Local Municipality

GT481 Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand	2025	2024 Restated*
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15. Provisions (continued)

1. The Luipaardsvlei Landfill Site expected remaining life of the landfill is estimated at 6 years. The key financial assumptions used in calculating the provisions are as follows: CPI 3.27% and Discount rate 9.02% (2024: CPI 5.1704% and Discount rate 10.1704%).

2. The Magaliesburg Landfill Site expected remaining life of the landfill is estimated at 5 years. The key financial assumptions used in calculating the provisions are as follows: CPI 3.27% and Discount rate 9.02% (2024: CPI 5.1704% and Discount rate 10.1704%).

3. Based on the above, the provisions as at June 30, 2025 are as follows:

Luipaardsvlei Landfill Site

Non-current liability	115,923,599	112,290,084
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Magalies Landfill Site

Non-current liability	5,454,904	4,085,135
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Current liability	-	396,708
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5,454,904	4,481,843
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Bonus provision

Nature of the Obligation

The provision for bonuses represents the estimated liability for performance-related bonuses payable to the Senior Management Team. The obligation arises from performance agreements made by the municipality to the Senior Management Team, based on performance evaluations.

Expected Timing of Outflows

The outflow of economic benefits is expected to occur upon the availability of funds and council approval.

16. Payables from non-exchange transactions

Credit balance transferred from receivables from non-exchange transactions	99,948,884	101,986,085
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17. Payables from exchange transactions

Trade payables	686,475,774	600,876,127
Credit balance transferred from receivables from exchange transactions	97,683,670	61,645,894
Current lease liability	6,122,222	7,088,889
Unpresented payments	37,263,924	50,238,455
Third party payments	950,196	864,251
Unknown Deposits	2,694,059	34,717,094
Retention	102,770,972	78,011,119
Overtime accrual	4,708,663	3,661,434
Leave accrual	99,416,369	94,747,969
13th cheque accrual	22,130,461	19,923,929
VAT output accrual	62,510,475	69,469,849
Salary accrual	69,245	607,119
1,122,796,030	1,021,852,129	

VAT is payable on the cash basis which means that Output VAT is declared to SARS only when payment is received from debtors. All VAT returns have been submitted by due date throughout the financial year.

Mogale City Local Municipality

GT481 Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand	2025	2024 Restated*
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18. Borrowings

At amortised cost

NEDBANK L101NEDBANK2027	51,576,130	69,078,243
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An unsecured fixed-term loan bearing interest at a fixed rate of 9.21% per annum, repayable monthly in equal instalments. This loan will be fully paid on 31 December 2027.

DBSA L239DBSA2029	71,093,034	87,189,570
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An unsecured fixed-term loan bearing interest at a fixed rate of 9.875% per annum, repayable monthly for a period of 15 years. This loan will be fully paid on 30 November 2029.

Financial liabilities

122,669,164	156,267,813
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2025

During the year under review Mogale City did not source new loan financing.

2024

During the previous financial year, Mogale City did not source loan financing.

Non-current liabilities

At amortised cost	87,348,304	122,669,165
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Current liabilities

At amortised cost	35,320,861	33,598,649
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19. Long-term trade and other payables

Municipal Debt Relief

Short-term trade and other payables	72,128,221	72,128,221
Long-term trade and other payables	72,128,221	144,256,442

144,256,442	216,384,663
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During the financial year review, National Treasury approved a debt relief package for Eskom in August 2023 aimed at addressing the financial challenges faced by the utility. This debt relief package has implications for the municipality's obligations to Eskom, particularly regarding outstanding debt owed for electricity supply.

Details of Debt Relief

The approved debt relief includes the following key components:

Debt Write-off: The National Treasury has agreed to write off a portion of the municipality's outstanding debt to Eskom.

Conditions for Debt Relief: The debt relief is conditional upon the municipality's compliance with certain criteria, including timely payments of current electricity bills, implementation of energy efficiency measures, and maintaining a balanced budget. The municipality has complied with the conditions and National Treasury wrote off the first trench in February 2025.

20. Sundry deposits

Sundry deposits	12,463,602	12,605,276
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Sundry deposits consists of hall, kerb, builder's water and key deposits.

Mogale City Local Municipality

GT481 Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand	2025	2024 Restated*
21. Consumer deposits and guarantees		
Electricity	47,006,490	44,863,902
Water	30,948,067	29,743,401
	77,954,557	74,607,303

Mogale City Local Municipality

GT481 Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand

2025

2024
Restated*

22. Financial instruments disclosure

Categories of financial instruments

2025

Financial assets

	At fair value	At amortised cost	Total
Receivables from exchange transaction (refer to note 4)	-	1,120,222,105	1,120,222,105
Cash and cash equivalents (refer to note 5)	-	104,621,730	104,621,730
Call accounts (refer to note 5)	-	195,278,657	195,278,657
Investment in shares (refer to note 13)	865,420	-	865,420
	865,420	1,420,122,492	1,420,987,912

Financial liabilities

	At amortised cost	Total
Payables from non-exchange transactions (refer to note 17)	99,948,884	99,948,884
Payables from exchange transactions (refer to note 18 excluding third party payments, overtime accrual, leave accrual, 13th cheque accrual and salary accrual)	933,010,621	933,010,621
Current borrowings (refer to note 19)	35,320,861	35,320,861
Non-current borrowings (refer to note 19)	87,348,304	87,348,304
Sundry deposits (refer to note 21)	12,463,602	12,463,602
Consumer deposits (refer to note 22)	77,954,557	77,954,557
	1,246,046,829	1,246,046,829

2024

Financial assets

	At fair value	At amortised cost	Total
Receivables from exchange transactions (refer to note 4)	-	823,208,363	823,208,363
Cash and cash equivalents (refer to note 5)	-	105,566,621	105,566,621
Call accounts (refer to note 5)	-	44,041,009	44,041,009
Investment in shares (refer to note 13)	789,780	-	789,780
	789,780	972,815,993	973,605,773

Financial liabilities

	At amortised cost	Total
Payables from non-exchange transactions (refer to note 17)	101,986,085	101,986,085
Payables from exchange transactions (refer to note 18 excluding third party payments, overtime accrual, leave accrual, 13th cheque accrual and salary accrual)	832,577,578	832,577,578
Current borrowings (refer to note 19)	33,598,649	33,598,649
Non-current borrowings (refer to note 19)	122,669,165	122,669,165
Sundry deposits (refer to note 21)	12,605,276	12,605,276
Consumer deposits (refer to note 22)	74,607,303	74,607,303
	1,178,044,056	1,178,044,056

Mogale City Local Municipality

GT481 Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand	2025	2024 Restated*
23. Service charges		
Sale of electricity	1,591,760,607	1,360,226,327
Sale of water	527,419,132	526,776,690
Sewerage and sanitation charges	335,024,419	360,382,319
Refuse removal	146,731,232	146,805,804
Less: Income foregone & Indigent subsidies)	(126,157,398)	(26,181,903)
	2,474,777,992	2,368,009,237
24. Rental of facilities and equipment		
Facilities and equipment		
Rental of facilities	5,964,804	4,573,474
Rental of halls	305,026	191,711
Other rentals	325,870	234,352
	6,595,700	4,999,537
25. Income from agency services		
Agency Services	26,250,054	22,912,195
Income from agency services is recognised on a monthly basis once the income collected on behalf of the Provincial Department of Transport (DOT) has been quantified. The income recognised is for commission receivable in terms of the agreement between MCLM and DOT.		
26. Operational revenue from exchange transactions		
Administration fees	107,686	58,922
Advertising	398,982	319,071
Application fees	1,418,940	755,105
Building plan fees	7,403,118	6,539,421
Service connections and developers contributions	17,591,463	7,919,052
Cemetery fees	4,002,166	3,028,107
Insurance claims	128,880	-
Other income	584,102	5,560,016
	31,635,337	24,179,694
27. Interest received - Outstanding debtors		
Interest received	209,017,632	167,374,356
Interest is charged to debtors whose accounts have not been paid by due date in line with the Credit Control and Debt Management policy.		
28. Investment revenue		
Dividend revenue		
Dividends	34,746	31,232
Interest revenue		
Interest on investments	22,069,364	16,340,963
Interest on favourable balances	896,823	831,238
	22,966,187	17,172,201
	23,000,933	17,203,433

Mogale City Local Municipality

GT481 Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand	2025	2024 Restated*
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29. Proceeds from sale of land

Proceeds from sale of land	17,272,031	-
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During October 2024 the municipality had an auction on stands through WH Auctioneers and received proceeds from the auction on sale of land.

30. Statutory income: Property rates

Rates received

Residential	307,961,166	273,067,955
Business	313,580,044	332,335,773
State	21,632,112	1,961,139
Vacant land	38,972,325	1,599,442
Agriculture	32,187,166	38,440,532
Industrial	16,937,629	2,372,438
Mining	462,474	216,003
	731,732,916	649,993,282

Mogale City Local Municipality

GT481 Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand	2025	2024 Restated*
31. Transfers and subsidies		
Operating grants		
Equitable share	647,792,001	603,436,000
Integrated Urban Developmet Grant (IUDG)	-	4,215,000
Expanded public works programme (EPWP)	2,801,000	6,366,000
WRDM: HIV/AIDS Grant	5,117,428	5,376,609
Sport, Arts, Culture and Recreation (SRAC)	21,678,192	18,981,486
Finance Management Grant (FMG)	1,800,000	1,700,000
Expanded Public Works Programme (EPWP) COGTA	500,000	419,000
	679,688,621	640,494,095
Capital grants		
Intergrated National Electrification Programme (INEP)	-	13,493,001
Water Services Infrastructure grant (WSIG)	99,989,150	46,782,000
Integrated Urban Development Grant (IUDG)	132,461,001	153,791,999
Human Settlement Development Grant (HSDG)	-	143,036,843
Sport, Arts, Culture and Recreation (SRAC)	1,456,244	1,813,102
Neighbourhood Development Partnership Grant (NDPG)	81,646,000	75,357,000
	315,552,395	434,273,945
	995,241,016	1,074,768,040
Intergrated Urban Development grant (IUDG)		
Current-year receipts	132,461,000	158,007,000
Conditions met - transferred to revenue	(132,461,000)	(158,007,000)
	-	-
Neighbourhood Development Partnership grant (NDPG)		
Current-year receipts	81,646,000	75,357,000
Conditions met - transferred to revenue	(81,646,000)	(75,357,000)
	-	-
Department of Human Settlements		
Balance unspent at beginning of year	-	13,336,342
Current-year receipts	-	129,700,500
Conditions met - transferred to revenue	-	(143,036,842)
	-	-
Water Services Infrastructure grant (WSIG)		
Current-year receipts	100,000,000	46,782,000
Conditions met - transferred to revenue	(99,989,150)	(46,782,000)
Transfers/Adjustments	(10,850)	-
	-	-
Conditions still to be met - remain liabilities (see note 14).		
Department of Sports, Arts, Culture & Recreation (SRAC)		
Balance unspent at beginning of year	3,522,140	1,624,803

Mogale City Local Municipality

GT481 Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand	2025	2024 Restated*
31. Transfers and subsidies (continued)		
Current-year receipts	24,890,000	23,012,000
Conditions met - transferred to revenue	(23,134,437)	(20,794,548)
Transfers/Adjustments	(3,522,140)	(320,115)
	1,755,563	3,522,140
Conditions still to be met - remain liabilities (see note 14).		
Finance Management Grant (FMG)		
Current-year receipts	1,800,000	1,700,000
Conditions met - transferred to revenue	(1,800,000)	(1,700,000)
	-	-
West Rand District Municipality (WRDM)		
Balance unspent at beginning of year	-	733,641
Current-year receipts	5,117,429	4,642,991
Conditions met - transferred to revenue	(5,117,429)	(5,376,632)
	-	-
Intergrated National Electrification programme (INEP)		
Current-year receipts	-	13,493,000
Conditions met - transferred to revenue	-	(13,493,000)
	-	-
Expanded Public Works Programme (EPWP)		
Current-year receipts	2,801,000	6,366,000
Conditions met - transferred to revenue	(2,801,000)	(6,366,000)
	-	-
Expanded Public Works Programme (EPWP) - CoGTA		
Current-year receipts	500,000	419,000
Conditions met - transferred to revenue	(500,000)	(419,000)
	-	-
32. Donations		
Donations/Assets transferred (Assets aquired at no cost)	4,553,231	103,285,341

2025

The municipality recieved donations of tablets, electricity metres, mini subs and Paul Kruger hall renovations for the current financial year.

2024

During the prior financial year, a donation of tablets, Camel Estate (tunnels from Rural Development) were received by the municipality and other assets were fair valued and brought into the assets register.

Mogale City Local Municipality

GT481 Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand	2025	2024 Restated*
33. Fines, Penalties and Forfeits		
Statutory income: Traffic fines	53,353,931	39,001,554
Penalties and Admin fees	99,340	24,379,530
Library Fines	66,773	5,756
	53,520,044	63,386,840

Revenue from traffic fines is recognised on the accrual basis.

Revenue from penalties and admin fees is income for serving final demand notices and for disconnection of water and electricity for credit control purposes.

34. Employee related costs

Basic salaries	645,823,331	612,348,063
Bonus	50,357,071	47,923,932
Medical aid - company contributions	48,930,005	42,201,389
UIF	3,607,269	7,612,869
Allowances	5,253,750	4,863,359
Industrial council levy	224,683	292,170
Employee Benefit Obligation - Net Interest Expense	31,743,480	29,320,292
Leave provision and payments	2,805,800	7,922,903
Skills Development Levy	8,131,902	4,461,402
Group Life Insurance	8,073,807	7,305,530
Current Service Cost	14,180,933	37,372,168
Pension	116,970,575	109,253,126
Overtime payments	50,403,315	42,986,712
Long-service awards	7,293,027	12,034,030
Acting allowances	1,643,201	1,814,221
Car allowance	62,128,478	56,271,169
Housing subsidy	5,682,330	4,433,567
	1,063,252,957	1,028,416,902

35. Remuneration of councillors

Executive Mayor	1,222,387	1,211,967
Deputy Executive Mayor	162,385	-
Chief Whip	934,079	919,629
Speaker	1,020,797	969,315
Municipal Public Accounts Committee (MPAC)	917,929	885,990
Mayoral Committee Members	9,622,271	9,153,938
Part time councillors	26,215,412	26,347,278
	40,095,260	39,488,117

36. Depreciation and amortisation

Property, plant and equipment	241,834,861	248,508,207
Intangible assets	695,046	3,107,057
Living resources	383,706	382,297
	242,913,613	251,997,561

Mogale City Local Municipality

GT481 Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand	2025	2024 Restated*
37. (Impairment loss)/Reversal of impairments		
Impairments		
Property, plant and equipment	98,325,709	19,749,057
Reversal of impairments		
Property, plant and equipment	(16,009,286)	(5,700,114)
Total impairment losses (recognised) reversed	82,316,423	14,048,943
The main classes of assets affected by impairment losses are:		
Property, plant and equipment		
The main classes of assets affected by reversals of impairment losses are:		
Property, plant and equipment		
The main events and circumstances that led to the recognition of these impairment losses are as follows:		
1. Impairment on the infrastructure network-based output optimisation and operations (water supply network)		
2. Impairment based on facility non-functioning, theft, and vandalism (wastewater network)		
The main events and circumstances that led to the reversals of these impairment losses are as follows:		
Corrective measures were implemented to obtain operations on facilities following vandalism on affected wastewater treatment works.		
38. Interest costs		
Interest paid	18,487,019	22,965,599
39. Debt impairment		
Debt impairment	406,407,634	393,975,722
Impairment on receivables is accounted for in terms of the approved methodology for impairment of receivables.		
40. Collection costs		
Collection cost	22,213,920	24,095,585
Collection costs entails commission payable for credit control actions, debt collection fees, prepaid vending services fees and third party bill payments processing service.		
41. Bulk purchases		
Electricity - Eskom	1,280,324,648	1,109,643,584
Water - Rand Water	542,031,834	517,553,275
Wastewater sewer discharge: Johannesburg Water	17,495,425	4,921,069
	1,839,851,907	1,632,117,928

Mogale City Local Municipality

GT481 Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand	2025	2024 Restated*
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41. Bulk purchases (continued)

2025

Electricity Losses

During the year under review Mogale City Local Municipality had unaccounted electricity of 14.06% which amounts to 83,447,126.99kwh. The total rand value of these losses was R187,666,408.19. The electricity tariffs are structured in such a manner that it makes provision for the recovery of technical system losses. This is a prerequisite from the National Electricity Regulator before they can approve any electricity tariffs. The NERSA Benchmark for system losses is 10% and the Financial Benchmark (tolerable range) is between 7-10%.

The electricity losses in the 2024/25 financial year were due to unmetered supplies, faulty meters, dysfunctional and old technology meters measuring inaccurate usage, tampered meters for electricity theft, illegal connections, heat losses due to distribution and reticulation of electricity.

Mitigations:

Non-technical losses

- Faulty meters & Unmetered supplies: Conduct Inspection on a daily basis and install new meters on operational budget.
- Tampered meters for electricity theft: Conduct Inspection on a daily basis, correct and restore the installation and issue fines.
- Dysfunctional and old technology meters measuring inaccurate usage: Initiated an Analogue to Digital Meter Project
- Illegal connections: Reduce informal settlement that do not have formal electricity supply.

Technical losses

- Heat losses due to distribution and reticulation of electricity: Refurbishment and Upgrade Projects of electrical network is required.

Mogale City Local Municipality

GT481 Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand

2025

2024
Restated*

41. Bulk purchases (continued)

2024

Electricity Losses

During the previous financial year Mogale City Local Municipality had unaccounted electricity of 9.65% which amounts to 59,704,350.50kwh. The total rand value of these losses was R 109,581,563.77. The electricity tariffs are structured in such a manner that it makes provision for the recovery of technical system losses. This is a prerequisite from the National Electricity Regulator before they can approve any electricity tariffs. The NERSA Benchmark for system losses is 10% and the Financial Benchmark (tolerable range) is between 7-10%.

The electricity losses in the 2023/24 financial year were due to unmetered supplies, faulty meters, dysfunctional and old technology meters measuring inaccurate usage, tampered meters for electricity theft, illegal connections, heat losses due to distribution and reticulation of electricity.

Mitigations:

Non-technical losses

Faulty meters & Unmetered supplies: Conduct Inspection on a daily basis and install new meters on operational budget.

Tampered meters for electricity theft: Conduct Inspection on a daily basis, correct and restore the installation and issue fines.

Dysfunctional and old technology meters measuring inaccurate usage: Initiated an Analogue to Digital Meter Project

Illegal connections: Reduce informal settlement that do not have formal electricity supply.

Technical losses

Heat losses due to distribution and reticulation of electricity: Refurbishment and Upgrade Projects of electrical network is required.

2025

Water Losses

During the year under consideration Mogale City Local Municipality had unaccounted water of 19.29% (non-technical losses), 7,696,614.97 kl. The total rand value of these non-technical losses were R 103,939,590.67.

Identified causes of water losses:

1. Leaking Water Storage Reservoirs

2. Pipe bursts/water leaks on water networks due to:

2.1. Aged Water Pipelines Infrastructure,

2.2. Long turnaround time to Pipe bursts repairs due to staff shortages.

2.3. Aged and Dilapidated Pressure Management System Infrastructure, which results to uncontrolled high pressure in the system, which lead to frequent pipe bursts.

3. Illegal water connections (Estate, households, business, Illegal Mining (Zamazamas and others))

4. Unmetered water supply to informal and formal settlements households

Corrective measures to be implemented

Implementation of the Water Conservation & Demand strategy; which includes but not limited to:

Mogale City Local Municipality

GT481 Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand	2025	2024 Restated*
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41. Bulk purchases (continued)

1. Drafting of Business plans to request external funding;
2. Reduce the turnaround time of attending to burst pipe & other reported water disruption activities;
3. Replacement of non-functional bulk and residential water meters;
4. Metering of municipal facilities and informal settlements;
5. Installation of check meters on reservoirs and take off points from Rand Water & Joburg Water;
6. Implementation of the Pressure management Plan;
7. Repair of leaking reservoirs
8. Replacement of water pipes.

During the year under review the technical losses which the municipality does not have control over was determined as 15%, 5,985,571.95 kl amounting to R80,864,305.34.

2024

Water Losses

During the previous financial year Mogale City Local Municipality had unaccounted water of 17.56% (non-technical losses), 6,939,997.01 kl. The total rand value of these non-technical losses were R 88,491,897.76.

Identified causes of water losses:

1. Prepaid and Conventional Water Meter Audits, Repairs and Replacement
2. Non-functional bulk water meters
3. Leaking reservoirs
4. Aged Asbestos Pipe Infrastructure, which frequently collapse due to high pressure in the system as well as age of the pipeline system
5. Faulty and leaking water meters
6. Frequent Burst Pipes contributing to high water loss
7. High Pressure in the Distribution System

Corrective measures to be implemented

Implementation of the Water Conservation & Demand strategy; which includes but not limited to:

1. Drafting of Business plans to request external funding;
2. Reduce the turnaround time of attending to burst pipe & other reported water disruption activities;
3. Replacement of non-functional bulk and residential water meters;
4. Metering of municipal facilities and informal settlements;
5. Installation of check meters on reservoirs and take off points from Rand Water & Joburg Water;
6. Implementation of the Pressure management Plan;
7. Repair of leaking reservoirs.

During the previous financial year the technical losses which the municipality does not have control over was determined as 15%, 5,921,980.50 kl amounting to R75,572,053.33.

42. Contracted services

Presented previously

Information Technology Services	29,929,975	40,312,655
Fleet Services	2,164,914	6,321,842
Operating Leases	8,495,184	4,693,625
Specialist Services	24,441,430	23,556,996
Repairs and maintenance	15,454,811	48,800,433
Other Contractors	297,139,983	217,408,789
	377,626,297	341,094,340

Mogale City Local Municipality

GT481 Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand	2025	2024 Restated*
43. Operational costs		
Advertising	3,579,287	2,920,696
Assets written off	73,941,543	50,366,094
Audit and Risk committee remuneration	517,848	513,564
Bank charges	1,211,776	1,678,181
Bursary scheme internal and external	997,709	424,049
Compensation Occupational Injuries and Diseases Act	5,373,697	8,198,924
Conferences and seminars	241,828	224,761
Fuel and oil	20,830,053	21,339,036
Insurance	10,780,050	9,879,226
Internet fees	309,912	456,676
Magazines, books and periodicals	180,352	500,767
Other expenses	35,731,810	171,282,989
Postage and courier	3,663,273	4,531,638
Printing and stationery	1,833,546	2,042,014
Electricity purchases for consumption	11,333,678	12,798,793
Refreshments general and meetings	844,006	640,375
Royalties and licence fees	14,682,466	13,101,206
Safety equipment/Protective clothing	1,803,310	2,076,612
Settlement and legal fees	36,842,815	22,181,083
Stores and materials (inventory items)	2,394,073	2,216,126
Subscriptions and membership fees	10,542,015	10,913,216
Telephone and fax	5,239,396	3,366,808
Training	1,386,216	685,233
Travel - local	902,487	3,277,209
	245,163,146	345,615,276

44. Gains and losses

Gains	17,068,937	16,709,153
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Remeasurements are attributable to gains and losses obtained for the calculations of the employee benefit obligation.

45. Fair value adjustment

Shares fair value adjustment	75,640	220,283
Investment property fair value adjustment	(93,107,482)	10,109,384
	(93,031,842)	10,329,667

Fair value adjustment

Investment property fair value adjustment

The investment property of the municipality was fair valued by an independent valuer (IMQS) using the direct comparison method of valuation.

Shares fair value adjustment

The shares held by Sanlam Pty Ltd on behalf of the municipality at a market value of R88.67: 2025 (R80.92: 2024) has appreciated.

Mogale City Local Municipality

GT481 Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand	2025	2024 Restated*
46. Net cash flows from operating activities		
Surplus	245,393,598	466,967,572
Adjustments for:		
Depreciation and amortisation	242,913,613	251,997,561
Gains/Losses	(17,068,937)	(16,709,153)
Proceeds from sale of land	(17,272,031)	-
(Gain)/(Loss on fair value adjustment - Investment Property	93,031,842	(10,109,284)
Debt relief	(72,128,221)	-
Non-exchange interest (debt relief)	(16,870,519)	(39,270,818)
Impairment loss/reversal	82,316,424	14,048,943
Debt impairment	406,407,634	393,975,722
Movements in retirement benefit	8,361,609	40,065,354
Movements in provisions	7,384,287	-
Financial assets - Loss on fair value adjustment	-	(220,383)
Assets written off	73,941,543	50,366,094
Donation	(4,553,231)	(103,285,341)
Inventories	199,202	(31,240,570)
Receivables from exchange transactions	(536,592,698)	(558,294,468)
Receivables from non-exchange transactions	(36,542,143)	12,250,682
Operating lease asset	(12,731)	16,451
Operating lease liability	296	6,448
Short term liability movement	-	72,128,221
Payables from exchange transactions	93,559,613	(274,947,227)
Unspent conditional grants and receipts	(1,766,527)	(12,172,697)
Consumer deposits and guarantees	3,347,254	4,651,090
Movement of provision	1,922,823	1,838,441
Sundry deposits	(141,674)	(232,969)
Payables from non-exchange transactions	(2,037,201)	36,348,394
	553,793,825	298,178,063

Mogale City Local Municipality

GT481 Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand	2025	2024 Restated*
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47. Budget differences

Material differences between budget and actual amounts

The differences between the approved and final budget is as a result of reallocation of funds in line with the virement policy.

Management considers 10% or more of variance as material. A detailed description of the variance is provided below.

The current financial year has material differences on revenue, expenditure has no material differences with a variance of more than 10%.

Statement of financial performance:

Revenue

47.1 Service Charges

This reduction in usage is attributed to ongoing economic pressures, which have led consumers to adopt more conservative usage patterns to manage costs.

47.2 Rental of facilities

The municipality's commitment to tariff stability supported community access to rental facilities which increased revenue.

47.3 Interest received (Outstanding services)

The higher the debtor's book, results in a higher interest charged due to a high unemployment rate and economic challenges.

47.4 Agency Services

The reduction in revenue is attributable to the introduction of online payment facilities by the National Department of Transport.

47.5 Licenses and permits

This is primarily due to a decline in the number of individuals entering the small business sector, a trend influenced by subdued economic growth and limited entrepreneurial activity.

47.6 Operational Revenue

This revenue item consists of various small items, many of which under collected. The main ones that show under collection are service connections(bulk) and developers' contribution.

47.7 Investment Revenue – Interest revenue

The municipality invested excess available resources in line with MFMA and Investment policy.

47.8 Interest Revenue – Dividends

Dividends are declared at the discretion of the issuing company.

47.9 Non-Exchange interest (debt relief)

Non-exchange interest reflects the time value of money, and as accounted for as revenue from non-exchange transactions to the extent that it arises from the unwinding of the discount on initial recognition

47.10 Municipal debt relief write-off

Mogale City Local Municipality

GT481 Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand	2025	2024 Restated*
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47. Budget differences (continued)

The municipality together with Eskom received the letter regarding the 1/3 write off debt relief write off.

47.11 Donations

The municipality received donations during the current financial year, including tablets, electricity meters, mini-substations, and renovations to the Paul Kruger Hall.

47.12 Fines, Penalties and Forfeits

The municipality has not yet implemented the Pay@ system platform, which is designed to facilitate the acceptance of multiple payment methods.

Expenditure

47.13 Remuneration of councilors

The forecasted remuneration of councilors was higher due to an estimated percentage increase, which the councilors did not receive as per the upper limits.

47.14 Interest costs

The reduction in interest expense is attributable to capital repayments made during the period.

47.15 Transfers and Subsidies (operational expenditure)

Delay in implementing procurement process resulted in slow spending.

Mogale City Local Municipality

GT481 Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand

2025

2024
Restated*

48. Prior period adjustments

Statement of Financial Position

	Audited	Prior year adjustments	Reclassifying adjustments	Restated
Assets				
Current Assets				
Inventories	3,363,793	33,472,260	-	36,836,053
Receivables from non-exchange transactions	239,237,712	-	-	239,237,712
Receivables from exchange transactions	823,208,363	2,823,227	90,829,154	916,860,744
Cash and cash equivalents	149,607,630	-	-	149,607,630
Operating lease asset	32,846	-	-	32,846
VAT receivable	20,237,776	-	(20,237,776)	-
	1,235,688,120	36,295,487	70,591,378	1,342,574,985
Non-Current Assets				
Living resources	3,193,428	-	-	3,193,428
Investment property	678,306,084	88,386,217	-	766,692,301
Property, plant and equipment	5,882,140,424	(72,672,677)	40,753,102	5,850,220,849
Intangible assets	87,264	65,652,469	-	65,739,733
Heritage assets	2,450,275	12,577,829	-	15,028,104
Investment in shares	789,780	-	-	789,780
	6,566,967,255	93,943,838	40,753,102	6,701,664,195
Total Assets	7,802,655,375	130,239,325	111,344,480	8,044,239,180
Liabilities				
Current Liabilities				
Operating lease liability	9,176	-	-	9,176
Employee benefit obligation	15,348,481	-	-	15,348,481
Unspent conditional grants and receipts	3,518,509	-	3,581	3,522,090
Provisions	3,880,165	-	-	3,880,165
Payables from non-exchange transactions	101,986,085	-	-	101,986,085
Payables from exchange transactions	866,291,526	126,847,437	28,713,166	1,021,852,129
Borrowings	33,598,649	-	-	33,598,649
Sundry deposits	12,605,276	-	-	12,605,276
Consumer deposits and guarantees	74,607,303	-	-	74,607,303
Short-term trade and other payables	72,128,221	-	-	72,128,221
	1,183,973,391	126,847,437	28,716,747	1,339,537,575
Non-Current Liabilities				
Employee benefit obligation	255,517,409	-	-	255,517,409
Provisions	116,375,218	-	-	116,375,218
Borrowings	122,669,165	-	-	122,669,165
Operating lease liability	296	-	-	296
Long-term trade and other payables	103,623,306	40,633,136	-	144,256,442
	598,185,394	40,633,136	-	638,818,530
Total Liabilities	1,782,158,785	167,480,573	28,716,747	1,978,356,105
Net Assets	6,020,496,590	(37,241,248)	82,627,733	6,065,883,075

Mogale City Local Municipality

GT481 Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand	2025	2024 Restated*
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48. Prior period adjustments (continued)

Social Responsibility Fund	61,264,855	-	-	61,264,855
Accumulated surplus	5,959,231,735	45,386,485	-	6,004,618,220
Total Net Assets	6,020,496,590	45,386,485	-	6,065,883,075

Mogale City Local Municipality

GT481 Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand

2025

2024
Restated*

48. Prior period adjustments (continued)

Statement of Financial Performance

	Audited	Prior year adjustments	Reclassifying adjustments	Restated
Revenue				
Revenue from exchange transactions				
Service charges	2,368,009,237	-	-	2,368,009,237
Rental of facilities and equipment	4,999,537	-	-	4,999,537
Income from agency services	54,006,505	(31,094,310)	-	22,912,195
Licences and permits	502,006	-	-	502,006
Operational revenue from exchange transactions	18,837,482	5,342,212	-	24,179,694
Interest received - Outstanding debtors	171,785,131	-	(4,410,775)	167,374,356
Investment revenue - Interest revenue	12,761,426	-	4,410,775	17,172,201
Investment revenue - Dividends revenue	31,232	-	-	31,232
Total revenue from exchange transactions	2,630,932,556	(25,752,098)		- 2,605,180,458
Revenue from non-exchange transactions				
Statutory income: Property rates	649,993,282	-	-	649,993,282
Transfers & subsidies	1,074,768,040	-	-	1,074,768,040
Donations	7,011,743	96,273,598	-	103,285,341
Fines, Penalties and Forfeits	63,386,840	-	-	63,386,840
Non-exchange interest (debt relief)	39,270,818	-	-	39,270,818
Total revenue from non-exchange transactions	1,834,430,723	96,273,598		- 1,930,704,321
Total revenue	4,465,363,279	70,521,500		- 4,535,884,779
Expenditure				
Employee related costs	(1,028,416,891)	-	-	(1,028,416,902)
Remuneration of councillors	(39,488,117)	-	-	(39,488,117)
Depreciation and amortisation	(240,161,693)	(11,835,868)	-	(251,997,561)
Impairment loss/Reversal of impairments	(14,048,943)	-	-	(14,048,943)
Interest costs	(22,965,599)	-	-	(22,965,599)
Debt impairment	(393,975,722)	-	-	(393,975,722)
Collection costs	(24,095,585)	-	-	(24,095,585)
Bulk purchases	(1,632,117,928)	-	-	(1,632,117,928)
Contracted services	(341,094,340)	-	-	(341,094,340)
Transfers and subsidies (operational expenditure)	(1,281,782)	-	(858,272)	(2,140,054)
Operational costs	(170,281,125)	(176,192,423)	858,272	(345,615,276)
Total expenditure	(3,907,927,725)	(188,028,291)		- (4,095,956,027)
	557,435,554	(117,506,791)		- 439,928,752
Gains and losses	16,709,153	-	-	16,709,153
Fair value adjustments - Investment property	10,109,384	-	-	10,109,384
Fair value adjustments - Shares	220,283	-	-	220,283
Surplus for the year	584,474,374	(117,506,791)		- 466,967,572

Mogale City Local Municipality

GT481 Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand	2025	2024 Restated*
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48. Prior period adjustments (continued)

48.1 Prior period error

Reasons for prior year changes

Receivables from exchange transactions

Waste Water Services

The municipality has been providing sewer flow water system services to Azaadville Gardens (township) on behalf of Rand West City Local Municipality (RWCLM) since 2022/23 financial year, as per recent signed service level agreement (SLA) applicable retrospectively with effect from 01 July 2022 pending termination, MCLM to be reimbursed based on metered sewage flow system approved tariffs for sewer flow water system provided, as a result and charge RWCLM directly in lieu of township residents.

Assets

Depreciation correction: Error in the recalculation of depreciation and accumulated depreciation.

Correction of assets derecognised calculation to loss on sale of assets

Reclassification PPE to Heritage

The following reclassifications were done from property, plant and equipment to heritage assets:

The Old Magistrate Court was officially opened on 18 September 1890. It was designed in the Renaissance Baroque Architectural Style. It was built by J Mante and the architect was Styze Wierda. From its completion in 1891 until 1976, the building was used as the magistrate's court. It is currently used as the Mogale City Museum.

Bill Tailor Park - Boer War block house

Monuments to British military strategy during the Second Anglo-Boer War, found in Monument Park in Krugersdorp

Investment Property

Land previously omitted was fair valued and brought into the assets register.

VAT

Correction of DOT Receipts incorrectly accounted for as vat inclusive resulting in an understatement of the Income vote.

Vehicle registration receipts are vat exempt.

Payables from exchange transactions

Clear-off prior year's Department of Transport liability against the income received.

Income from agency services

Correction of DOT Receipts incorrectly accounted for as vat inclusive resulting in an understatement of the Income vote.

Vehicle registration receipts are vat exempt.

Operational cost

Derecognition of assets

Correction on apportionment of interest for year one on the Eskom debt-relief note.

Reclassifications

All the reclassifications were as a result of misalignments of accounts.

Mogale City Local Municipality

GT481 Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand

2025

2024
Restated*

48. Prior period adjustments (continued)

Cash Flow Statement

Cash Flow Statement

	Audited	Prior year adjustment	Reclassifying adjustments	Restated
Cash flows from operating activities				
Receipts				
Property rates	612,359,464	-	-	612,359,464
Sale of goods and services	1,917,495,371	(103,129,513)	-	1,814,365,858
Interest income	184,546,557	-	-	184,546,557
Dividends or similar distributions received	31,232	-	-	31,232
Grants	1,062,591,763	3,580	-	1,062,595,343
Other receipts	3,618,130	162,013,674	-	165,631,804
	3,780,642,517	58,887,741	-	3,839,530,258
Payments				
Employee costs	(1,026,076,504)	(1,763,161)	-	(1,027,839,665)
Suppliers	(2,318,994,831)	(171,552,100)	-	(2,490,546,931)
Interest costs	(22,965,599)	-	-	(22,965,599)
Other payments	-	-	-	-
	(3,368,036,934)	(173,315,261)	-	(3,541,352,195)
Net cash flows from operating activities	412,605,583	(114,427,520)	-	298,178,063
Cash flows from investing activities				
Purchase of property, plant and equipment	(374,434,688)	114,427,431	-	(260,007,257)
Derecognition of property, plant and equipment	-	-	-	-
Derecognition of investment property	-	-	-	-
Net cash flows from investing activities	(374,434,688)	114,427,431	-	(260,007,257)
Cash flows from financing activities				
Repayment of borrowings	(33,064,978)	-	-	(33,064,978)
Net cash flows from financing activities	(33,064,978)	-	-	(33,064,978)
Net increase/(decrease) in cash and cash equivalents	5,105,827	-	-	5,105,828
Cash and cash equivalents at the beginning of the year	144,501,802	-	-	144,501,802
Cash and cash equivalents at the end of the year	149,607,629	-	-	149,607,630

Mogale City Local Municipality

GT481 Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand	2025	2024 Restated*
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49. Commitments

Authorised capital expenditure

Already contracted for

• Infrastructure	3,325,721	1,049,584,590
• Community	484,718,193	571,588,238
	488,043,914	1,621,172,828

Authorised operational expenditure

Already contracted for but not provided for

• Operational Expenditure	38,778,241	51,608,790
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Capital commitments represents future capital expenditure. The municipality has committed to utilise to spend these amount due to signed contracts with suppliers and approval per the Medium Term Revenue and Expenditure Framework. The commitments disclosed above include obligations that the municipality has for more than one year.

As and when contracts

The municipality has 35 contracts that are on an as and when required basis. The contracts year to date expenditure amount to R119 645 089: 2025, R375 603 828: 2024. The contracts remain valid as at the end of the financial year. The values of these contracts cannot be reliably measured as the obligation to the service provider is realised when the need for their service is required by the municipality thus the obligations and their related expenditures cannot be fairly presented due to the nature of the contracts.

Unable to quantify

The municipality has 38 contracts that are unquantifiable due to the nature of the contracts. The year to date expenditure of these contracts for the current financial year amounts to R439 773 627.

Deviations

The municipality did not award any deviations for the current financial year.

Operating leases - as lessee (expense)

Minimum lease payments due

- within one year	7,586,948	5,974,329
- in second to fifth year inclusive	2,304,954	4,505,241
	9,891,902	10,479,570

Operating lease payments represent rentals payable by the municipality for certain of its offices, trucks, motor vehicles and cellphones. Leases are negotiated for an average term of 36-120 months. Most of the rentals in terms of these operating lease arrangements are fixed while some rentals escalate on average by 10% or at prime lending rate per annum . .

Rental expenses relating to operating leases

Minimum lease payments	966,667	966,667
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Operating leases - as lessor (income)

Minimum lease payments due

- within one year	562,098	410,873
- in second to fifth year inclusive	398,664	318,875
	960,762	729,748

Mogale City Local Municipality

GT481 Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand

2025

2024
Restated*

49. Commitments (continued)

Certain of the municipality's property is held to generate rental income. The Lease terms are negotiated ranging from 6 months to 25 years. The rental levied escalates at 10% on average per annum.

50. Contingencies

Contingent liabilities

Alfa Transportation	15,275	15,275
Summons issued against the municipality for overpayment of services.		
Mvuyisi Mfebe	10,000,000	10,000,000
Summons issued against the municipality for alleged infringement of copyrights.		
Nobuhle Mhlanga	60,000	60,000
Summons issued against the municipality for vicarious liability.		
Telkom SA SOC Limited	-	37,175
Summons issued against the municipality for damages.		
Pro-Plan Consulting Engineers (Pty) Ltd	2,343,112	2,343,112
Summons issued against the municipality for breach of contract and non-payment for services rendered.		
Milbank	27,000,000	-
Summons issued against the municipality for damages as a result of unattended matter from Percy Steward treatment work.		
Sandile Ngqulunga	183,600	-
Summons issued against the municipality for allegations of unlawful arrest.		
Baatshuma Pty Ltd	1,343,626	-
Summons issued against the municipality for breach of contract and non-payment for services rendered.		
VZ Contractors CC	27,629,960	-
Summons issued against the municipality for breach of contract and non-payment for services rendered.		
Good Example Trading & Projects 197 CC	43,707,723	-
Summons issued against the municipality for breach of contract and non-payment for services rendered.		
	112,283,296	12,455,562

Contingent assets

Prociv Consulting & Projects Management (PTY) LTD, Anthony Marunga, KIPP Consulting Engineers	2,607,956	-
Undue enrichment from cession agreement.		
	2,607,956	-

Mogale City Local Municipality

GT481 Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand	2025	2024 Restated*
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51. Related parties

Relationships

Political Office Bearers consist of:

Executive Mayor
Deputy Executive Mayor
Chief Whip
Speaker
MPAC
Councillors (MMC)

Cllr L. Sele
Cllr B. Nkosi
Cllr T. Ramaisa
Cllr D. David
Cllr M. Lephadi
Cllr B. Molefe
Cllr W. Segolodi
Cllr M. Mogoje
Cllr N. Segapela
Cllr P. Modise
Cllr F. Makgatho
Cllr J. Koboekae
Cllr K. Mandyu
Cllr C. Mankazana
Cllr X. Mkruquli
Part time councillors (Full list detailed below)
Mr M.A. Msezana
Ms B.V. Monkwe
Mr. D.Ngutshana
Mr B.M. Dube
Ms L.A. Modiba
Mr M.C. Thenga
Mr N.N. Fani
Mr X. Sibiya

Accounting Officer
Members of key management

Mogale City Local Municipality

GT481 Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand

51. Related parties (continued)

Remuneration of management

Mayoral committee members

2025

	Annual Remuneration	Cellphone Allowance	Data Card Allowance	Car Allowance	Contribution to Medical, Pension & SDL	Total
Executive Mayor						
L.G. Sele	528,526	28,800	2,536	207,150	95,173	862,185
D.M. Thupane (term ended)	223,720	13,239	1,166	85,759	36,318	360,202
Deputy Executive Mayor						
B. Nkosi	97,378	7,200	634	38,432	18,741	162,385
Chief Whip						
T. Ramaisa	571,653	43,200	3,804	222,494	92,928	934,079
Speaker						
D.S. David	435,764	29,961	2,536	167,043	68,874	704,178
L.G. Sele (term ended)	189,667	14,400	1,268	74,626	36,657	316,618
Section 79 Chair Person						
M.R. Lephadi	563,392	43,200	3,804	215,967	91,566	917,929
MMC: Finance						
B.V. Molefe	380,795	28,800	2,536	149,810	72,666	634,607
D.S. David (term ended)	167,790	13,239	1,166	64,319	27,274	273,788
MMC: Public Safety						
F. Makgatho	562,879	42,039	3,702	221,483	107,203	937,306
MMC: Integrated Environment Management						
X.L. Mkruquili	577,784	43,200	3,804	221,484	92,085	938,357
MMC: Health and Social Development						
W. Segolodi	577,784	42,141	3,804	226,147	92,111	941,987
MMC: Sports, Recreation, Arts and Culture						
C. Mankazana	392,514	28,800	2,536	150,463	62,642	636,955
D.M. Modiko (term ended)	167,790	13,239	1,166	64,319	27,274	273,788
MMC: Roads and Transport						
M.J. Koboekae	577,784	43,200	3,804	221,484	92,085	938,357

Mogale City Local Municipality

GT481 Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand

51. Related parties (continued)

MMC: Utility Management

P.K. Modise	577,784	43,200	3,804	221,484	92,085	938,357
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MMC: Human Settlement and Rural Development

M.M. Mogoje	577,784	43,200	3,804	221,484	92,085	938,357
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MMC: Economic Development Services

L. Resha	380,795	28,800	2,536	149,811	72,666	634,608
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N.G. Segapela (term ended)	354,131	43,200	3,804	135,750	56,807	593,692
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MMC: Corporate Support & Strategic Planning

K. Mandyu	664,172	43,200	3,804	222,048	8,888	942,112
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8,569,886	636,258	56,018	3,281,557	1,336,128	13,879,847
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2024

Name	Annual Remuneration	Cellphone Allowance	Data Card Allowance	Car Allowance	Contribution to Medical, Pension & SDL	Total
D.M. Thupane	751,101	45,593	4,007	287,922	123,346	1,211,969
Chief Whip						
T. Ramaisa	558,052	45,593	4,007	213,920	92,499	914,071
J. Miller	3,842	400	34	1,281	-	5,557
Speaker						
L.G. Sele	593,746	45,600	4,008	228,083	97,879	969,316
Section 79 Chair Person						
M.R. Lephadi	540,869	45,600	4,008	207,333	88,180	885,990
MMC: Finance						
D.S. David	557,432	45,600	4,008	213,682	91,875	912,597
MMC: Public Safety						
F. Makgatho	545,578	46,500	4,085	214,898	106,901	917,962
MMC: Integrated Environment Management						
X.L. Mkruquli	571,605	45,440	3,994	219,115	93,751	933,905
MMC: Health and Social Development						
W. Segolodi	557,432	45,600	4,008	213,682	91,867	912,589
MMC: Sports, Recreation, Arts and Culture						

Mogale City Local Municipality

GT481 Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand

51. Related parties (continued)

D.M. Modiko	557,432	45,600	4,008	213,682	91,867	912,589
MMC: Roads and Transport						
M.J. Koboekae	557,432	45,600	4,008	213,682	91,960	912,682
MMC: Utility Management						
P.K. Modise	557,432	45,600	4,008	213,682	91,867	912,589
MMC: Human Settlement and Rural Development						
M.M. Mogoje	554,927	45,600	4,008	213,682	94,350	912,567
MMC: Economic Development Services						
N.G. Segapela	557,432	45,600	4,008	213,682	91,960	912,682
MMC: Corporate Support and Strategic Planning						
K. Mandyu	641,575	45,600	4,008	213,682	8,909	913,774
	8,105,887	639,526	56,207	3,082,008	1,257,211	13,140,839

Councillors

2025

Name	Annual Remuneration	Cellphone Allowance	Data Card Allowance	Locomotion Allowance	Contribution to Medical, Pension & SDL	Total
A.M. Badenhorst	244,087	43,200	3,804	93,567	39,937	424,595
G. Britz	225,195	43,200	3,804	91,533	52,708	416,440
S.L.A. Cochrane	244,087	43,200	3,804	93,567	39,937	424,595
S.A. Dabhelia	244,087	43,200	3,804	93,567	39,937	424,595
L.E. Du Toit	244,087	43,200	3,804	93,567	39,937	424,595
L.J. Gouws	244,087	43,200	3,804	93,567	39,937	424,595
S. Govindasamy	229,061	43,200	3,804	93,567	55,006	424,638
T.M. Gray	244,087	43,200	3,804	93,567	39,937	424,595
M.A. Hleza	244,087	43,200	3,804	93,567	39,937	424,595
J.J. Holtzhausen	244,087	43,200	3,804	93,567	39,937	424,595
A. Jooste	280,700	43,200	3,804	93,567	4,026	425,297
M.V. Khol	244,087	43,200	3,804	93,567	39,937	424,595
V.B. Khumalo	229,061	43,200	3,804	93,567	55,006	424,638

Mogale City Local Municipality

GT481 Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand

51. Related parties (continued)

T.G. Koto	244,087	43,200	3,804	93,567	39,937	424,595
J.N. Kotze	244,087	43,200	3,804	93,567	39,937	424,595
B.A. Kubayi	244,087	43,200	3,804	93,567	39,937	424,595
S.L. Lebesa	244,087	43,200	3,804	93,567	39,937	424,595
K.E. Lekagane	244,087	43,200	3,804	93,567	39,937	424,595
L.L. Lekoto	244,087	43,200	3,804	93,567	39,937	424,595
E.L. Lesuthu	244,087	43,200	3,804	93,567	39,937	424,595
J.P. Liebenberg	244,087	43,200	3,804	93,567	39,937	424,595
E. Mahne	337,654	43,200	3,804	-	40,868	425,526
C.M. Mankazana	77,010	14,400	1,268	29,520	12,608	134,806
P.L. Matshaba	244,087	43,200	3,804	93,567	39,937	424,595
M.B. Mdlane-Molatudi	244,087	43,200	3,804	93,567	39,937	424,595
W. Mnyaji	244,087	43,200	3,804	93,567	39,937	424,595
L.R. Moeketsi	244,087	43,200	3,804	93,567	39,937	424,595
S. Mokgwathi	175,471	33,960	2,990	71,584	40,626	324,631
R.J. Mokoto	244,087	43,200	3,804	93,567	39,937	424,595
L.W. Moleba	244,087	43,200	3,804	93,567	39,937	424,595
B.V. Molefe	72,001	14,400	1,268	29,520	17,632	134,821
O.S.S. Moralo	244,087	43,200	3,804	93,567	39,937	424,595
M.C. Mosala	229,061	43,200	3,804	93,567	55,006	424,638
K. Motlhophe	244,087	43,200	3,804	93,567	39,937	424,595
R.E. Munyai	244,087	43,200	3,804	93,567	39,937	424,595
J.O. Muravha	244,087	43,200	3,804	93,567	39,937	424,595
C.G. Naude	229,061	43,200	3,804	93,567	55,006	424,638
F. Ngobeni	244,087	43,200	3,804	93,567	39,937	424,595
N. Nhlapo	244,087	43,200	3,804	93,567	39,937	424,595
D.C. Nieuwenhuyzen	280,700	43,200	3,804	93,567	4,026	425,297
B.E. Nkosi	191,974	36,000	3,170	78,390	46,015	355,549
M.M. Nqosa	244,087	43,200	3,804	93,567	39,937	424,595
T. Ntando	243,218	43,200	3,804	93,234	39,926	423,382
L.L. Ntshabele	244,087	43,200	3,804	93,567	39,937	424,595
K.C. Ntshangase	244,087	43,200	3,804	93,567	39,937	424,595
J.L. Pannall	237,826	43,200	3,804	93,567	56,397	434,794
L.P. Pii	244,087	43,200	3,804	93,567	39,937	424,595
L.G. Resha	72,001	14,400	1,268	29,520	17,632	134,821
J.B. Seleke	229,061	43,200	3,804	93,567	55,006	424,638

Mogale City Local Municipality

GT481 Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand

51. Related parties (continued)

N.A. Sithole	244,087	43,200	3,804	93,567	39,937	424,595
T.J. Steenkamp	244,087	43,200	3,804	93,567	39,937	424,595
A. Steyn	229,061	43,200	3,804	93,567	55,006	424,638
P.S. Tabiwa	244,087	43,200	3,804	93,567	39,937	424,595
T.J. Tapani	244,087	43,200	3,804	93,567	39,937	424,595
M.H. Taunyane	244,087	43,200	3,804	93,567	39,937	424,595
D.M. Thupane	24,842	4,761	419	9,523	3,238	42,783
D. Toerien	244,087	43,200	3,804	93,567	39,937	424,595
M.L. Trump	244,087	43,200	3,804	93,567	39,937	424,595
L.T. Tshose	244,087	43,200	3,804	93,567	39,937	424,595
B.T. Twala	79,183	14,400	1,268	30,354	12,960	138,165
W.C.J. Van Der Westhuizen	244,087	43,200	3,804	93,567	39,937	424,595
A. Van Loggerenberg	244,087	43,200	3,804	93,567	39,937	424,595
N.D. Witbooi	244,087	43,200	3,804	93,567	39,937	424,595
N.T. Xhale	244,087	43,200	3,804	93,567	39,937	424,595
L.W. Zwankhuizen	244,087	43,200	3,804	93,567	39,937	424,595
D.M. Modiko	186,340	29,961	2,638	71,431	29,533	319,903
	15,086,483	2,667,882	234,921	5,680,794	2,545,333	26,215,413

2024

Name	Annual Remuneration	Cellphone Allowance	Data Card Allowance	Locomotion Allowance	Contribution to Medical, Pension & SDL	Total
T.J. Steenkamp	248,820	45,600	4,008	88,001	41,038	427,467
J.L. Pannall	238,536	46,640	4,096	89,819	56,759	435,850
B.A. Kubayi	239,487	45,600	4,008	91,803	39,567	420,465
C.A. Kotze	162,477	31,200	2,740	62,283	26,959	285,659
B.V. Molefe	224,461	45,600	4,008	91,803	54,507	420,379
M.B. Mdlane	203,082	37,974	3,344	77,848	33,520	355,768
L.S. Resha	224,461	45,600	4,008	91,803	54,507	420,379
L.W. Zwankhuizen	239,487	45,600	4,008	91,803	39,567	420,465
E. Mahne	331,290	45,600	4,008	-	39,626	420,524

Mogale City Local Municipality

GT481 Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand

51. Related parties (continued)

A. van Loggerenberg	248,820	45,600	4,008	88,001	41,038	427,467
J.J. Holtzhausen	248,820	45,600	4,008	88,001	41,038	427,467
V.B. Khumalo	224,461	45,600	4,008	91,803	54,507	420,379
B.E. Nkosi	233,794	45,600	4,008	88,001	55,978	427,381
T.M. Gray	254,202	45,600	4,008	90,064	42,201	436,075
L.W. Moleba	248,820	45,600	4,008	88,001	41,038	427,467
C.J. van der Westhuizen	239,487	45,600	4,008	84,423	39,567	413,085
S. Govindasamy	224,461	45,600	4,008	91,803	54,507	420,379
Z. Wehinger-Maguire	210,316	38,400	3,374	80,621	34,733	367,444
M.C.G. Naude	224,461	45,600	4,008	91,803	54,507	420,379
K.E. Lekagane	248,820	45,600	4,008	88,001	41,038	427,467
S.A. Dabhelia	239,487	45,600	4,008	91,803	39,567	420,465
L.L. Lekoto	248,820	45,600	4,008	88,001	41,038	427,467
O.S.S. Moralo	239,487	45,600	4,008	91,803	39,567	420,465
L.E. du Toit	239,487	45,600	4,008	91,803	39,567	420,465
T. Ntando	247,082	45,600	4,008	87,002	39,786	423,478
L.T. Tshose	230,722	45,600	4,008	91,803	48,277	420,410
M.V. Khol	239,487	45,600	4,008	91,803	39,567	420,465
L.R. Moeketsi	239,487	45,600	4,008	91,803	39,567	420,465
M.L. Trump	239,487	45,600	4,008	91,803	39,567	420,465
T.G. Koto	239,487	45,600	4,008	91,803	39,567	420,465
M.A. Hleza	239,487	45,600	4,008	91,803	39,567	420,465
K.C. Ntshangas	239,487	45,600	4,008	91,803	39,575	420,473
F. Ngobeni	239,487	45,600	4,008	91,803	39,567	420,465
N.A. Sithole	239,487	45,600	4,008	91,803	39,567	420,465
D. Toerien	239,487	45,600	4,008	91,803	39,567	420,465
L.J. Gouws	239,487	45,600	4,008	91,803	39,567	420,465
T.J. Tapani	239,487	45,600	4,008	91,803	39,567	420,465
E.L.L. Lesuthu	239,487	45,600	4,008	91,803	39,567	420,465
N.D. Witbooi	239,487	45,600	4,008	91,803	39,567	420,465
W. Mnyaji	239,487	45,600	4,008	91,803	39,567	420,465
J.O. Muravha	239,487	45,600	4,008	91,803	39,567	420,465
R.J. Mokoto	239,487	45,600	4,008	91,803	39,567	420,465
S.L.A. Cochrane	239,487	45,600	4,008	91,803	39,567	420,465
M.H. Taunyane	239,487	45,600	4,008	91,803	39,567	420,465
A. Steyn	224,461	45,600	4,008	91,803	54,507	420,379

Mogale City Local Municipality

GT481 Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand

51. Related parties (continued)

A.M. Badenhorst	239,487	45,600	4,008	91,803	39,567	420,465
L.P. Pii	239,487	45,600	4,008	91,803	39,567	420,465
K. Motlhophe	239,487	45,600	4,008	91,803	39,567	420,465
P.S. Tabiwa	239,487	45,600	4,008	91,803	39,567	420,465
G.K. Morake	181,730	34,800	3,057	69,663	30,111	319,361
R.E. Munyai	239,487	45,600	4,008	91,803	39,567	420,465
C.M. Mankazana	239,487	45,600	4,008	91,803	39,567	420,465
N. Nhlapo	239,487	45,600	4,008	91,803	39,567	420,465
N.T. Xhale	239,487	45,600	4,008	91,803	39,567	420,465
M.C. Mosala	224,461	45,600	4,008	91,803	54,507	420,379
L.L. Ntshabele	239,487	45,600	4,008	91,803	39,567	420,465
P.L. Matshaba	239,487	45,600	4,008	91,803	39,567	420,465
M.M. Nqosa	239,487	45,600	4,008	91,803	39,567	420,465
J.B. Seleke	231,974	45,600	4,008	91,803	47,069	420,454
J.P.J. Liebenberg	239,487	45,600	4,008	91,803	39,567	420,465
S.L. Lebasa	248,820	45,600	4,008	88,001	41,036	427,465
M. Ndamase	29,084	6,000	521	10,622	3,083	49,310
A. Jooste	297,550	45,600	4,008	84,423	4,109	435,690
D.C. Nieuwenhuyzen	275,410	45,600	4,008	84,423	4,109	413,550
G. Britz	41,836	7,200	634	14,760	7,606	72,036
	15,103,584	2,847,014	250,230	5,579,291	2,567,159	26,347,278

Executive management

2025

	Annual Remuneration	Non- pensionable cash gratuity	Cell phone allowance	Annual Bonus	Locomotion Allowance	Contribution to Medical, Salgabc & Pension	Acting	Total
Municipal Manager								
M.A. Msezana	1,974,860	21,816	42,000	-	240,000	24,499	-	2,303,175
Chief Financial Officer								
B.V. Monkwe	1,493,461	20,340	-	-	280,000	45,702	-	1,839,503
Corporate Support Services								

Mogale City Local Municipality

GT481 Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand

51. Related parties (continued)

B.M. Dube	1,779,494	20,340	-	-	-	19,644	-	1,819,478
Chief Audit Executive								
C.D. Ngutshana	1,444,538	20,340	2,500	-	240,000	84,835	-	1,792,213
Community Development Services								
L.A. Modiba	1,748,813	20,340	-	-	-	18,617	-	1,787,770
Integrated Environmental Management								
M.C. Thenga	1,515,623	20,340	30,000	-	180,000	72,947	-	1,818,910
Local Economic Development								
N.N. Fani	1,336,843	24,695	-	102,000	228,000	143,800	71,875	1,907,213
Infrastructure Development Services								
X. Sibiya	1,600,812	-	-	-	240,000	79,833	-	1,920,645
Operations Management								
J.D. Lodi	628,706	4,307	-	45,000	120,000	78,471	-	876,484
Acting EM: Operations Management								
T. Legodi	199,020	-	-	-	24,000	50,241	4,460	277,721
	13,722,170	152,518	74,500	147,000	1,552,000	618,589	76,335	16,343,112

2024

	Annual Remuneration	Non- pensionable cash gratuity	Cell Phone Allowance	Leave Resignation & Long Service Leave	Locomotion Allowance	Contribution to Medical, Salgabc & Pension	Total
Municipal Manager							
M.A. Msezana	1,898,245	-	42,000	-	240,000	23,768	2,204,013
Chief Financial Officer							
B.V. Monkwe	1,535,362	-	-	150,322	240,000	45,794	1,971,478
Corporate Support Services							
B.M. Dube	1,717,940	-	30,000	-	-	19,268	1,767,208
Chief Audit Executive							
C.D. Ngutshana	1,568,360	-	30,000	-	240,000	82,994	1,921,354
Community Development Services							
L.A. Modiba	1,700,000	-	30,000	-	-	18,848	1,748,848
Integrated Environmental Management							
M.C. Thenga	1,470,622	(1,695)	30,000	-	180,000	51,623	1,730,550

Mogale City Local Municipality

GT481 Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand

51. Related parties (continued)

Local Economic Development

N.N. Fani

1,284,024	-	30,000	-	204,000	128,190	1,646,214
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Acting EM: Infrastructure Development Services

A. Botes

1,447,437	-	-	-	105,506	110,301	1,663,244
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Acting EM: Operations Management

T. Legodi

1,225,270	-	-	97,483	144,000	446,019	1,912,772
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13,847,260	(1,695)	192,000	247,805	1,353,506	926,805	16,565,681
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Mogale City Local Municipality

GT481 Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand	2025	2024 Restated*
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52. Unauthorised expenditure

Opening balance	-	232,520,067
Less: Amounts written off by council	-	(232,520,067)
	-	-

2025

During the year under review the municipality had no unauthorised expenditure.

2024

During the previous financial year the municipality did not incur unauthorised expenditure.

Council item L(i) 2(11/2024)

Council wrote off unauthorised expenditure amounting to R232 520 067.

53. Irregular expenditure

Opening balance	254,359,174	1,114,905,912
Add: Irregular Expenditure - current year	234,338,901	615,538,973
Less: Amounts written off by council		(1,476,085,711)
	488,698,075	254,359,174

2025

During the year under review the municipality incurred irregular expenditure of R234,338,901

The quarterly Irregular expenditure reports were tabled in council for consideration and council referred the reports to MPAC for investigation.

2024

During the previous financial year the municipality incurred irregular expenditure amounting to R615 538 973.

The quarterly Irregular expenditure reports were tabled at council for consideration and council referred the reports to MPAC for investigation.

Council item L(i) 2(11/2024)

Council wrote off irregular expenditure amounting to R1 476 085 711.

54. Fruitless and wasteful expenditure

Opening balance	-	98,228,068
Interest reduction - Credit note	-	(18,809,908)
Less: Amounts written off by council	-	(79,418,160)
	-	-

2025

The municipality did not incur fruitless and wasteful expenditure for the current financial year.

Mogale City Local Municipality

GT481 Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand	2025	2024 Restated*
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54. Fruitless and wasteful expenditure (continued)

2024

The municipality has an approved National Treasury Debt Relief Agreement to pay off the historical Eskom debt on condition that the current account is kept to date. The municipality also has a payment arrangement with Rand Water to pay the account outside the regular payment terms as stipulated in the MFMA. Due to the timeous payments of the Rand Water and Eskom accounts the municipality did not incur any interest on overdue payments of these accounts. The municipality recieved a credit note to the value of R18 809 908 from Eskom on interest previously charged.

The quarterly Fruitless and Wasteful expenditure reports were tabled at council for consideration and council referred the reports to MPAC for investigation.

Council item L(i) 2(11/2024)

Council wrote off fruitless and wasteful expenditure amounting to R79 418 160.

Mogale City Local Municipality

GT481 Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand	2025	2024 Restated*
55. Additional disclosure in terms of Municipal Finance Management Act		
Contributions to South African Local Government Association		
Opening balance	-	5,098,440
Current year subscription / fee	10,184,538	10,615,886
Amount paid - current year	(10,184,538)	(15,714,326)
	-	-
Audit fees		
Current year subscription / fee	10,617,462	11,667,464
Amount paid - current year	(10,617,462)	(11,667,464)
	-	-
PAYE and UIF		
Opening balance	13,978,471	11,695,126
Current year expense	181,802,509	159,865,025
Amount paid - current year	(179,183,437)	(145,886,554)
Amount paid - previous years	(13,978,471)	(11,695,126)
	2,619,072	13,978,471
Pension and Medical Aid Deductions		
Opening balance	20,581,035	18,353,464
Current year expense	241,046,155	231,566,408
Amount paid - current year	(239,033,495)	(229,338,837)
	22,593,695	20,581,035

Mogale City Local Municipality

GT481 Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand

2025

2024
Restated*

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

Councillors' arrear consumer accounts

June 30, 2025

	Outstanding less than 90 days	Outstanding more than 90 days	Total
Councillor L. Lekoto	3,174	88,742	91,916
Councillor M. Nqosa	1,767	17,844	19,611
Councillor A. Jooste	-	2	2
Councillor M. Hleza	501	955	1,456
Councillor S. Cochrane	2,103	36,373	38,476
Councillor X. Mkruquli	2,534	-	2,534
Councillor L. Lesuthu	2,707	56,077	58,784
Councillor L. Ntshabele	1,729	1,357	3,086
Councillor L. Lebesa	1,628	3,606	5,234
Councillor L. Zwankhuizen	1,715	-	1,715
Councillor L. Resha	12,674	-	12,674
Councillor D. Witbooi	1,359	11,852	13,211
	31,891	216,808	248,699

June 30, 2024

	Outstanding less than 90 days	Outstanding more than 90 days	Total
Councillor S. Govindasamy	4,065	-	4,065
Councillor D. Segolodi	76	4,836	4,912
Councillor M.S. Senne	2,885	72,051	74,936
Councillor M. Nqosa	1,673	37,167	38,840
Councillor M. Mogoje	1,069	2,988	4,057
Councillor D. Toerien	6,266	-	6,266
Councillor J. Haltzhausen	2,042	7,701	9,743
Councillor R. Moeketsi	1,198	31,115	32,313
Councillor M.K. Nhlapo	1,365	1,634	2,999
Councillor M.B. Mdlane	1,955	27,267	29,222
Councillor S.L.A. Cochrane	3,198	93,144	96,342
Councillor D.E. Njangase	1,690	2,264	3,954
Councillor L.L. Lesuthu	3,204	83,329	86,533
Councillor M. Pii	1,949	7,765	9,714
Councillor L. Ntshabele	2,115	26,495	28,610
Councillor N. Segapela	2,211	45,980	48,191
Councillor M. Lebesa	1,541	32,405	33,946
Councillor M. Naude	2,106	356	2,462
Councillor L. Miller	2,788	-	2,788
Councillor N.D. Witbooi	1,284	43,048	44,332
Councillor N. Segapela	-	22,118	22,118
Councillor J. Seleke	-	361	361
	44,680	542,024	586,704

56. Audit committee, Performance Audit committee and Risk committee remuneration

Fees	517,848	513,564
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57. Utilisation of Long-term liabilities reconciliation

Long-term liabilities raised	122,669,165	156,267,814
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Notes to the Annual Financial Statements

Figures in Rand	2025	2024 Restated*
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57. Provisions (continued)

Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act.

Mogale City Local Municipality

GT481 Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand	2025	2024 Restated*
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58. Supply Chain Management Regulations

Bids awarded to family of employees in service of the State

In terms of section 45 of the Municipal SCM regulation, any award above R2 000 to the family of the employees in the service of the state must be disclosed in the annual financial statements.

1. Enish Consultants - Director: Alusani Chantel Raliwedza (spouse is employed by the state) for the appointment on RFQ NO: CDS (L) 16/2025 and RFQ NO: CDS (L) 13/2025.
2. Tender CDS(PS) 01/2024 - Director: Vallene Ndala (spouse is employed by the state).
3. Star Gate Trading 223 - Director: Corlette Madiba (spouse is employed by the state) for the appointment on RFQ NO: CORP (ADM) 12/2025 and RFQ NO: EM 03/2025.

Deviations from and ratification of minor breaches of procurement process

Regulation 36(a) of Supply Chain Management Policy, the deviations from and ratifications of minor breaches of procurement per directive. There are no deviations for the current financial year.

59. Risk management

In rendering service delivery Mogale City Local Municipality is exposed to a wide range of risks and also opportunities. Risk Management is a process of managing risk exposures with the objective of preventing a loss from occurring or minimising the effect should an event occur.

The municipality has exposure to the following financial risks:

Capital Risk Management
Financial Risk Management
Liquidity Risk Management
Interest Rate Risk
Credit Risk

Capital risk management

The municipality's objectives when managing capital are to safeguard the municipality's ability to continue as a going concern in order to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the municipality consists of debt, which includes the borrowings (excluding derivative financial liabilities) disclosed in notes 18, cash and cash equivalents disclosed in note 5, and equity as disclosed in the statement of changes in net assets.

Consistent with others in the industry, the municipality monitors capital on the basis of the gearing ratio.

This ratio is calculated as net debt divided by total assets. Net debt is calculated as total borrowings (including 'current and non-current borrowings and finance liabilities' as shown in the statement of financial position). Total assets is calculated as 'total assests' as shown in the statement of financial position.

The municipality's strategy is to maintain a gearing ratio of between 5% to 10%.

The gearing ratio for the 2024/25 financial year is 1%

The results of the gearing ratio as calculated in the 2024/25 financial year indicates that the municipality is within the municipality's strategy. The municipality is still able to pay off its borrowings timeously, as and when required by the financial service providers.

The municipality has put the following measures in place to improve the gearing ratio:

1. Review of long-term financial plan
2. Review of the credit control and debt management policy of the municipality to ensure enhanced debt collection
3. The municipality has ensured that all capital repayments that were due for payment during the financial year were paid timeously.

The only externally imposed capital requirement from the borrowings that the municipality currently has is for the timeous payment of all the debt that the municipality has as per the terms outlined in the borrowings terms.

There have been no changes to the way that the municipality manages its capital, the strategy for capital maintenance or externally imposed capital requirements from the previous year.

Mogale City Local Municipality

GT481 Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand		2025	2024 Restated*
59. Risk management (continued)			
Total borrowings			
Borrowings	18	122,669,165	156,267,814
Less: Cash and cash equivalents	5	299,900,387	149,607,630
Net debt		(177,231,222)	6,660,184
Total equity		6,322,518,969	6,065,883,075
Total capital		6,145,287,747	6,072,543,259

Financial risk management

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

Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities. Cash flow forecast are prepared and adequate utilised borrowing facilities are monitored.

Management is ensuring that the debts of the municipality are paid timeously as required by the financial institutions.

At June 30, 2025	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Borrowings	35,320,861	87,348,304	-	-
Sundry deposits	12,463,602	-	-	-
Trade and other payables from exchange transactions	1,122,796,030	-	-	-
Trade and other payables from non-exchange transactions	99,948,884	-	-	-
Consumer deposits	77,954,557	-	-	-
At June 30, 2024	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Borrowings	33,598,649	123,563,454	16,096,536	-
Sundry deposits	12,605,276	-	-	-
Trade and other payables from exchange transactions	1,021,852,129	-	-	-
Trade and other payables from non-exchange transactions	101,986,085	-	-	-
Consumer deposits	74,607,303	-	-	-

Interest rate risk

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk. Municipality policy is to maintain approximately 100% of its borrowings in fixed rate instruments as per the approved borrowings policy. The municipality currently has 2 loans, all of which are at fixed interest rates.

Credit risk

Credit risk is the risk of financial loss to the municipality if a customer/counterparty to a financial instrument fails to meet its contracted obligations. Credit risk consists mainly of cash deposits, cash equivalents, trade and other receivable from non exchange transactions and consumer debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. The utilisation of credit limits is regularly monitored.

Financial instruments	2025	2024
Investment in shares (note 13)	865,420	789,780
Receivables from exchange transactions (note 4)	1,120,222,105	916,860,744

Mogale City Local Municipality

GT481 Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand	2025	2024 Restated*
59. Risk management (continued)		
Call accounts money market accounts (note 5)	195,278,657	44,041,009
Cash and cash equivalents (Overdraft) (note 5)	104,621,730	105,566,621
60. Accounting by principals and agents		
The entity is a party to a principal-agent arrangement.		
Municipality as agent		
Department of Roads and Transport in the Gauteng Provincial Government (Department)		
Resources (assets/liabilities) recognised by the municipality that are held/incurred on behalf of a principal	16,882,634	29,766,584
Revenue recognised as compensation for the transactions carried out on behalf of the principal	26,087,254	22,912,194
Receivables held on behalf of the principal		
Payables held on behalf of the principal		
Opening balance	16,882,634	29,766,584
Expenses incurred	81,515,146	75,562,563
Cash paid	(91,730,152)	(88,446,514)
Closing balance	6,667,628	16,882,634
Principal - Department of Roads and Transport in the Gauteng Provincial Government (Department)		
Agent - Mogale City Local Municipality		
The expected timing of the remittance of the resources from the municipality to the principal is on a monthly basis. The municipality receives a variable commission on revenue collected based on the rate stipulated by the Gauteng Provincial Treasury.		
Description of the arrangement		
In terms of the agreement the municipality is assigned the Registering and Testing authority functions which includes the functions of Motor Vehicle Registration and Licensing and related functions. Driving license test centre functions and vehicle testing as a principal agent on behalf of the Department of Roads and Transport in the Gauteng Provincial Government		
Significant Terms and Conditions		
The obligations of the municipality with respect to the collection of fees and the paying over of fees to the Provincial Government shall be in accordance with the Act (I.e the Road Traffic Act No 29 of 1997, and the Provincial Road Traffic Circulars as may be amended from time to time), the Natis Financial Manual, Annex E to the Service Level Agreement and the Public Finance Management Act 1 of 1999 and in accordance with the Municipal Finance Management Act 56 of 2003.		
Purpose of the relationship and significant risks		
The purpose of the agreement is to enable the Department to provide greater access to clients to registering and testing functions through-out Mogale City in collaboration with the Municipality. The significant risks are fraud and corruption in the process.		
Road Traffic Infringement Agency		
Resources (assets/liabilities) recognised by the municipality that are held/incurred on behalf of a principal	5,266,615	-
Revenue recognised as compensation for the transactions carried out on behalf of the principal	162,885	-
Payables held on behalf of the principal		
Opening balance	-	-
Invoices accrued	5,266,615	-
Invoices paid	(4,998,939)	-
Closing balance	267,676	-
Municipality as principal		

Mogale City Local Municipality

GT481 Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand	2025	2024 Restated*
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60. Accounting by principals and agents (continued)

Easypay Pty Ltd, Afican Utility Solutions Pty Ltd (AUS), MBL Smart Solution Pty Ltd and South African Post Office (SAPO)

Resources (assets and liabilities) of the municipality that are under the custodianship of the agent	-	-
Fee paid as commission to the agent - Prepaid Water and Electricity Vending (Inclusive of VAT)	2,455,098	4,008,463
Fee paid as commission to the agent - Bill payments receipting (Inclusive of VAT)	568,015	3,809,380
	3,023,113	7,817,843

Description of the arrangement

The Municipality had a contractual arrangement with Easypay Pty Ltd which has expired during the financial year and is now contracted to MBL Smart Solution Pty Ltd in terms of which they act as an agent of the municipality by receiving payments of municipal account payments as well as vending of water and electricity to municipal customers.

Significant terms and conditions

The agent uses its infrastructure, resources and systems to process the transactions on behalf of the municipality and to then pay over the monies collected to the municipality.

Purpose, significant risks and benefits of arrangement

The arrangement enables municipal customers to have convenient 24/7 access to the agent's outlets throughout Mogale City to pay their municipal bills and to also buy prepaid electricity.

Resources (assets and liabilities) of the municipality that are under the custodianship of the agent	-	-
Fee paid as commission to the agent- Prepaid Water and Electricity Vending (inclusive of VAT)	-	592,792

Description of the arrangement

The municipality has a contractual arrangement with African Utility Solutions Pty Ltd (AUS) in terms of AUS act as an agent of the municipality by receiving payments for vending of prepaid water to municipal customers.

Significant terms and Conditions

The agent uses its infrastructure, resources and systems to process the transactions on behalf of the municipality and then pay over the monies collected to the municipality.

Purpose, Significant risks and benefits of arragmenets

The arrangement enables municipal customers to have convenient 24/7 access to the agent's outlets throughout Mogale City to pay their municipal accounts.

Resources (assets and liabilities) of the municipality that are under the custodianship of the agent	-	-
Fee paid as commission to the agent - Bill payment receipting (Inclusive of VAT)	13,224	18,922

Description of the arrangement

The municipality has an arrangement with South African Post Office (SAPO) in terms of which SAPO act as agent of the municipality by receiving payments of municipal accounts from municipal customers

Significant terms and conditions

The agent uses its infrastructure, resources and systems to process the transactions on behalf of the municipality and then to pay over the monies collected to the municipality.

Purpose,significant risks and benefits of arrangement

The arrangement enables municipal customers to have convinient 24/7 access to the agent's outlets throughout Mogale City to pay their municipal accounts

Mogale City Local Municipality

GT481 Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand	2025	2024 Restated*
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60. Accounting by principals and agents (continued)

Fee paid as commission to the agent- Prepaid Water Vending (inclusive of VAT)	592,792	1,674,610
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Description of the arrangement

The municipality has a contractual arrangement with African Utility Solutions Pty Ltd (AUS) in terms of AUS act as an agent of the municipality by receiving payments for vending of prepaid water to municipal customers.

Significant terms and Conditions

The agent uses its infrastructure, resources and systems to process the transactions on behalf of the municipality and then pay over the monies collected to the municipality]

Purpose, Significant risks and benefits of arrangements

The arrangement enables municipal customers to have convenient 24/7 access to the agent's outlets throughout Mogale City to pay their municipal accounts.

Description of the arrangement

The municipality has an arrangement with South African Post Office(SAPO) in terms of which SAPO act as agent of the municipality by receiving payments of municipal accounts from municipal customers

Significant terms and conditions

The agent uses its infrastructure, resources and systems to process the transactions on behalf of the municipality and then to pay over the monies collected to the municipality.

Purpose,significant risks and benefits of arrangement

The arrangement enables municipal customers to have convenient 24/7 access to the agent's outlets throughout Mogale City to pay their municipal accounts

61. Segment information

General information

Identification of segments

The municipality is organised and reports to management on the basis of four major functional areas: Community and Public Safety, Community and Environmental Services, Economic services and Trading Services. The segments were organised around the type of service delivered and the target market. Management uses these same segments for determining strategic objectives. Segments were aggregated for reporting purposes.

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

Reportable segments are identified based on activities performed of the municipality that generate economic benefits or service potential including internal services that contribute to achieving the municipality's objectives without necessarily generating net cash inflows.

Separate financial and other relevant information on geographical areas in which the municipality operates is not available as the municipality only operates in the Gauteng Province and within its demarcated boundaries.

The segment reporting information is derived directly from the Statement of Financial Performance, ensuring consistency and reliability in financial reporting. The revenue and expenditure figures presented in segment reporting align with those reported in the Statement of Financial Performance.

This alignment ensures that segment reporting adheres to the principle of comparability, providing stakeholders with coherent insights into how financial performance is distributed across different segments.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024 Restated*
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61. Segment information (continued)

Aggregated segments

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

Types of goods and/or services by segment

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

Reportable segment	Goods and/or services
Segment 1	Community and public safety
Segment 2	Community and environmental Services
Segment 3	Economic services
Segment 4	Trading services

Mogale City Local Municipality

GT481 Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand

61. Segment information (continued)

Segment surplus or deficit, assets and liabilities

2025

	Community and public safety	Community and environmental services	Economic and services	Trading services	Unallocated	Total
Revenue						
Revenue from exchange transactions	996,436	161,127,362	-	2,540,512,918	31,878,748	2,734,515,464
Revenue from non-exchange transactions	194,480,889	98,256,991	116,350,233	1,015,082,943	449,874,891	1,874,045,947
Interest revenue and Dividends	-	-	-	-	23,000,932	23,000,932
Other income	3,471,959	4,032,692	8,853,623	7,611,015	7,090,204	31,059,493
Total segment revenue	198,949,284	263,417,045	125,203,856	3,563,206,876	511,844,775	4,662,621,836
Expenditure						
Bulk purchases	-	-	-	1,839,851,907	-	1,839,851,907
Contracted services	164,214,344	67,632,559	1,222,332	70,067,039	74,490,023	377,626,297
Depreciation and amortisation	39,374,343	1,722,202	153,444	160,285,706	41,377,918	242,913,613
Employee costs and councillors	255,793,693	114,587,660	70,577,068	138,016,699	524,373,097	1,103,348,217
Finance cost	-	-	-	-	18,487,019	18,487,019
Other expenses	86,037,601	44,822,827	1,783,099	281,979,279	344,415,475	759,038,281
Total segment expenditure	545,419,981	228,765,248	73,735,943	2,490,200,630	1,003,143,532	4,341,265,334
Total segmental surplus/(deficit) before other adjustments	(346,470,697)	34,651,797	51,467,913	1,073,006,246	(491,298,757)	321,356,502
Gains/(Losses)				-	17,068,937	17,068,937
Fair value adjustments					(93,031,842)	(93,031,842)
Entity's surplus (deficit) for the period	(346,470,697)	34,651,797	51,467,913	1,073,006,246	(567,261,662)	245,393,597

Mogale City Local Municipality

GT481 Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand

61. Segment information (continued)

Total segment capital expenditure

	Actual Capital Expenditure
Community and environmental services	103,108,139
Community and public safety	122,374,601
Economic services	6,585,165
Trading services	216,063,592
	448,131,497

2024

	Community and public safety	Community and environmental services	Economic services	Trading services	Unallocated	Total
Revenue						
Revenue from exchange transactions	39,851,353	144,369,466	-	2,314,638,692	64,937,819	2,563,797,330
Revenue from non-exchange transactions	299,027,666	183,862,735	100,781,780	1,002,904,452	344,127,688	1,930,704,321
Interest revenue and Dividends	-	-	-	-	17,203,434	17,203,434
Other income	1,375,809	3,500,330	8,864,864	9,303,220	1,135,471	24,179,694
Total segment revenue	340,254,828	331,732,531	109,646,644	3,326,846,364	427,404,412	4,535,884,779
Expenditure						
Employee cost and remuneration of councillors	284,566,228	56,709,852	73,359,549	126,857,473	526,411,917	1,067,905,019
Bulk purchases	-	-	-	1,632,117,928	-	1,632,117,928
Contracted services	134,058,110	39,734,325	662,745	79,828,593	86,810,567	341,094,340
Depreciation and amortisation	23,162,458	1,073,837	280,400	110,791,791	116,689,075	251,997,561
Finance cost	-	-	-	-	22,965,599	22,965,599
Other expenses	68,386,246	38,315,432	1,200,725	249,435,238	422,537,939	779,875,580
Total segment expenditure	510,173,042	135,833,446	75,503,419	2,199,031,023	1,175,415,097	4,095,956,027
Total segmental surplus/(deficit) before other adjustments	(169,918,214)	195,899,085	34,143,225	1,127,815,341	(748,010,685)	439,928,752

Mogale City Local Municipality

GT481 Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand

61. Segment information (continued)

Gains/(Losses)	-	16,709,153	16,709,153
Fair value adjustments		10,329,667	10,329,667
Entity's surplus (deficit) for the period	(169,918,214)	195,899,085	34,143,225 1,127,815,341 (720,971,865) 466,967,572

Total segment capital expenditure

	Actual Capital Expenditure
Community and environmental services	111,977,829
Community and public safety	183,138,829
Economic services	1,071,580
Trading services	200,326,699
	496,514,937

Mogale City Local Municipality

GT481 Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand	2025	2024 Restated*
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62. Going concern

The ability of the municipality to continue as a going concern is based on liquidity factors in the absence of any other factors that pose a threat to the municipality's going concern.

We draw attention to the fact that at June 30, 2025, the municipality had an accumulated surplus (deficit) of R6,249,974,560 and that the municipality's total assets exceed its liabilities by R6,322,518,969.

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

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the Accounting Officer continue to procure funding for the ongoing operations for the municipality. The municipality is fully funded, with approved budgets and funding sources in place to support ongoing operations.

The municipality has the authority to levy rates and taxes which will enable the municipality to be considered as a going concern. During the 2024/25 financial year the municipality billed rates and service charges amounting to R 3,206,510,908

63. Change in estimate

	Depreciation before	Depreciation after	Adjustment
Depreciation	28,950,486	31,364,368	1,206,941

Based on the standard operating procedure, the condition and utilization, the remaining useful lives were adjusted and impacted as per the table above. The depreciation for the current financial year was adjusted by R1 206 941.

Mogale City Local Municipality

GT481 Annual Financial Statements for the year ended 30 June 2025

Appendixes

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											
Financial Performance											
Property rates	681,186,606	27,633,602	708,820,208	-		708,820,208	731,732,916		22,912,708	103 %	107 %
Service charges	2,542,432,316	330,598,535	2,873,030,851	-		2,873,030,851	2,474,777,992		(398,252,859)	86 %	97 %
Investment revenue	16,808,450	3,191,550	20,000,000	-		20,000,000	23,000,933		3,000,933	115 %	137 %
Transfers recognised - operational	681,777,213	(852,444)	680,924,769	-		680,924,769	679,688,621		(1,236,148)	100 %	100 %
Other own revenue	290,549,743	111,597,575	402,147,318	-		402,147,318	357,352,843		(44,794,475)	89 %	123 %
Total revenue (excluding capital transfers and contributions)	4,212,754,328	472,168,818	4,684,923,146	-		4,684,923,146	4,266,553,305		(418,369,841)	91 %	101 %
Employee costs	(1,052,627,799)	(39,223,481)	(1,091,851,280)	-		(1,091,851,280)	(1,063,252,957)		28,598,323	97 %	101 %
Remuneration of councillors	(45,062,766)	(3,500,000)	(48,562,766)	-		(48,562,766)	(40,095,260)		8,467,506	83 %	89 %
Debt impairment	(347,497,652)	(63,049,858)	(410,547,510)			(410,547,510)	(406,407,634)		4,139,876	99 %	117 %
Depreciation and asset impairment	(253,274,565)	(30,812,587)	(284,087,152)			(284,087,152)	(325,230,036)		(41,142,884)	114 %	128 %
Interest costs	(23,660,086)	-	(23,660,086)	-		(23,660,086)	(18,487,019)		5,173,067	78 %	78 %
Materials and bulk purchases	(1,764,985,485)	415,938,407	(1,349,047,078)	-		(1,349,047,078)	(1,839,851,907)		(490,804,829)	136 %	104 %
Transfers and grants	(6,937,169)	(2,663,649)	(9,600,818)	-		(9,600,818)	(2,937,157)		6,663,661	31 %	42 %
Other expenditure	(609,091,410)	(689,541,721)	(1,298,633,131)	-		(1,298,633,131)	(645,003,363)		653,629,768	50 %	106 %
Total expenditure	(4,103,136,932)	(412,852,889)	(4,515,989,821)	-		(4,515,989,821)	(4,341,265,333)		174,724,488	96 %	106 %
Surplus/(Deficit)	109,617,396	59,315,929	168,933,325	-		168,933,325	(74,712,028)		(243,645,353)	(44)%	(68)%

Mogale City Local Municipality

GT481 Annual Financial Statements for the year ended 30 June 2025

Appendixes

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	314,252,556	2,034,444	316,287,000	-		316,287,000	315,552,395		(734,605)	100 %	100 %
Surplus (Deficit) after capital transfers and contributions	423,869,952	61,350,373	485,220,325	-		485,220,325	240,840,367		(244,379,958)	50 %	57 %
Surplus/(Deficit) for the year	423,869,952	61,350,373	485,220,325	-		485,220,325	240,840,367		(244,379,958)	50 %	57 %
Capital expenditure and funds sources											
Total capital expenditure	412,503,079	38,142,300	450,645,379	-		450,645,379	448,131,498		(2,513,881)	99 %	109 %
Sources of capital funds											
Transfers recognised - capital	314,252,556	2,034,444	316,287,000	-		316,287,000	315,552,395		(734,605)	100 %	100 %
Internally generated funds	98,250,523	36,107,856	134,358,379	-		134,358,379	132,579,103		(1,779,276)	99 %	135 %
Total sources of capital funds	412,503,079	38,142,300	450,645,379	-		450,645,379	448,131,498		(2,513,881)	99 %	109 %

Mogale City Local Municipality

GT481 Annual Financial Statements for the year ended 30 June 2025

Appendixes

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Cash flows											
Net cash from (used) operating	279,136,000	11,273,000	290,409,000	-		290,409,000	553,793,825		263,384,825	191 %	198 %
Net cash from (used) investing	(412,503,000)	-	(412,503,000)	-		(412,503,000)	(369,902,419)		42,600,581	90 %	90 %
Net cash from (used) financing	-	-	-	-		-	(33,598,649)		(33,598,649)	DIV/0 %	DIV/0 %
Net increase/(decrease) in cash and cash equivalents	(133,367,000)	11,273,000	(122,094,000)	-		(122,094,000)	150,292,757		272,386,757	(123)%	(113)%
Cash and cash equivalents at the beginning of the year	144,508,000	-	144,508,000	-		144,508,000	149,607,630		5,099,630	104 %	104 %
Cash and cash equivalents at year end	11,141,000	11,273,000	22,414,000	-		22,414,000	299,900,387		(277,486,387)	1,338 %	2,692 %