Polokwane Local Municipality
Audited Annual Financial Statements
for the year ended 30 June 2025

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

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 and principal activities	The provision of services (electricity, water, sanitation and refuse) to communities in a sustainable manner, to promote social and economic development; and to promote a safe and healthy environment.
Legislation governing the municipality's operations	Constitution of the Republic of south Africa (Act 108 of 1998) The Constitution of the Republic of South Africa, 1996 The Local Government: Municipal Structures Act, 1998 (Act 117 of 1998) The Local Government: Municipal Systems Act, 2000 (Act 32 of 2000) The Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003) Local Government: Municipal Property Rates Act, 2004 (Act 6 of 2004) Municipal Fiscal Powers and Functions Act, 2007 (Act 12 of 2007) Local Government: Municipal Demarcation Act, 1998 (Act 27 of 1998) Intergovernmental Relations Framework Act, 2005 (Act 13 of 2005) Municipal Finance Management Act (Act 56 of 2003) Division of Revenue Act (Act 1 of 2007)

Executive Mayor, Members of Mayoral Commitee

Portfolio	**Councillor**
Executive Mayor and chairperson of the Mayoral Committee	MJ Mpe
Speaker	KW Modiba
Chief Whip	PA Rapetswa
MMC Finance	T Nkwe
MMC Water and Sanitation	MA Moakamedi
MMC Roads, Transport and Stormwater	TD Moloto
MMC Planning and Economic Development	PR Mashangoane
MMC Admin and Governance	MB Kgare
MMC Human Settlements	FZ Mashalane
MMC Sports, Arts, Culture and Special Focus	TJ Mamabolo
MMC Energy Provision	NA Shivhabu
MMC Waste and Environment	SJ Malope
MMC Community Services	J Pemma

General Information

Council Members

Nr	Surname	Initials	Nr	Surname	Initials
1	Baloyi	KJ	2	Bologo	N
3	Botha	AH	4	Choshi	PP
5	Clarke	SE	6	Dikgale	SJ
7	Hamise	LH	8	Hiine	PJ
9	Hopane	ME	10	James	RE**
11	Joubert	FJ	12	Kalla	S
13	Kganyago	MS	14	Komape	MP
15	Leballo	MM^	16	Legodi	NP
17	Lekota	MF	18	Lephalala	LF
19	Letsoalo	MF	20	Lourens	RF
21	Lubbe	H	22	Mabasa	MW
23	Mabote	MG	24	Madikoto	WL
25	Mahladisa	MJ	26	Mahlatji	MS
27	Mahopo	SM	28	Mailula	KE
29	Makhafola	MD	30	Malatji	KM
31	Malema	RR	32	Mamadi	E
33	Mashabela	SA	34	Mathoho	K
35	Mathye	MV	36	Matonzi	MT
37	Modiba	MD	38	Modiba	MT
39	Mogoboya	ML	40	Mohlapamaswi	E
41	Mokgohloa	TS	42	Mokobodi	MV
43	Mokome	MS	44	Molepo	FJ
45	Molepo	MM	46	Molepe	NL
47	Moloto	MH	48	Morifi	TJ
49	Morotoba	MF	50	Moshoeu	PE
51	Mothapo	LM	52	Mothiba	TP
53	Mphelo	MD	54	Murwa	TPK
55	Muthabine	MR	56	Nchabeleng	MM
57	Ngosheng	LH	58	Ntlemo	TJ
59	Pheedi	MR	60	Phoshoko	MS
61	Phukubye	D	62	Pretorius	M
63	Rakoma	TMD	64	Ralefatane	MJ
65	Ramakgolo	MM	66	Ramaphakela	MF
67	Ramaselele	MS	68	Ramoraswi	MJ
69	Ratsoma	M	70	Retters	HJ
71	Sathekge	MW	72	Sebati	SA
73	Segoale	ML^^	74	Shadung	MA
75	Shadung	RV	76	Shibambu	KB
77	Thetjeng	MO*	.		

*Councillors who have been sworn in on 19 September 2024.

**Councillors who have been sworn in on 13 November 2024.

^Ceased to hold office on 22 April 2025 through removal as councillor.

^^Councillor deceased during June 2025.

General Information

Executive management

Position	**Name**
City Manager	TLP Nemugumoni
Group Chief Financial Officer	T Nonyane
Deputy Chief Financial Officer	P Chepape
Executive Director Planning and Economic Development	M Mashego
Executive Director Community Services	E Hutamo
Executive Director Corporate and Shared Services	PD Matsi
Acting Executive Director Strategic Planning, Monitoring and Evaluation	V Mthombeni
Executive Director Transportation Services	D Ramakgwakgwa
Executive Director Energy Services	P Moloto
Acting Executive Director Water and Sanitation	P Moloto
Executive Director Roads	R Mabunda

Members of the Audit Commitee

Chairperson	SAB Ngobeni
Member	JN Mpjane
Member	M Siziba
Member	TA Lekoloane
Member	KA Mabitsela
Member	MD Mogano

Accounting Officer TLP Nemugumoni

Executive Mayor M.J Mpe

Grading of local authority 6

Business address
Civic Centre
Cnr Landros Mare and Bodenstein Streets
Polokwane
0699

Postal address
P.O. Box 111
Polokwane
0700

Legal representative
Advocate Monyela Stephen
AM Carrim Attorneys
CJ Ntsoane Attorneys
Clarrence Mangena Inc
Dikgathi Mphahlele Attorneys
Director Makhafola Inc
GN Moabelo Inc
Kgadi Phaka Attorneys
Kgatla Inc
Kgohlishi A Mamabolo
Maboku Mangena Attorneys Inc
Mafa and Associates
Mahowa Inc
Mavuna and Netshimbupfe Inc
MF Maloka Attorneys

General Information

	Mohale Inc Mohuba Inc Moloko Phooko Mpho S Mohale Inc Mpoyana Ledwaba Inc Musetho Law Inc Noko Maimela PMK Tladi and Associates Popela Maake Attorneys Ramusi Attorneys Raphela Attorneys Tshikovhi Attorneys Verveen Attorneys
Telephone	015 023 5000
Bankers	Standard Bank
Auditors	Auditor-General of South Africa (AGSA)

Abbreviations

AARTO	Administrative Adjudication of Road Traffic Offences
CIGFARO	Chartered Institute of Government, Finance, Audit and Risk Officers
CDM	Capricorn District Municipality
CPI	Consumer Price Index
DBSA	Development Bank of South Africa
EEDSM	Energy Efficiency and Demand Side Management
EPWP	Expanded Public Works Programme
FMG	Finance Management Grant
GRAP	Generally Recognised Accounting Practice
INEP	Integrated National Electrification Programme
IT	Information Technology
IUDG	Integrated Urban Development Grant
JSE	Johannesburg Stock Exchange
MBA	Master of Business Administration
MFMA	Municipal Finance Management Act
MMC	Member of Mayoral Committee
MPAC	Municipal Public Accounts Committee
MSCOA	Municipal Standard Chart of Accounts
NDPG	Neighbourhodd Development and Partnership Grant
NRA	Normal Retirement Age
PAYE	Pay As You Earn
PHA	Polokwane Housing Association
PPE	Property, Plant and Equipment
PTNG	Public Transport Network Grant
RBIG	Regional Bulk Infrastructure Grant
RSA	Republic of South Africa
SACNASP	South African Council of Natural Scientific Professions
SAIEES	South African Institute of Ecologists and Environmental Scientists
SETA	Sector Education and Training Authority
SDL	Skills Development Levy
SALGA	South African Local Government Association
SRAC	Sports, Recreation, Arts and Culture

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 audited annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the audited annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the audited annual financial statements and was given unrestricted access to all financial records and related data.

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

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

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

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

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

I certify that the salaries, allowances and benefits of councillors as disclosed in Note 36 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.

THUSO NEMUGUMONI
Accounting Officer

Accounting Officer's Report

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

1. Review of activities

Main business and operations

The municipality is engaged in local goverment activities, which include planning and promotion of integrated development plan and supplying of the services to the community which are water, sanitation, electricity, roads, fire, sports and recreation facilities and environmental health services.

Net surplus of the municipality was R 356 976 765 (2024: deficit R 138 557 896).

2. Going concern

We draw attention to the fact that at 30 June 2025, the municipality had an accumulated surplus of R 5 582 151 862 and that the municipality's total assets exceed its liabilities by R15 840 071 307.

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

3. Subsequent events

The Accounting officer is not aware of any matter or circumstance arising since the end of the financial year, that may need to be adjusted for or disclosed in the Financial Statements.

The audited annual financial statements set out on pages 9 to 131, which have been prepared on the going concern basis, were approved by the accounting officer on 30 November 2025 and were signed on its behalf by:

THUSO NEMUGUMONI
Accounting Officer

Statement of Financial Position as at 30 June 2025

Figures in Rand	Note(s)	2025	2024 Restated*
Assets			
Current Assets			
Cash and cash equivalents	3	708 476 798	343 278 496
Receivables from exchange transactions	4	963 543 678	836 740 246
Other receivables from exchange transactions	5	20 747 169	16 584 034
Receivables from non-exchange transactions	6	401 761 702	319 033 495
Inventory	7	107 250 238	112 808 412
VAT Receivable	8	15 956 136	14 013 278
Vat input accrual	8	72 070 268	49 185 916
Total Current Assets		**2 289 805 989**	**1 691 643 877**
Non-Current Assets			
Investment property	9	1 051 151 039	976 961 167
Property, plant and equipment	10	14 467 559 421	14 597 307 346
Biological assets	11	16 869 981	15 622 003
Heritage assets	12	22 003 568	21 867 568
Intangible assets	13	42 052 999	35 670 579
Investment in subsidiary	14	1 000	1 000
Living resources	15	12 747 864	11 353 434
Total Non-Current Assets		**15 612 385 872**	**15 658 783 097**
Total Assets		**17 902 191 861**	**17 350 426 974**
Liabilities			
Current Liabilities			
Consumer deposits	16	100 233 311	66 296 194
Trade and other payables from exchange transactions	17	896 164 435	726 494 111
Trade and other payables from non-exchange transactions	18	4 219 621	16 735 566
Borrowings	19	31 086 650	27 778 472
Finance Lease liabilities	20	6 950 172	10 610 561
Employee benefits	21	37 648 836	27 414 631
Provisions	22	-	3 656 736
VAT output accrual	8	113 491 472	119 142 965
Total Current Liabilities		**1 189 794 497**	**998 129 236**
Non-Current Liabilities			
Borrowings	19	288 819 308	319 910 020
Finance Lease liabilities	20	6 515 128	12 356 164
Employee benefits	21	437 384 462	411 241 477
Provisions	22	139 607 168	125 695 555
Total Non-Current Liabilities		**872 326 066**	**869 203 216**
Total Liabilities		**2 062 120 563**	**1 867 332 452**
Net Assets		**15 840 071 298**	**15 483 094 522**
Net Assets presented by:			
Revaluation Reserve	23	10 257 919 445	10 257 919 444
Accumulated surplus		5 582 151 862	5 225 175 087
Total Net Assets		**15 840 071 307**	**15 483 094 531**

* See Note 61

Statement of Financial Performance

Figures in Rand	Note(s)	2025	2024 Restated*
Revenue			
Exchange Revenue			
Services charges – Electricity	24	1 554 279 260	1 363 550 445
Services charges – Waste management	24	161 565 294	141 418 456
Services charges – Waste water management	24	188 545 502	168 663 701
Services charges – Water management	24	311 369 228	293 106 989
Rent from fixed assets	25	37 413 434	40 961 051
Interest earned from receivables	26	92 189 663	84 572 986
Interest earned on bank accounts	27	69 806 262	48 177 770
Licence and permits	28	14 351 674	13 596 844
Agency services	29	23 404 142	26 226 845
Operational revenue	30	19 396 603	7 620 933
Sales of goods and rendering of services	31	24 864 542	21 211 187
Total Exchange Revenue		**2 497 185 604**	**2 209 107 207**
Non-Exchange Revenue			
Property rates	32	710 101 985	593 066 902
Transfers and subsidies – Operational	33	1 678 653 627	1 538 725 422
Transfers and subsidies – Capital	33	629 166 667	775 309 494
Fines, penalties and forfeits	34	32 431 224	40 978 661
Interest earned from receivables	26	59 007 930	55 266 097
Total Non-Exchange Revenue		**3 109 361 433**	**3 003 346 576**
Total Revenue		**5 606 547 037**	**5 212 453 783**
Expenditure			
Employee related cost	35	1 094 965 041	1 114 535 998
Remuneration of councillors	36	83 711 124	43 877 151
Depreciation and amortisation	37	881 981 475	1 147 255 485
Interest	38	52 064 136	50 808 399
Bulk purchases	39	1 186 442 906	1 018 199 332
Inventory consumed	40	285 575 999	275 699 341
Debt impairment	41	87 588 587	347 769 222
Contracted services	42	1 234 820 562	996 990 162
Transfers and subsidies	43	16 480 000	15 480 000
Operational cost	44	273 982 274	290 927 463
Total Expenditure		**5 197 612 104**	**5 301 542 553**
Operating Surplus (deficit)		**408 934 933**	**(89 088 770)**
Gain/(losses) on disposal of assets	45	(226 844)	3 031 122
Fair value adjustment	46	83 014 231	70 637 316
Inventory write-down & losses	47	(115 401 793)	(77 784 841)
Impairment losses	48	(19 343 762)	(45 352 723)
Surplus (deficit) for the year		**356 976 765**	**(138 557 896)**

* See Note 61

Statement of Changes in Net Assets

Figures in Rand	Revaluation reserve	Accumulated surplus	Total net assets
Opening balance as previously reported	10 257 919 444	5 423 409 741	15 681 329 185
Adjustments			
Correction of errors	-	(59 676 758)	(59 676 758)
Balance at 01 July 2023 as restated*	**10 257 919 444**	**5 363 732 983**	**15 621 652 427**
Surplus for the year	-	(138 557 896)	(138 557 896)
Total changes	-	(138 557 896)	(138 557 896)
Restated* Balance at 01 July 2024	**10 257 919 445**	**5 225 175 097**	**15 483 094 542**
Surplus for the year	-	356 976 765	356 976 765
Total changes	-	356 976 765	356 976 765
Balance at 30 June 2025	**10 257 919 445**	**5 582 151 862**	**15 840 071 307**

Note(s)

* See Note 61

Cash Flow Statement

Figures in Rand	Note(s)	2025	2024 Restated*
Cash flows from operating activities			
Receipts			
Cash receipts from customers		2 747 465 215	2 240 137 464
Transfers and Subsidies		2 281 523 583	2 299 813 820
Interest		108 751 524	77 148 392
VAT received		180 471 105	227 002 913
Payments			
Suppliers and employees		(4 153 830 199)	(3 736 143 977)
Finance charges		(38 901 671)	(38 285 264)
Net cash from(used) operating activities	49	**1 125 479 557**	**1 069 673 348**
Cash flows from investing activities			
Receipts			
Proceeds on disposal of fixed and intangible assets		12 594 256	15 469 953
Payments			
Capital assets		(733 625 215)	(878 965 505)
Net cash flows from investing activities		**(721 030 959)**	**(863 495 552)**
Cash flows from financing activities			
Payments			
Decrease in borrowing long-term		(27 782 534)	(25 088 400)
Decrease in finance lease		(11 467 762)	(22 182 291)
Net cash flows from financing activities		**(39 250 296)**	**(47 270 691)**
Net increase/(decrease) in cash		**365 198 302**	**158 907 105**
Cash and cash equivalents at year begin		343 278 496	184 371 391
		708 476 798	**343 278 496**

* See Note 61

Comparison of Budget and Actual Amounts for the year ended 30 June 2025

Figures in Rand	Approved budget	*Budget adjustments	Final budget	Actual amounts on comparable basis	Difference between final budget and actual	Reason for the material variance

Comparison of Budget and Actual Amounts for the year ended 30 June 2025

Figures in Rand	Approved budget	*Budget adjustments	Final budget	Actual amounts on comparable basis	Difference between final budget and actual	Reason for the material variance
2025						
Financial performance						
Revenue by source						
Exchange revenue						
Service charges - Electricity	1 984 454 694	(9 352 469)	1 975 102 225	1 554 279 260	(420 822 965)	BD9
Service charges - Water	382 411 322	-	382 411 322	311 369 229	(71 042 093)	BD11
Service charges - Waste Water Management	156 157 842	-	156 157 842	188 545 501	32 387 659	B10
Service charges - Waste Management	150 138 728	-	150 138 728	161 565 294	11 426 566	BD1
Sale of goods and rendering of services	14 902 120	6 125 392	21 027 512	24 864 543	3 837 031	BD8
Agency services	33 467 244	-	33 467 244	23 404 142	(10 063 102)	BD4
Interest earned from receivables	93 758 618	(30)	93 758 588	92 189 663	(1 568 925)	BD1
Interest earned from current and non current assets	42 987 000	7 000 000	49 987 000	69 806 262	19 819 262	BD2
Rental from fixed assets	13 137 502	4 905 000	18 042 502	37 413 433	19 370 931	BD5
Licence and permits	15 263 072	-	15 263 072	14 351 674	(911 398)	BD1
Operational revenue	40 992 880	(16 781 120)	24 211 760	19 396 601	(4 815 159)	BD6
	2 927 671 022	**(8 103 227)**	**2 919 567 795**	**2 497 185 602**	**(422 382 193)**	
Non-exchange revenue						
Property rates by usage	641 115 726	-	641 115 726	710 101 985	68 986 259	BD10
Fines, penalties and forfeits	44 151 678	-	44 151 678	32 431 224	(11 720 454)	BD13
Licences or permits	3 000	-	3 000	-	(3 000)	BD3
Transfer and subsidies	1 666 129 997	82 297 985	1 748 427 982	1 678 653 627	(69 774 355)	BD1
Interest	23 439 655	(5)	23 439 650	59 007 930	35 568 280	BD7
Gains/(losses) on disposal of assets	-	-	-	(226 844)	(226 844)	BD15
Fair value adjustment	-	-	-	83 014 231	83 014 231	BD17
	2 374 840 056	**82 297 980**	**2 457 138 036**	**2 562 982 153**	**105 844 117**	
Total Revenue by source (excl. capital transfers and contributions)	**5 302 511 078**	**74 194 753**	**5 376 705 831**	**5 060 167 755**	**(316 538 076)**	

Comparison of Budget and Actual Amounts for the year ended 30 June 2025

Figures in Rand	Approved budget	*Budget adjustments	Final budget	Actual amounts on comparable basis	Difference between final budget and actual	Reason for the material variance
Expenditure						
Employee costs	(1 341 146 666)	211 665 171	(1 129 481 495)	(1 094 965 041)	34 516 454	BD1
Remuneration of councillors	(47 455 054)	(36 256 070)	(83 711 124)	(83 711 124)	-	BD1
Bulk purchases - Electricity	(1 303 666 190)	117 223 284	(1 186 442 906)	(1 186 442 906)	-	BD1
Inventory consumed	(328 513 174)	58 882 057	(269 631 117)	(285 576 001)	(15 944 884)	BD1
Debt impairment	(162 446 864)	77 497 331	(84 949 533)	(87 588 587)	(2 639 054)	BD1
Depreciation and amortisation	(386 919 866)	(311 139 821)	(698 059 687)	(881 981 475)	(183 921 788)	BD12
Finance charges	(42 724 330)	(9 754 156)	(52 478 486)	(52 064 136)	414 350	BD1
Contracted services	(978 409 030)	(380 417 989)	(1 358 827 019)	(1 234 820 562)	124 006 457	BD1
Transfers and subsidies	(10 480 000)	(6 000 000)	(16 480 000)	(16 480 000)	-	BD1
Irrecoverable debts written off	(124 473 010)	121 209 621	(3 263 389)	-	3 263 389	BD29
Operational costs	(413 978 771)	99 736 842	(314 241 929)	(273 982 274)	40 259 655	BD14
Inventories (write-down)	-	(102 772 251)	(102 772 251)	(115 401 793)	(12 629 542)	BD16
Impairment loss	-	-	-	(19 343 762)	(19 343 762)	BD16
Total Expenditure	**(5 140 212 955)**	**(160 125 981)**	**(5 300 338 936)**	**(5 332 357 661)**	**(32 018 725)**	
Deficit	**162 298 123**	**(85 931 228)**	**76 366 895**	**(272 189 906)**	**(348 556 801)**	
Transfers and subsidies - capital	708 358 003	(82 632 344)	625 725 659	629 166 667	3 441 008	BD1
Surplus for the year	**870 656 126**	**(168 563 572)**	**702 092 554**	**356 976 761**	**(345 115 793)**	

Comparison of Budget and Actual Amounts for the year ended 30 June 2025

Figures in Rand	Approved budget	*Budget adjustments	Final budget	Actual amounts on comparable basis	Difference between final budget and actual	Reason for the material variance
Financial position						
Assets						
Current assets						
Cash and cash equivalents	203 646 477	26 303 523	229 950 000	708 476 798	478 526 798	BD18
Trade and other receivables from exchange transactions	668 167 379	(18 759 401)	649 407 978	963 543 678	314 135 700	BD20
Receivables from non-exchange transactions	355 904 707	22 805 816	378 710 523	401 761 702	23 051 179	BD1
Other current assets	168 007 056	910 006	168 917 062	20 747 169	(148 169 893)	BD30
Inventory	98 924 238	58 119 768	157 044 006	107 250 238	(49 793 768)	BD19
VAT	520 008 461	-	520 008 461	88 026 404	(431 982 057)	BD21
Total current assets	**2 014 658 318**	**89 379 712**	**2 104 038 030**	**2 289 805 989**	**185 767 959**	
Non-current assets						
Investment property	994 131 414	-	994 131 414	1 051 151 039	57 019 625	BD1
Property, plant and equipment	15 112 650 835	(41 006 861)	15 071 643 974	14 467 559 421	(604 084 553)	BD1
Biological assets	24 273 883	-	24 273 883	16 869 981	(7 403 902)	BD28
Living and non-living resources	-	-	-	12 747 864	12 747 864	BD28
Heritage assets	21 867 568	136 997	22 004 565	22 003 568	(997)	BD1
Intangible assets	35 044 229	217 391	35 261 620	42 052 999	6 791 379	BD27
Other non-current assets	1 000	-	1 000	1 000	-	BD1
Total non-current assets	**16 187 968 929**	**(40 652 473)**	**16 147 316 456**	**15 612 385 872**	**(534 930 584)**	
Total assets	**18 202 627 247**	**48 727 239**	**18 251 354 486**	**17 902 191 861**	**(349 162 625)**	
Liabilities						
Current liabilities						
Financial liabilities	27 778 472	-	27 778 472	38 036 822	10 258 350	BD24
Consumer deposits	66 794 145	-	66 794 145	100 233 311	33 439 166	BD31
Trade and other payables from exchange transactions	660 656 316	58 598 699	719 255 015	896 164 435	176 909 420	BD22

Comparison of Budget and Actual Amounts for the year ended 30 June 2025

Figures in Rand	Approved budget	*Budget adjustments	Final budget	Actual amounts on comparable basis	Difference between final budget and actual	Reason for the material variance
Trade and other payables from non-exchange transactions	26 295 964	(7)	26 295 957	4 219 621	(22 076 336)	BD23
Provision	117 274 849	-	117 274 849	37 648 836	(79 626 013)	BD26
VAT	515 625 558	-	515 625 558	113 491 472	(402 134 086)	BD21
Total current liabilities	**1 414 425 304**	**58 598 692**	**1 473 023 996**	**1 189 794 497**	**(283 229 499)**	
Non-current liabilities						
Financial liabilities	319 910 021	-	319 910 021	295 334 436	(24 575 585)	BD1
Provision	192 667 356	-	192 667 356	139 607 168	(53 060 188)	BD26
Other non-current liabilities	214 847 000	-	214 847 000	437 384 462	222 537 462	BD25
Total non-current liabilities	**727 424 377**	**-**	**727 424 377**	**872 326 066**	**144 901 689**	
Total liabilities	**2 141 849 681**	**58 598 692**	**2 200 448 373**	**2 062 120 563**	**(138 327 810)**	
Net assets	**16 060 777 566**	**(9 871 453)**	**16 050 906 113**	**15 840 071 298**	**(210 834 815)**	
Net Assets						
Accumulated Surplus/(Deficit)	5 818 423 917	(9 871 054)	5 808 552 863	5 582 151 862	(226 401 001)	BD1
Revaluation reserves	10 242 353 680	-	10 242 353 680	10 257 919 445	15 565 765	BD1
Total current net assets	**16 060 777 597**	**(9 871 054)**	**16 050 906 543**	**15 840 071 307**	**(210 835 236)**	
Cash flow						
Cash flow from operating activities						
Receipts						
Cash receipts from customers	3 140 775 782	(20 486 832)	3 120 288 950	2 747 465 215	(372 823 735)	CF2
Transfers and Subsidies - Operational	1 666 129 997	11 906 808	1 678 036 805	1 666 137 682	(11 899 123)	CF1
Transfers and Subsidies - Capital	708 358 003	(86 930 461)	621 427 542	615 385 901	(6 041 641)	CF1
Interest	135 707 182	8 939 985	144 647 167	108 751 524	(35 895 643)	CF3
VAT received	-	-	-	180 471 105	180 471 105	CF4
	5 650 970 964	**(86 570 500)**	**5 564 400 464**	**5 318 211 427**	**(246 189 037)**	

Comparison of Budget and Actual Amounts for the year ended 30 June 2025

Figures in Rand	Approved budget	*Budget adjustments	Final budget	Actual amounts on comparable basis	Difference between final budget and actual	Reason for the material variance
Payments						
Suppliers and employees	(4 784 199 320)	(160 651 004)	(4 944 850 324)	(4 153 830 199)	791 020 125	CF5
Finance charges	(40 588 111)	(1 400 000)	(41 988 111)	(38 901 671)	3 086 440	CF1
	(4 824 787 431)	**(162 051 004)**	**(4 986 838 435)**	**(4 192 731 870)**	**794 106 565**	
Net cash from/(used) operating activities	**826 183 533**	**(248 621 504)**	**577 562 029**	**1 125 479 557**	**547 917 528**	
Cash flow from investing activities						
Receipts						
Proceeds on disposal of fixed and intangible assets	4 651	200 000	204 651	12 594 256	12 389 605	CF6
Payments						
Capital assets	(779 134 644)	41 130 342	(738 004 302)	(733 625 215)	4 379 087	CF1
Net cash from/(used) investing activities	**(779 129 993)**	**41 330 342**	**(737 799 651)**	**(721 030 959)**	**16 768 692**	
Cash flow from financing activities						
Payments						
Decrease in borrowings long term	(27 778 472)	-	(27 778 472)	(39 250 296)	(11 471 824)	CF7
Net Increase/ (Decrease) in cash held	**19 275 068**	**(207 291 162)**	**(188 016 094)**	**365 198 302**	**553 214 396**	
Cash/cash equivalents at the year begin:	184 371 393	158 907 107	343 278 500	343 278 496	(4)	
Cash/cash equivalents at the year end:	203 646 461	(48 384 055)	155 262 406	708 476 798	553 214 392	CF8

Comparison of Budget and Actual Amounts for the year ended 30 June 2025

Figures in Rand	Approved budget	*Budget adjustments	Final budget

Commentary

BD1 - Variance is below 10%. No explanation needed.

BD2 - The interest exceeds the budget as the municipality took advantage of call account investments facilitated by cash backed grants.

BD3 - The underperformance on licence and permits is due to no performance on instructor's certificate.

BD4 - The underperformance is due to customers using different platforms for application of licences

BD5 - The increase in revenue is attributed to cash received from the rental of halls and the billing of moratorium leases.

Comparison of Budget and Actual Amounts for the year ended 30 June 2025

Figures in Rand	Approved budget	*Budget adjustments	Final budget

BD6 - The reduction in revenue collected is primarily due to the absence of property sales during the current financial year, resulting in no revenue being generated from this source.

BD7 - The interest exceeds the budget due to a continuous increase in debt book over the past months. As debt accumulates the associated interest also raises beyond the initial projections..

BD8 - The increase in revenue collected is attributed to the implementation of a new system for processing building plans which improved efficiency and compliance furthermore, there was an increase in application for land usage which also contributed to the increase in revenue.

BD9 - The actual electricity is lower than the budgeted amount primarily due to increased usage of alternative energy sources by our consumers such as solar power systems. As more consumers shift to this alternatives the demand for electricity from our supply has decreased..

BD10 - The variance between budget and actuals is primarily due to the implementation of the new general valuation roll (FY2024 - FY2029) which came into effect on 1 July 2024. The roll resulted in an increase in property values and a movement in properties which also impacted waste water charges.

BD11 - The actual water charges are below the budgeted amount due to the faulty meters that have yet to be replaced due to unavailability of stock. In the meantime the municipality has been performing straight connections on this faulty meters which has resulted in us not being able to bill for actual water consumption by those meters.

BD12 - The variance on depreciation is largely due to the number of projects that were completed early in the financial year and were depreciated. Secondly, the City has experienced high number of asset component replacements in the year under review.

BD13 - The reduction in revenue is attributed to a decline in the number of traffic fines issued, resulting in decreased income from traffic violations. A court order issued against the municipality which prohibited the billing of customers for illegal connections.

BD14 - The decrease in operational costs is mainly due to a new service provider that was appointed and insurance rates were lower than the previous service provide used in the previous year. The other reason is the delays in the service providers for other services.

BD 15 - The variance was caused by assets that were written off during the period.

BD16- The variance was caused by assets that were impaired due to either failure or damaged during the year.

BD17- The variance was caused by the increase in investment property based on comparable sales.

BD18 - The increase in cash and cash equivalents is due to an increased accounts payable that is due immediately after year end. The second contributing factor is the increase in investment interest earned during the year.

BD19- Most stock items are procured based on departmental requests and stock holding levels to avoid overstocking. However delays in the appointment of service providers have impacted the procurement of some stock items.

BD20- The increase in the actual amount versus the budgeted amount is as a result of increase in the revenue billed in the current year and the municipality experienced challenges in collecting amounts from debtors..

BD21- The reason for VAT payable budgeting is due to the high debtors book compared to the creditors, therefore VAT output expected to be more than VAT input at year end due to the outstanding debtors book.

BD22- The increase is mainly attributable to the recognition of year end accruals for goods and services received but not yet invoiced or paid.

BD23- The decrease in unspent grants is mainly due to the accelerated implementation of projects funded through conditional grants.

BD24 - The variance is as a result of a higher budget allocation being made under non current financial liabilities instead of

Comparison of Budget and Actual Amounts for the year ended 30 June 2025

	Approved budget	*Budget adjustments	Final budget
Figures in Rand			

current financial liabilities.

BD25 - The difference is due to long term leave which is not catered for on the MSCOA chart which is mapped under current provisions on the budget.

BD26 - Management had expected a significant increase in the balance of the provisions for the following reasons:
- A notable steady increase in the interest rate over the year which could impact the actuarial valuation of the provision.
The Weltevreden landfill sites has only 2 years remaining. This could result in a higher provision as the time of restoration of the land is fast approaching.

BD27 - The increase in intangible assets is due to the addition of the service delivery app in the current year.

BD28 - The budget is a cummulative balance of both Biological assets and Living and non living resources. In the prior years the MSCOA chart did not have a separate segment for living and non living resources. The movement was caused by the change in the number of animals in the game reserve.

BD29 - During the current financial year, all write-offs of consumer debtors were already provided for within the provision for doubtful debts allowance. This has resulted in no additional write-off within the irrecoverable debt write off account, hence the zero balance within this expense line item.

BD30 - The reason for overbudgeting is that management anticipated that the billing in relation to jobbing and merchandising will be more but there was no revenue billed which resulted in zero receivables in this regard.

BD31 - The variance is as a result of new installation of meters for both water and electricity which resulted in customers paying a security deposit when new meters are installed for them.

CF1- Variance is below 10%. No explanation needed.

CF2- The cash receipts from customers budget is inclusive of the VAT received. Combined variance is below 10%. No futher explanation is needed.

CF3- The interest collection decrease as a result of debtors being billed interest on their over due accounts who in turn did not settle their account which resulted in a reduction of collection made on the interest charge.

CF4- The VAT received has been budgeted for under cash receipts from customers hence the zero budget under the VAT received line. Combined variance is below 10%. No explanation required.

CF5- This is a result of year end accruals for services rendered not yet paid.

CF6 -.The underprovision of the budget arose due to the resolution regarding the disposal of PT vehicles being finalised during the year. The delay was primarily due to ongoing discussions concerning the purchase price of the vehicles by the respective employees

CF7 - The budget allocated relates to borrowing payements only whereas the actual amount is inclusive of payments for finance lease assets.

CF8 - The variance is as a result of year end accrual for services rendered but due after 30 days.

Accounting Policies

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

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

A summary of the significant accounting policies, which have been consistently applied in the preparation of these audited annual financial statements, is disclosed below. These accounting policies are consistent with the previous period.

1. Summary of significant accounting policies

1.1 Presentation currency

These audited annual 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.

1.2 Going concern assumption

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

1.3 Materiality

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

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

1.4 Comparative figures

When the presentation or classification of items in the audited annual financial statements is amended, prior period comparative amounts are also reclassified and restated, unless such comparative reclassification and / or restatement is not required by a Standard of GRAP. The nature and reason for such reclassifications and restatements are also disclosed.

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

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

1.5 Significant judgements and sources of estimation uncertainty

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

Accounting Policies

1.5 Significant judgements and sources of estimation uncertainty (continued)

Receivables

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

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

Allowance for slow moving, damaged and obsolete stock

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

Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the municipality is the current bid price.

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

Impairment testing

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

The municipality reviews and tests the carrying value of cash generating assets when events in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the discounted cash-flow projection assumption may change, which may then impact our estimations, and may then require a material adjustment to the carrying value of assets.

Expected future cash flows used to determine the value in use of assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors such as exchange rates, inflation and interest.

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 22 - Provisions

1.5 Significant judgements and sources of estimation uncertainty (continued)

Post-retirement benefits

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

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the post retirement and long term benefit obligations. In determining the appropriate discount rate, the municipality considers the marktet yields at the reporting date on government bonds. Where there is no deep market in the government bonds with a sufficiently long maturity to match the estimated maturity of all the benefits paid, the municipality uses current market rates of the appropriate term to discount shorter payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve.

Other key assumptions for post retirement and other long-term obligations are based on current market conditions. Additional information is disclosed in Note 21.

Effective interest rate

The municipality used the prime interest rate to discount future cash flows.

Allowance for doubtful debts

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

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 too 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.

Point that water, minerals, oils and gas and other non-regenerative resources meet the definition of inventory

Key judgements made and assumptions applied to establish where water and other non-regenerative resources meet the definition of inventory, are as follows:

The municipality regards water as inventory at the point where it enters the City’s purification network. However, raw water in dams is not regarded as inventory, as it is not under the City's control. Control is demonstrated by an entity’s ability to access.

Service charges

Service charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption, based on the consumption history, are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced, except at year-end when estimates of consumption up to year-end are recorded as revenue without it being invoiced. The municipality council approved consumption estimates based on estimates which is used where the inaccessible meters does not have history that could be substantiated. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

1.6 Biological assets that form part of an agricultural activity

A biological asset is a living animal or plant that is used by the municipality in an agricultural activity to attain agricultural produce, the harvested product of the municipality’s biological assets.

1.6 Biological assets that form part of an agricultural activity (continued)

Initial and subsequent measurement

Biological assets and agricultural produce are initially and subsequently measured at their fair value less estimated point-of-sale costs and agricultural produce harvested from the municipality’s biological assets are measured at their fair value less estimated point-of-sale costs at the point of harvest.

Where biological assets and agricultural produce are acquired for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

Point-of-sale costs include commissions to brokers and dealers, levies by regulatory agencies and commodity exchanges, transfer taxes and duties but exclude transport and other costs necessary to get the assets to a market.

The fair value of biological assets is estimated by reference to the market prices. The fair value of the plantations is based on the combined fair value of the land and the trees. The fair value of the raw land and land improvements is then deducted from the combined fair value to determine the fair value of the trees.

A gain or loss arising on initial recognition of biological assets at fair value less estimated point-of-sale costs and from a change in the fair value less estimated point-of-sale costs is included in surplus or deficit for the period in which it arises. A gain or loss arising on initial recognition of agricultural produce at fair value less estimated point-of-sale costs is included in surplus or deficit for the period in which it arises.

Where market determined prices or values are not available, the present value of the expected net cash inflows from the asset, discounted at a current market-determined pre-tax rate is used to determine fair value.

Where fair value cannot be measured reliably, biological assets are measured at cost less any accumulated depreciation and any accumulated impairment losses.

Derecognition

Biological assets are derecognised when the municipality disposes thereof or when it is no longer probable that future economic benefits or service potential will be generated from the biological assets. Any gain or loss that arises at the point of derecognition is recognised in the Statement of financial performance at the point of derecognition.

1.7 Investment property

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

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

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

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

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

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

The cost of self-contructed investment property is the cost at date of completion.

1.7 Investment property (continued)

Transfers are made to and or from investment property only when there is a change in use. For a transfer from investment property to owner occupied (property, plant and equipment) the deemed cost for subsequent accounting is the fair value 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 date of change in use

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.

Subsequent measurement – fair value model

Subsequent to initial measurement investment property is measured at fair value. This entails determining the fair value of the investment property on a regular basis. To the extent that the fair value model is applied investment property is not depreciated.

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

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

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

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

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.

1.8 Property, plant and equipment

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

The cost of an item of property, plant and equipment 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.

1.8 Property, plant and equipment (continued)

Initial recognition and measurement

Property, plant and equipment are initially recognised at cost on its acquisition date. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by 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 property, plant and equipment 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.

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

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

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

Subsequent measurement – cost model

Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the municipality 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 movable and leased assets are measured at cost, less accumulated depreciation and accumulated impairment losses.

Subsequent measurement – revaluation model

Subsequent to initial recognition, Infrastructure assets and community assets are carried at a revalued amount based on municipal valuations, less any subsequent accumulated depreciation and subsequent accumulated impairment losses; whilst land is carried at a revalued amount based on municipal valuations, less subsequent accumulated impairment losses. Revaluations are performed by external independent values every three years to coincide with the implementation of the general valuation such that the carrying amount does not differ materially from that which would be determined using fair value at the Statement of financial position date. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset.

An increase in the carrying amount of land and buildings as a result of a revaluation is credited directly to a revaluation surplus reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

A decrease in the carrying amount of an asset as a result of a revaluation is recognised in surplus or deficit, except to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

When revalued assets are sold or retired, the amounts included in the revaluation reserve in respect of that assets, are transferred to accumulated surplus or deficit.

1.8 Property, plant and equipment (continued)

Depreciation

Land is not depreciated as it is regarded as having an unlimited life. Depreciation on assets other than land is calculated using the straight line method, to allocate their cost or revalued amounts less their residual values over the estimated useful lives of the assets. The depreciation method used reflects the pattern in which the assets' future economic benefits or service potential are expected to be consumed by the municipality. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. The depreciation rates are based on the following estimated useful lives:

Item	Depreciation method	Average useful life
Land	Straight-line	Indefinite
Office equipment	Straight-line	3 - 10 years
IT equipment	Straight-line	3 - 7 years
Infrastructure	Straight-line	3 - 100 years
Community assets	Straight-line	5 - 100 years
Other property, plant and equipment	Straight-line	2 - 15 years

The estimated useful life, residual values and depreciation method are assessed at each reporting date on an indicator basis.

The useful lives, residual values and depreciation method are reviewed annually at the end of the financial year where there is any indication that the municipality's expectations about the residual amount and the useful life of an asset has changed since the preceding reporting date. Any adjustments arising from the annual review are applied prospectively.

Depreciation of an asset commences when the asset is ready for its intended use. Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets, or, where shorter, the term of the relevant lease. The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

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

Derecognition

The carrying amount of an item of property, plant and equipment is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. Gains are not classified as revenue.

Gains or losses are calculated as the difference between the carrying values of assets (Cost less accumulated depreciation and accumulated impairment losses) and the disposal proceeds is included in the Statement of financial performance as a gain or loss on disposal of property, plant and equipment.

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

Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up is included in surplus or surplus when the compensation becomes receivable.

Site rehabilitation and restoration costs

Where the municipality has an obligation to rehabilitate and restore items of property, plant and equipment such obligations are referred to as "rehabilitation provisions". The cost of an item of property, plant and equipment includes the initial estimate of the costs of rehabilitation and restoring the site on which it is located, the obligation for which the municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period.

As the related asset is measured using the revaluation model: -

(a) changes in the liability for the year is adjusted through the fair value within the Statement of Fianncial Performance

1.9 Intangible assets

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

Item	Depreciation method	Average useful life
Computer software, other	Straight-line	3 - 5 years,Indefinite
Service operating and land rights	Straight-line	Indefinite

Initial recognition and measurement

Intangible assets are initially recognised at cost. The cost of an intangible assets is the purchase price and other costs attributable to bring the intangible assets to the location and condition necessary for it to be capable of operating in the manner intended by the municipality, or where an intangible assets 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, which is estimated to be between 3 to 5 years upon initial recognition. 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 assets is determined as the difference between the net disposals proceeds and the carrying value and is recognised in the Statement of financial performance.

1.10 Heritage assets

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

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

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

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

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

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

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

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

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

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

1.10 Heritage assets (continued)

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

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

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

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 municipality 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 are measured at cost less accumulated impairment losses. Heritage assets are not depreciated.

Dererecognition

The carrying amount of an item of heritage assets is derecognised on disposal, or when no future economic benefits or 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.

1.11 Investment in controlled entities

In the municipality's separate draft annual financial statements, investments in investments in controlled entities are carried at cost.

Investments in controlled entities that are accounted for in accordance with the accounting policy on Financial instruments in the consolidated draft annual financial statements, are accounted for in the same way in the controlling entity's separate draft annual financial statements.

1.12 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity. Financial instruments are classified into three categories namely, financial instruments at fair value, financial instruments at amortised cost or financial instruments at cost. The municipality determines the classification of its financial instruments at initial recognition.

A financial instrument is recognised if the entity becomes a party to the contractual provisions of the instrument.

1.12 Financial instruments (continued)

1.12.1 Classification of financial instruments

Financial assets

A financial asset is any asset that is a cash or contractual right to receive cash. In accordance with GRAP 104 the Financial Assets of the municipality are classified as follows into the three categories allowed by this standard:

Financial asset at amortised cost being a non-derivative financial asset with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months, which are classified as non-current assets.

Financial assets measured at fair value being financial assets that meet either of the following conditions:
- Derivatives;
- Combined instruments that are designated at fair value;
- Instruments held for trading;
- Non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; or
- Financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

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

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:

Type of financial asset	Classification in terms of GRAP 104
Receivable from exchange transactions	Financial assets at amortised cost
Cash and cash equivalents	Financial assets at amortised cost

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

Financial liabilities

A financial liability is a contractual obligation to deliver cash or another financial asset to another entity.

The following main categories of financial liabilities and the classification determining how they are measured exist:
- Financial liabilities measured at amortised cost; or
- Financial liabilities measured at fair value.

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:

Type of financial liability	Classification in terms of GRAP 104
Borrowings	Financial liability at amortised cost
Current portion of long-term liabilities	Financial liability at amortised cost
Trade and other payables from exchange transactions	Financial liability at amortised cost

Any other financial liabilities should be classified as financial liabilities at amortised cost.

1.12 Financial instruments (continued)

1.12.2 Initial and subsequent measurement

Initial recognition and measurement

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

Subsequent measurement – Financial assets

Financial assets consist of cash and cash equivalents, deposits, receivables and investments.

Receivables are subsequently measured at amortised cost using the effective interest rate method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

A provision for impairment of receivables is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of receivables. 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. Changes in the carrying amount of the provision is recognised in the Statement of financial performance. When a receivable is considered uncollectible, it is written off against the provision. Any gains or losses arising from the change in fair value of investments measured at fair value are recognised in the Statement of financial performance.

Residual interests that do not have a quoted market price in an active market, and the fair value of which cannot be reliably are subsequently measured at cost less any impairment. 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. Any calculated impairment is recognised in the Statement of financial performance.

Financial assets at amortised cost are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial assets. Subsequently, these assets are measured at amortised cost using the Effective Interest Method less any impairment, with interest recognised on an effective yield basis.

Trade and other receivables (excluding Value Added Taxation, prepayments and operating lease receivables), loans to municipal entities and loans that have fixed and determinable payments that are not quoted in an active market are classified as financial assets at amortised cost.

Financial assets measured at fair value are initially measured at fair value plus directly attributable transaction costs. They are subsequently measured at fair value with unrealised gains or losses recognised directly in equity until the investment is derecognised, at which time the cumulative gain or loss recorded in equity is recognised in the Statement of financial performance, or determined to be impaired, at which time the cumulative loss recorded in equity is recognised in the Statement of financial performance.

Subsequent measurement – Financial liabilities

Financial liabilities consist of payables, interest bearing loans and bank overdrafts. These liabilities are subsequently measured at amortised cost, using the effective interest rate method. Finance costs are expensed in the Statement of financial performance in the period in which they are incurred except where stated otherwise (see accounting policy on borrowing costs).

1.12.3 Impairment of financial assets

Receivables from exchange transactions

Receivables from exchange transactions are assessed individually thereafter collectively, considering factors such as payment histories and ratios, qualitative factors e.g. correspondence from attorneys, disputes about certain accounts, etc.

Other receivables from exchange transactions

Other receivables from exchange transactions are reviewed individually considering payment histories and disputes about certain amounts. Provision for impairment is made accordingly.

1.12 Financial instruments (continued)

1.12.4 Derecognition

Financial assets

The municipality derecognises financial assets only when the contractual rights to the cash flows from the asset expires or it transfers the financial assets and substantially all the risks and rewards of ownership of the asset to another entity, except when Council approves the write-off of financial assets due to non-recoverability.

If the municipality neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the municipality recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the municipality retains substantially all the risks and rewards of ownership of a transferred financial assets, the municipality continues to recognise the financial assets and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities

The municipality derecognises financial liabilities when, and only when, the municipality's obligations are discharged, cancelled or they expire.

1.13 Consumer deposits

The municipality recognises consumer deposits as a current liability when the municipality becomes a party to the contract i.e. when the deposit is made. The consumer deposit is recognised as a liability as the municipality has an obligation to pay the money back to the consumer once the consumer account is closed. As the timing of when a consumer will close their account is unknown, the consumer deposits are classified as a current liability.

1.14 Leases

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

Entity as lessee - Finance leases

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

The discount rate used in calculating the present value of the minimum lease payments is the municipality's incremental borrowing rate.

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

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

Entity as lessor - operating leases

The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability. The liability is not discounted.

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term. Income for leases is disclosed under revenue in statement of financial performance.

1.15 Inventories

Inventories are recognised as an asset if it is probable that future economic benefits or service potential associated with the item will flow to the municipality and the cost of the inventories can be measured reliably.

1.15 Inventories (continued)

Initial measurement:
Inventories are initially measured at cost. Cost comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition. Where inventories are acquired through a non-exchange transaction, their costs are their fair value as at the date of acquisition. The municipality adopted the weighted average cost valuation method.

Subsequent measurement:
Land and water inventory:
Subsequently inventories are measured at the lower of cost and net realisable value unless distributed through a non-exchange transaction or consumed in the production process of goods to be distributed at no charge or for a nominal charge, in which case they are measured at the lower of cost and current replacement cost.

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

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

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

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

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset. The cost of inventories is assigned using the weighted average cost formula, except for water which is determined at cost at the reporting date due to it being measured at the lower of cost and current replacement cost.

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

1.16 Impairment of property, plant and equipment, investment property, intangible assets and heritage assets

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

1.17 Impairment of cash-generating assets

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

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

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

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

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

1.17 Impairment of cash-generating assets (continued)

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

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

The municipality classifies all assets held with the primary objective of generating a commercial return as cash-generating assets. All other assets are classified as non-cash-generating assets.

Designation

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

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

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

Identification

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

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

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

Value in use

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

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

Basis for estimates of future cash flows

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

1.17 Impairment of cash-generating assets (continued)

Composition of estimates of future cash flows

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

Estimates of future cash flows exclude:
- cash inflows or outflows from financing activities; and
- income tax receipts or payments.

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

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 prime rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

1.17 Impairment of cash-generating assets (continued)

Cash-generating units

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

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

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

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

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

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

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

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

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

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

Accounting Policies

1.17 Impairment of cash-generating assets (continued)

Reversal of impairment loss

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

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

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

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

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

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

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

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

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

Redesignation

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

1.18 Impairment of non-cash-generating assets

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

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

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

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

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

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

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

Accounting Policies

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

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

Recoverable service amount is the higher of a non-cash-generating asset’s fair value less costs to sell and its value in use.
- the period of time over which an asset is expected to be used by the municipality; or
- the number of production or similar units expected to be obtained from the asset by the municipality.

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

* Assets acquired by the municipality are mainly used as per the municipality's mandate for service delivery purposes to customers that pay for the services but also to indigents. As the assets that are used for service delivery are similar, assets that generate cash flows cannot be distinguished from the non-cash generating assets and therefor are distinguished as non-cash generating.
* In the event that the assets that generate cash flows can be clearly identified the assets will be designated as cash-generating.

Designation

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

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

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

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

Impairment is a loss in the 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).

Identification

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

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

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

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

Value in use

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

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

Depreciated replacement cost approach

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

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

Restoration cost approach

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

Service units approach

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

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

Reversal of an impairment loss

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

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

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

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

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

1.19 Employee benefits

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

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

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

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

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

Accounting Policies

1.19 Employee benefits (continued)

Short-term employee benefits

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

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

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

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

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

Post-employment benefits

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

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

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

1.19 Employee benefits (continued)

Post-employment benefits: Defined contribution plans

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

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

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

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

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

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

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

1.20 Provisions

Provisions are recognised when the municipality has a present (legal or constructive) obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made.

The best estimate of the expenditure required to settle the present obligation is the amount that an entity would rationally pay to settle the obligation at the reporting date or to transfer it to a third party at that time and are determined by the judgment of the management of the municipality, supplemented by experience of similar transactions and, in some cases, reports from independent experts. The evidence considered includes any additional evidence provided by events after the reporting date. Uncertainties surrounding the amount to be recognised as a provision are dealt with by various means according to the circumstances, where the provision being measured involves a large population of items; the obligation is estimated by weighting all possible outcomes by their associated probabilities.

Accounting Policies

1.20 Provisions (continued)

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision. An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it - this unavoidable cost resulting from the contract is the amount of the provision to be recognised.

Provisions are reviewed at reporting date and the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. When the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in the Statement of financial performance as a finance cost as it occurs.

Environmental rehabilitation provisions

Estimated long-term environmental provisions, comprising rehabilitation and landfill site closure, are based on the municipality's policy, taking into account current technological, environmental and regulatory requirements. The provision for rehabilitation is recognised as and when the environmental liability arises. To the extent that the obligations relate to the asset, they are capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset are charged to the Statement of financial performance.

At year end a provision is raised for the rehabilitation of landfill sites. The provision is the net present value of the future cash flows to rehabilitate damaged land at year end.

As the related asset is measured using the revaluation model
- changes in the liability for the year is adjusted through the fair value within the Statement of Fianncial Performance.

1.21 Contingent assets and contingent liabilities

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

A contingent liability can also arise as a result of a present obligation that arises from past events but which is not recognised as a liability either because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets represent possible assets that arise from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality. The municipality follows comprehensive internal procedures, including discussions, consultations, and legal assessments, before initiating any legal proceedings. Matters are only referred to court when there is a high probability of a favourable outcome, as determined through these procedures.

Accordingly, internal evaluations are undertaken to assess the likelihood of success. Only in instances where the prospects of success are considered high will the municipality proceed to issue summons. Consequently, all cases where the municipality acts as the plaintiff, as disclosed in the litigation register, are regarded as Contingent Assets, reflecting the probability of inflow of economic benefits or service potential.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in the notes to the municipality.

1.22 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments. Commitments are disclosed inclusive of VAT.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:
- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and

1.22 Commitments (continued)

- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.23 Revenue

Revenue, excluding value-added taxation where applicable, is derived from a variety of sources which include rates levied, grants from other tiers of government and revenue from trading activities and other services provided.

Recognition and measurement

The municipality recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the municipality and when specific criteria have been met for each of the municipalities' activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The municipality bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. Furthermore services rendered are recognised by reference to the stage of completion of the transaction at the reporting date.

Stage of completion is determined by a variety of methods. Depending on the nature of the transaction, the methods may include:
- surveys of work performed;
- services performed to date as a percentage of total services to be performed;
- the proportion that costs incurred to date bear to the estimated total costs of the transaction. Only costs that reflect services performed to date are included in costs incurred to date. Only costs that reflect services performed or to be performed are included in the estimated total costs of the transaction.

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, stock rotation, price protection, rebates and other similar allowances.

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.

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

1.23 Revenue (continued)

1.23.1 Revenue from exchange transactions

Service charges

Service charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption, based on the consumption history, are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced, except at year-end when estimates of consumption up to year-end are recorded as revenue without it being invoiced. The municipality council approved consumption estimates based on estimates which is used where the inaccessible meters does not have history that could be substantiated. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

Service charges relating to Sewerage and refuse removal is recognised monthly in arrears by applying the approved tariff. The municipality use the approved tariff for basic charge and based on the size of the property determine the revenue to be recognised..

In circumstances where services cannot readily be measured and quantified, a flat rate service charge is levied monthly on such properties.

Pre-paid electricity

Revenue from the sale of electricity pre-paid meter cards are recognised at the point of sale. Revenue from the sale of electricity prepaid meter cards are recognised based on an estimate of the prepaid electricity consumed as at the reporting date.

Interest earned and rentals received

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

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

Traffic charges

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

Income from agency services

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

Sale of goods

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

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

Revenue from bus fares

Paper Ticket: Revenue from the sales of Paper ticket is recognised as revenue by the municipality at the point of sale.

Automated Fare collection system: Revenue from the sale of automated fare collection card will be recognised at the point of sale. Revenue for service rendered will be recognised based on the usage of the bus services by the commuters.

1.23 Revenue (continued)

Parking fee revenue

Revenue from Parking fees is recognised when the municipality issues the respective invoice to the agent.

1.23.2 Revenue from non-exchange transactions

Rates and taxes

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis with reference to the principal amount receivable and effective interest rate applicable. A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers and are deducted from revenue.

Fines

Fines constitute both spot fines and camera fines. Fines are recognised when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset. It is measured at the best estimate, based on past experience, of the amount of revenue the municipality is entitled to collect.

Subsequent to initial recognition and measurement, the municipality assess the collectability of the revenue and recognises a separate impairment loss where appropriate.

Donations and contributions

Donations are recognised as non exchange revenue upon receipt.

Transfers and subsidies

Unconditional grants

Equitable share allocations are recognised in revenue at the start of the financial year.

Conditional grants

Conditional grants recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the criteria, conditions or obligations have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

Services received in-kind

Services in kind are recognised at its fair value when it is significant to the operations and/or service delivery objectives and when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably. If the services in-kind are not significant to the operations and/or service delivery objectives and/or do not satisfy the criteria for recognition, only the nature and type of services in-kind received during the reporting period is disclosed.

1.24 Unspent conditional grants

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. To the extent where the obligations have not been met, a liability is recognised.

1.25 Investment income

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

1.26 Borrowing costs

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

Borrowing costs are recognised as an expense in the Statement of financial performance in the period in which they are incurred.

1.27 Unauthorised expenditure

Section 1 of the Municipal Finance Management Act (Act 56 of 2003) (MFMA), defines Unauthorised expenditure as follows:
- Overspending of the total amount appropriated in the municipality’s approved budget;
- Overspending of the total amount appropriated for a vote in the approved budget;
- Expenditure from a vote unrelated to the department or functional area covered by the vote;
- Expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose;
- Spending of an allocation referred to in the above paragraphs of the definition of "allocation" otherwise than in accordance with any conditions of the allocation; or
- A grant by the municipality otherwise than in accordance with this Act.

Section 1 of the Municipal Finance Management Act (Act 56 of 2003) (MFMA) also defines a Vote as:
- One of the main segments into which a budget of a municipality is divided for the appropriation of money for the different departments or functional areas of the municipality; and
- Which specifies the total amount that is appropriated for the purposes of the department or functional area concerned.

The municipality uses the Municipal Standard Chart of Accounts (mSCOA) Functions and Sub-functions, previously the Government Finance Statistics (GFS) functions, as well as departments as the main groupings of segments of the municipality’s budget segments within the municipality are grouped per department to facilitate greater accountability and budget implementation by the respective Executive Directors as well as per mSCOA classification to facilitate comparisons on a higher level.

All expenditure relating to unauthorised expenditure is recognised as an expense in the Statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the Statement of financial performance. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

1.28 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the Statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the Statement of financial performance.

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

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

1.29 Irregular expenditure

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

Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of financial performance and where recovered, it is subsequently accounted for as revenue in the Statement of financial performance.

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Accounting Policies

1.29 Irregular expenditure (continued)

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

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

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

1.30 Revaluation reserve

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

1.31 Segment information

A segment is an activity of an entity:

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

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

The reportable segments identified are those functional segments reported in the Government Finance Statistics (GFS's) format and the Municipal Vote (Departmental) format per the Monthly Section 71 Management Reports. The information that will be reported is aligned to the monthly section 71 reports which are reviewed by the executive management. The Government Finance Statistics (GFS's) format allows for universal comparability of segments. The main factors considered in selecting the segments were the level of comparability with other preparers and a level of aggregation that does not detract from presenting the separate revenue or service delivery components.

The Municipality uses the Municipal Vote (Departmental) as Primary and the GFS as Secondary segment reporting levels. The assets and liabilities are not reviewed at all on a segregated basis.

1.31 Segment information (continued)

Measurement

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

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

1.32 Budget information

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

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

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

The approved budget covers the fiscal period from 2023/07/01 to 2024/06/30.

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

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

In general, a difference of 10% or more is considered material, although the surrounding circumstances are taken into account if it could influence the decisions or assessments of the users of the annual financial statements in determining whether a difference between the budgeted and actual amount is material.

All comparisons of the budget and actual amounts shall be presented on a comparative basis to the budget. Comparative information includes the following:

- the approved and final amounts;
- actual amounts and final budget amounts.

1.33 Related parties and related party transactions

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. Related party relationships where control exists are disclosed regardless of whether any transactions took place between the parties during the reporting period.

Related parties include key management personnel, close members of family of key management and councillors.

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

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

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

1.33 Related parties and related party transactions (continued)

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

Key management personnel include all heads of department or members of the municipal council of the reporting municipality where that council has jusridiction. The Council, together with the Municipal Manager and Section 57 employees has authority and responsibility to plan and control the activities of the municipality, to manage the resources and for the overall achievement of municipal objectives.

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

Only transactions with related parties not at arm's lenght or not in the ordinary course of business are disclosed.

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

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

1.34 Events after reporting date

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

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

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

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

1.35 Statutory receivables

1.35.1 Identification

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

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

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

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

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

The municipality has the following major categories under the ambit of statutory receivables:

- VAT receivables, in terms of the VAT Act;
- Rates debtors, in terms of the Municipal Property Rates Act;
- Traffic fine debtors, in terms of the National Traffic Act as well as the Criminal Procedure Act.

1.35 Statutory receivables (continued)

1.35.2 Recognition

The municipality recognises statutory receivables as follows:

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

1.35.3 Measurement

The municipality initially measures statutory receivables at their transaction amount.

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.

1.35.4 Impairment

Statutory receivables, other than those measured at fair value, are assessed for indicators of impairment at the end of each reporting period. Statutory receivables are impaired where there is objective evidence of impairment of Statutory receivables (such as the probability of insolvency or significant financial difficulties of the debtor). If there is such evidence the recoverable amount is estimated and an impairment loss is recognised in accordance with GRAP 108.

A provision for impairment of receivables is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of receivables. 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.

According to GRAP 108, the assessment for impairment needs to be made for each individual financial asset separately or for groups of statutory receivables with similar credit risks. The following methodology was followed to make a provision for bad debts for the year under review:

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.

Rates debtors are assessed individually thereafter collectively, considering factors such as payment histories and ratios,qualitative factors e.g. correspondence from attorneys, disputes about certain accounts, etc.

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

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

1.36 Value Added Tax

The municipality is registered with the South Afrcan Revenue Service (SARS) for Value Added Tax on the payment basis, in accordance with Section 15(2)(a) of the Value-Added Tax Act No 89 of 1991.

VAT is accounted for on an accrual basis in the annual financial statements. VAT output accrual and VAT input accrual is seperately disclosed in the Annual Financial Statements as these will only become a receivable (for Input VAT Accrual) or payable (for Output VAT accrual) from/to SARS once the actual cash receipt or cash payment relating to the transaction has occurred.

1.37 Principal-agent arrangements

The municipality is party to a principal-agent arrangement for SANRAL, Cigicell Pty Ltd, Park Point Pty Ltd, Easy Pay and the Department of Transport. In terms of the arrangement the municipality is the principal for SANRAL, Cigicell Pty Ltd, Park Point Pty Ltd and Easy Pay. The Municipality is the agent for the Department of Transport. .

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).

Binding arrangement

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

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

Assessing which entity benefits from the transactions with third parties

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

The municipality is an agent when, in relation to transactions with third parties, all three of the following criteria are present:
- It does not have the power to determine the significant terms and conditions of the transaction.
- It does not have the ability to use all, or substantially all, of the resources that result from the transaction for its own benefit.
- It is not exposed to variability in the results of the transaction.

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

Recognition

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

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

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

1.38 Living resources

Living resources are those resources, other than biological assets that form part of an agricultural activity, that undergo biological transformation.

Living resources include living organisms, for example animals and plants that are used or held for:

- the delivery or provision of goods and services
- research
- conservation
- recreation
- agricultural activities
- education or training; and
- rehabilitation or breeding purposes

Definitions

Group of resources means a grouping of living or non-living resources of a similar nature or function in an entity's operations that is shown as a single item for the purpose of disclosure in the financial statements.

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.

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

Initial and subsequent measurement

A living resource shall be recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the asset will flow to the entity; and the cost or fair value of the asset can be measured reliably.

The definition of an asset is met if the living resource is controlled by the entity, because of past events, and from which future economic benefits or service potential is expected to flow to the entity. Control is assessed with guidance of GRAP 110.

Living resources are initially recognised at cost on its acquisition date. The cost of a living resource 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.

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.

Subsequent expenditure relating to living is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the municipality 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.

Elements of cost are determined with reference to GRAP 110 which take into account borrowing costs as well as combinations of monetary and non-monetary exchanges for acquisitions.

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. For example, two entities that are engaged in breeding activities may exchange resources to improve the bloodline of a specific animal. 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 an entity can reliably determine the fair value of either the asset received or the asset given up, then the fair value of the asset given up is used to measure the cost of the asset received. This applies unless the fair value of the asset received is more clearly evident.

1.38 Living resources (continued)

Subsequent measurement – revaluation model

After recognition as an asset, a group of living resources, whose fair value can be measured reliably, are carried at a revalued amount, which is its fair value at the date of the revaluation less accumulated depreciation and impairment. Revaluations are made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date.Revaluation period will be the same as followed for Property, Plant and Equipment, which is every three years. The accounting treatment for revaluations will be as per GRAP 110

An increase in the carrying amount of living resources as a result of a revaluation is credited directly to a revaluation surplus reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

A decrease in the carrying amount of an asset as a result of a revaluation is recognised in surplus or deficit, except to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

Determining fair value

The fair value of a living resource is the price at which the living resource could be exchanged between knowledgeable, willing parties in an arm's length transaction. Fair value specifically excludes an estimated price inflated or deflated by special terms or circumstances, such as special considerations or concessions granted by anyone associated with the exchange. Fair value of living and non-living resources is determined and accounted for with guidance from GRAP 110.

Depreciation

The living resources shall be depreciated based on the allocated useful lives. The immature animals within the game reserve will not be valued until they reach maturity phase.

Asset class	Useful lives (Years)
Living resource	9 - 40 years

Derecognition

The carrying amount of a living resources derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal. The gain or loss arising from the is included in surplus or deficit when the item is derecognised. Gains are not classified as revenue. Gains or losses are calculated as the difference between the carrying values of assets and consideration received / receivable.

1.39 Cash and cash equivalents

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash and are subject to an insignificant risk of change in value. Cash and cash equivalents are carried at amortised cost. Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are carried at amortised cost.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts.

1.40 Change in accounting policies, estimates and errors

Changes in accounting policies that are affected by management have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the change in policy. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

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

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

Accounting Policies

1.40 Change in accounting policies, estimates and errors (continued)

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

1.41 Service concession arrangements

The municipality analyses all aspects of service concession arrangements that it enters into in determining the appropriate accounting treatment and disclosure requirements.

Where the municipality owns the asset:
In the case where the municipality is the legal owner of the asset, the asset is recognised using the same recognition and measurment criteria as those guided by GRAP 17.

Where the municipality does not own the asset:
Where a party (operator) contributes an asset to the arrangement, the municipality recognises that asset when, and only when, it controls or regulates the services the operator must provide together with the asset, to whom it must provide them, and at what price. In the case of assets other than ’whole-of-life’ assets, it controls, through ownership, beneficial entitlement or otherwise – any significant residual interest in the asset at the end of the arrangement. Any assets so recognised are measured at their fair value. To the extent that an asset has been recognized, the municipality also recognises a corresponding liability, adjusted by a cash consideration paid or received.

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

2. New standards and interpretations

2.1 Standards, amendments to standards and interpretations issued, but not yet effective

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

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 1: Presentation of Financial Statements	01 April 2099	Unlikely there will be a material impact
• GRAP 103: Heritage Assets	01 April 2099	Unlikely there will be a material impact
• Interpretation of GRAP Standards	01 April 2099	Unlikely there will be a material impact
• GRAP 104 (as revised): Financial Instruments	01 April 2025	Unlikely there will be a material impact

3. Cash and cash equivalents

3.1 Cash and cash equivalents

Cash and cash equivalents consist of the following:

	2025	2024
Cash at bank		
Bank account	708 464 988	343 264 186
Cash on hand	11 810	14 310
Total cash and cash equivalents	**708 476 798**	**343 278 496**

3.2 Bank accounts

The municipality has the following bank accounts:

		2025	2024
Standard Bank	Business current account - 030172349	707 274 310	342 629 244
Standard Bank	Business current account - DBSA - 80472818	34	-
Standard Bank	Business current account - Grant account - 251753846	6 421	-
Standard Bank	Business Current Account - Housing Account - 330535269	1 184 223	634 942
Total		**708 464 988**	**343 264 186**

Figures in Rand	2025	2024

3. Cash and cash equivalents (continued)

3.3 Difference between cash book and bank statement

2025

	Cash book	Bank statement	Difference
Standard Bank - Business current account - 030172349	707 274 310	706 048 566	1 225 744
Standard Bank - Business current account - DBSA - 80472818	34	34	-
Standard Bank -Business current account - Grant account - 251753846	6 421	6 421	-
Standard Bank - Business current account - Housing - 330535269	1 184 223	1 184 223	-
	708 464 988	**707 239 244**	**1 225 744**

2024

	Cash book	Bank statement	Difference
Standard Bank - Business current account - 030172349	342 629 244	341 491 143	1 138 101
Standard Bank - Business current account - DBSA - 80472818	-	-	-
Standard Bank - Business current account - Grant account - 251753846	-	-	-
Standard Bank - Business current account - Housing account - 330535269	634 942	634 942	-
	343 264 186	**342 126 085**	**1 138 101**

No cash and cash equivalents are kept as collateral.

4. Receivables from exchange transactions

		2025	2024
	4.1		
Consumer receivables from exchange transactions			
Electricity		209 125 605	184 935 777
Waste management		124 634 965	107 844 301
Waste water management		106 496 257	93 600 096
Water		286 599 928	229 293 013
		726 856 755	**615 673 187**
	4.2		
Other receivables from exchange transactions			
Housing selling scheme		203 770	193 189
Property rental debtors		140 810 354	133 949 233
Other sundry debtors		189 109 460	188 247 848
Provision for impairment		(93 436 661)	(101 323 211)
		236 686 923	**221 067 059**
Total receivables from exchange transactions		**963 543 678**	**836 740 246**

The amount disclosed in this note is net of impairment. Refer to note 4.1 & 4.2 for the amount before the provision (gross) and the actual value of the provision.

Notes to the Audited Annual Financial Statements

4. Receivables from exchange transactions (continued)

4.1 Consumer receivables

	2025			2024		
	Gross	Impairment	Total	Gross	Impairment	Total
Consumer receivables from exchange transactions						
Electricity	350 249 560	(141 123 955)	**209 125 605**	339 579 251	(154 643 474)	**184 935 777**
Waste management	226 699 618	(102 064 653)	**124 634 965**	212 806 849	(104 962 548)	**107 844 301**
Waste water management	190 623 486	(84 127 229)	**106 496 257**	185 411 800	(91 811 704)	**93 600 096**
Water	485 215 077	(198 615 149)	**286 599 928**	451 245 226	(221 952 213)	**229 293 013**
Total consumer receivables from exchange transactions	**1 252 787 741**	**(525 930 986)**	**726 856 755**	**1 189 043 126**	**(573 369 939)**	**615 673 187**

4. Receivables from exchange transactions (continued)

4.1.1 Ageing of consumer receivables

2025

		Not due	Past due			
	Total	**Current**	**30 days**	**60 days**	**90 days**	**120+ days**
Consumer receivables from exchange transactions						
Total by debt type						
Electricity	**350 249 560**	124 568 031	23 034 437	8 931 840	7 307 153	186 408 099
Waste management	**226 699 618**	15 787 542	8 540 724	6 750 744	6 139 127	189 481 481
Waste water management	**190 623 486**	22 928 139	8 729 134	7 436 444	6 702 777	144 826 992
Water	**485 215 077**	70 221 351	11 350 649	8 354 575	7 373 597	387 914 905
Total by debt type	**1 252 787 741**	**233 505 063**	**51 654 944**	**31 473 603**	**27 522 654**	**908 631 477**

2024

		Not due	Past due			
	Total	**Current**	**30 days**	**60 days**	**90 days**	**120+ days**
Consumer receivables from exchange transactions						
Total by debt type						
Electricity	**339 579 251**	100 267 444	18 255 595	12 629 408	12 645 810	195 780 994
Waste management	**212 806 849**	14 328 256	8 697 664	6 972 004	6 343 840	176 465 085
Waste water management	**185 411 800**	24 212 256	8 513 493	6 803 807	6 140 088	139 742 156
Water	**451 245 226**	33 876 888	13 337 103	17 286 712	13 305 924	373 438 599
Total by debt type	**1 189 043 126**	**172 684 844**	**48 803 855**	**43 691 931**	**38 435 662**	**885 426 834**

4. Receivables from exchange transactions (continued)

4.1.2 Impairment reconciliation of consumer receivables

	2025				2024			
	Opening balance	Impairment raised	Debt written off	Closing balance	Opening balance	Impairment raised	Debt written off	Closing balance
Consumer receivables from exchange transactions								
Electricity	(154 643 474)	(610 280)	14 129 799	**(141 123 955)**	(156 852 767)	(37 181 953)	39 391 246	**(154 643 474)**
Waste management	(104 962 548)	(9 222 546)	12 120 441	**(102 064 653)**	(94 284 458)	(26 286 267)	15 608 177	**(104 962 548)**
Waste water management	(91 811 704)	(5 808 383)	13 492 858	**(84 127 229)**	(79 039 342)	(29 370 984)	16 598 622	**(91 811 704)**
Water	(221 952 213)	6 389 976	16 947 088	**(198 615 149)**	(208 283 708)	(49 258 130)	35 589 625	**(221 952 213)**
Total consumer receivables	**(573 369 939)**	**(9 251 233)**	**56 690 186**	**(525 930 986)**	**(538 460 275)**	**(142 097 334)**	**107 187 670**	**(573 369 939)**

4. Receivables from exchange transactions (continued)

4.2 Trade receivables

4.2.1 Ageing of trade receivables

2025

	Not due		Past due			
	Total	Current	30 days	60 days	90 days	120+ days
Housing selling scheme	203 770	24	1 114	1 114	1 114	200 404
Property rental debtors	140 810 354	11 556 537	11 767 755	10 798 381	10 781 995	95 905 686
Other sundry debtors	189 109 460	2 929 017	4 515 562	3 814 776	3 503 112	174 346 993
Total	**330 123 584**	**14 485 578**	**16 284 431**	**14 614 271**	**14 286 221**	**270 453 083**

2024

	Not due		Past due			
	Total	Current	30 days	60 days	90 days	120+ days
Housing selling scheme	193 189	1 127	1 127	1 127	1 127	188 681
Property rental debtors	133 949 233	2 431 721	1 861 583	1 696 985	1 659 065	126 299 879
Other sundry debtors	188 247 848	2 407 526	4 935 633	2 386 355	2 313 819	176 204 515
Total	**322 390 270**	**4 840 374**	**6 798 343**	**4 084 467**	**3 974 011**	**302 693 075**

4.2.2 Trade receivables pledged as security

No Receivable were pledged as security

Minimum lease payments receivable

The municipality is a lessor of various buildings, vacant land, hawker stands as well as land where mobile phone masts are erected. The contract terms and escalation rates vary from one contract to another. It has also entered into numerous developer contracts. The municipality lets out these properties to the general public

	2025	2024
Within a year	11 090 816	8 407 490
Between 1 and 5 years	46 354 003	34 783 943
After 5 years	812 021 133	732 690 182
	869 465 952	**775 881 615**

Notes to the Audited Annual Financial Statements

Figures in Rand		2025	2024

5. Other receivables from exchange transactions

		2025	2024
Deposits		1 164 684	1 107 234
Abeyance	5.1	2 986 287	1 853 009
Control, clearing and interface accounts	5.2	1 892 637	1 896 386
Prepayments and advances	5.3	14 703 561	11 727 405
Total		**20 747 169**	**16 584 034**

5.1 Reconciliation of Abeyance

	2025	2024
Sundry debtors - auctioneer	3 185 394	3 185 394
Leelyn Parking Management	1 562 511	1 562 511
Interest recoverable from DBSA	17 708	17 708
Receivable from SANRAL	2 986 287	1 853 009
Provision for impairment	(4 765 613)	(4 765 613)
	2 986 287	**1 853 009**

5.2 Reconciliation of control,clearing and interface accounts

	2025	2024
Accrued Interest	1 779 373	1 783 840
Over/Under Banking	113 264	112 546
	1 892 637	**1 896 386**

5.3 Reconciliation of prepayments and advances

	2025	2024
Subscriptions	11 925 145	11 614 688
Recoveries from Staff	2 778 416	112 717
Fleet procurement	15 073 528	15 073 528
Fleet procurement impairment	(15 073 528)	(15 073 528)
	14 703 561	**11 727 405**

6. Receivables from non-exchange transactions

		2025	2024
Consumer receivables	6.1		
Property rates		389 486 638	314 250 980
Other receivables	6.1		
Fines		8 346 306	4 782 515
Fruitless and Wasteful Expenditure		3 928 758	-
		12 275 064	**4 782 515**
Total receivables		**401 761 702**	**319 033 495**

6.1 Receivables from non-exchange transactions

	2025			2024		
	Gross	Impairment	Total	Gross	Impairment	Total
Consumer receivables						
Property rates	709 299 186	(319 812 548)	**389 486 638**	626 022 521	(311 771 541)	**314 250 980**

6. Receivables from non-exchange transactions (continued)

Other receivables						
Fines	95 634 150	(87 287 844)	**8 346 306**	76 849 648	(72 067 133)	**4 782 515**
Fruitless and Wasteful Expenditure	3 928 758	-	**3 928 758**	-	-	**-**
	99 562 908	**(87 287 844)**	**12 275 064**	**76 849 648**	**(72 067 133)**	**4 782 515**
Total	**808 862 094**	**(407 100 392)**	**401 761 702**	**702 872 169**	**(383 838 674)**	**319 033 495**

6.1.1 Ageing of receivables from non-exchange transactions

2025

		Not due	Past due			
	Total	**Current**	**30 days**	**60 days**	**90 days**	**120+ days**
Consumer receivables						
Property rates	**709 299 186**	54 289 078	24 940 804	19 121 629	17 259 046	593 688 629
Other receivables						
Fruitless and Wasteful Expenditure	**3 928 758**	3 928 758	-	-	-	-
Total	**713 227 944**	**58 217 836**	**24 940 804**	**19 121 629**	**17 259 046**	**593 688 629**

2024

		Not due	Past due			
	Total	**Current**	**30 days**	**60 days**	**90 days**	**120+ days**
Consumer receivables						
Property rates	**626 022 521**	39 427 998	33 241 866	19 063 691	15 382 370	518 906 596

6. Receivables from non-exchange transactions (continued)

6.1.2 Impairment reconciliation of receivables from non-exchange transactions

	2025				2024			
	Opening balance	**Impairment raised**	**Debt written off**	**Closing balance**	**Opening balance**	**Impairment raised**	**Impairment reversed / debt written off**	**Closing balance**
Consumer receivables								
Property rates	(311 771 541)	(43 961 635)	35 920 628	**(319 812 548)**	(226 312 100)	(125 174 535)	39 715 094	**(311 771 541)**
Other receivables								
Fines	(72 067 133)	(15 220 711)	-	**(87 287 844)**	(166 830 521)	(28 371 425)	123 134 813	**(72 067 133)**
Total	**(383 838 674)**	**(59 182 346)**	**35 920 628**	**(407 100 392)**	**(393 142 621)**	**(153 545 960)**	**162 849 907**	**(383 838 674)**

6.1.3 Other receivables from non-exchange transactions pledged as security

No Other receivables from non-exchange transactions are pledged as security

7. Inventory

Materials and supplies		101 188 567	106 949 508
Water	7.1	799 551	596 784
Land		5 262 120	5 262 120
Total Inventories		**107 250 238**	**112 808 412**

The amount of write-down of inventories recognised as an expense is R 2 580 408 (2024: R 9 278 544). Refer to note 47.

Included within the inventory is an amount of R 5 262 120 relating to land inventory. The expected date to turnover the inventory is when prospective buyer satisfies all the purchasing requirements, including paying the agreed purchase amount to the appointed conveyancers and transfer of property is concluded.

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

7. Inventory (continued)

7.1 Water

Summary

Opening balance	596 784	454 942
System input volume	342 816 273	281 691 685
Authorised consumption	(229 792 121)	(213 043 546)
Water losses	(112 821 385)	(68 506 297)
Closing balance	**799 551**	**596 784**

7.2 Inventory pledged as security

No inventory is pledged as security nor held as a collateral.

8. VAT Receivable/(payables)

The municipality is registered for VAT on the payment basis.

VAT Receivable/(payables)	15 956 136	14 013 278

The VAT output accrual and VAT input accrual balances are as a result of transactions being accounted for on the accrual basis. These are amounts that will become due to (Output VAT) or from (Input VAT) SARS upon the actual realisation or payment of cash from these transactions.

VAT output accrual	113 491 472	119 142 965

Reconciliation of VAT output accrual		
VAT output on outstanding on gross receivables	117 769 407	148 276 454
VAT impairment on gross receivables	(4 277 935)	(29 133 489)
	113 491 472	**119 142 965**

VAT input accrual	72 070 268	49 185 916

9. Investment property

9.1 Reconciliation of carrying value

Opening carrying value		
Opening carrying value	976 961 167	929 551 893
Fair Value Adjustments	74 189 872	47 409 274
Closing carrying value	**1 051 151 039**	**976 961 167**

Fair value	1 051 151 039	976 961 167

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.

9.2 Investment property contractual commitments

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

9. Investment property (continued)

9.3 Restrictions on investment property

There are no restrictions on the realisability of investment property or the remittance of revenue and proceeds of disposal.

9.4 Investment property pledged as security

No investment property assets are pledged as security.

Details of valuation

The values were determined by an external professional valuer registered in terms of the Property Valuers Act No 47 of 2000, Registration number 4761.The valuation approaches applied are as follows:

Vacant land: Comparable market-related sales, considering location, use and size. In instances where the recent comparable sales are not available the comparable sales achieved in the previous years are used as a baseline and adjusted for by the property growth rate.

Income generating properties: Discounted Cash Flow (DCF) method aligned with accounting standards. Where there were no active contracts, properties were valued using comparable sales method used by using similar properties traded in the market.

Investment properties were fair valued by Mr Hangwani Petrus Matidza, an independent registered professional associated valuer with SACPVP, registration number: 4953/7.

Land invasion
Polokwane Local Municipality faces challenges with illegal occupation of certain properties used for purposed such as churches, temporary dwellings and small businesses. The municipality retains legal ownership and control and reserves the right to evict unlawful occupants. The valuer confirmed that these invasions have not resulted in any material impact on fair value as at the valuation date.

Leased properties
Leased properties with an active contract were valued using a discounted cashflow method based on projected future cashflows, escalations (0-10%) and period as stipulated in the lease contract. These cashflows were discounted at 11%, consistent with municipal loans

Impact on fair value of Vacant Land:
A review of valuation methodology and applicable standards confirms that land invasions have not materially affected fair value. Encroachments and limited occupation were noted but did not warrant adjustments.

Valuation of land with no comparable sales:
The 2.8% adjustment was applied due to the absence of active market transactions for large parcels of vacant land. This adjustment is based on national property inflation trends and historical performance within Polokwane Municipality. It ensures that fair value reflects current economic conditions while remaining consistent with GRAP 16 principles, which permit management judgment when observable market data is limited, provided assumptions are reasonable and supportable.

Derivation of 2.8% adjustment: The 2.8% rate was determined by referencing published property inflation indices and market trend reports for South Africa, including data from Stats SA and industry benchmarks. This percentage reflects the average annual growth in property values for similar land categories and aligns with historical performance within Polokwane Municipality.

The opening balance for the current financial year was based on comparable sales which considered location and the best use of the asset therefore no adjustments were needed to factor in location specifics.

Sensitivity analysis:
The analysis to assessed whether the 2.8% adjustment, derived from prior-year comparable sales, should be increased or decreased.

9. Investment property (continued)

Scenario	Value (R)	Change (R)	Impact	Basis used
Opening balance as at 1 July 2023	456 409 437	-	No impact	Comparable sales
Property inflation: +1.9% for 2024 financial year	465 081 216	-	No impact	Comparable sales
1% increase in property inflation	469 645 311	4 564 094	Increase	Comparable sales
1% decrease in property inflation	460 517 122	(4 564 094)	Decrease	Comparable sales
Fair value adjustment for the 2024 financial year	8 671 779	-	No impact	Comparable sales
Opening balance as at 1 July 2024	465 081 216	-		Comparable sales
Property inflation: +2.8% for 2025 financial year	478 103 490	13 022 274	Current fair value adjustment	Comparable sales adjusted for property inflation
1% increase in property inflation	482 754 303	4 650 812	Increase	Comparable sales adjusted for property inflation
1% decrease in property inflation	473 452 678	(4 650 812)	Decrease	Comparable sales adjusted for property inflation

The results indicate that a 1% increase or decrease in the applied rate would result in a change of approximately R4.65 million in the fair value of affected properties.

Amounts recognised in surplus or deficit

	2025	2024
Rental revenue from Investment Property	10 191 077	8 629 927

Property interests

There are no property interests held under operating leases.

Operating expenses

The municipality does not incur any operating expenses (including repairs and maintenance) on investment properties.

Change in estimate

For expired contracts, the municipality changed its accouting estimates from DCF method to comparable sales. Where comparable sales were not available, the cost approach was used. The effect is R116 816 006.

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

10. Property, plant and equipment

10.1 Reconciliation summary

	2025			2024		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Land	470 428 838	-	**470 428 838**	470 428 838	-	**470 428 838**
Movable assets and other	465 547 687	(285 423 128)	**180 124 559**	426 200 263	(251 613 755)	**174 586 508**
Infrastructure	28 794 375 599	(19 371 642 578)	**9 422 733 021**	28 362 947 242	(19 043 649 816)	**9 319 297 426**
Concession assets	214 733 764	(53 318 564)	**161 415 200**	97 261 065	(45 921 650)	**51 339 415**
Community Assets	5 698 113 465	(3 633 538 591)	**2 064 574 874**	5 642 406 993	(3 463 510 533)	**2 178 896 460**
Leased Assets	38 403 177	(25 755 251)	**12 647 926**	37 418 614	(14 888 737)	**22 529 877**
Construction Work in Progress	2 155 635 003	-	**2 155 635 003**	2 380 228 822	-	**2 380 228 822**
Total	**37 837 237 533**	**(23 369 678 112)**	**14 467 559 421**	**37 416 891 837**	**(22 819 584 491)**	**14 597 307 346**

10. Property, plant and equipment (continued)

10.2 Reconciliation of carrying value

2025

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss/ reversal	Total
Land	470 428 838	-	-	-	-	-	**470 428 838**
Movable assets and other	174 586 506	50 698 797	(7 243 303)	-	(36 529 179)	(1 388 262)	**180 124 559**
Infrastructure	9 319 297 426	75 373 566	(4 321 170)	699 109 953	(651 232 875)	(15 493 879)	**9 422 733 021**
Concession assets	51 339 414	-	-	117 472 699	(11 098 716)	3 701 803	**161 415 200**
Community Assets	2 178 896 460	8 104 555	(945 218)	53 669 988	(168 987 487)	(6 163 424)	**2 064 574 874**
Leased Assets	22 529 877	1 966 337	(343 857)	-	(11 504 431)	-	**12 647 926**
Contruction Work in Progress	2 380 228 824	645 658 819	-	(870 252 640)	-	-	**2 155 635 003**
Total	**14 597 307 345**	**781 802 074**	**(12 853 548)**	**-**	**(879 352 688)**	**(19 343 762)**	**14 467 559 421**

2024

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Total
Land	470 428 838	-	-	-	-	-	**470 428 838**
Movable assets and other	163 069 216	34 573 394	(1 172 498)	12 583 576	(33 044 024)	(1 423 156)	**174 586 508**
Infrastructure	9 454 774 522	61 220 524	(2 797 088)	747 622 694	(908 777 669)	(32 745 557)	**9 319 297 426**
Concession assets	64 557 426	-	-	-	(9 516 208)	(3 701 803)	**51 339 415**
Community Assets	2 333 446 456	11 196 480	(270 188)	24 849 698	(183 751 481)	(6 574 505)	**2 178 896 460**
Leased Assets	25 442 117	19 519 564	(277 094)	(12 583 576)	(9 571 134)	-	**22 529 877**
Construction Work in Progress	2 301 507 448	851 193 766	-	(772 472 392)	-	-	**2 380 228 822**
Total	**14 813 226 023**	**977 703 728**	**(4 516 868)**	**-**	**(1 144 660 516)**	**(44 445 021)**	**14 597 307 346**

10.3 Property, plant and equipment contractual commitments

The contractual commitment for the acquisition of property, plant and equipment is as follows:

Figures in Rand	2025	2024

10. Property, plant and equipment (continued)

Infrastructure	1 006 626 706	1 065 652 989

10.4 Maintenance of property, plant and equipment

10.4.1 Maintenance of property, plant and equipment by nature and type of expenditure

Expenditure incurred to repair and maintain property, plant and equipment included in the Statement of Financial Performance		
Contracted services	543 456 320	435 476 959
Employee related costs	237 663 536	251 183 374
Inventory consumed	29 753 170	41 256 784
Operational costs	14 668 789	15 505 293
	825 541 815	**743 422 410**

Change in estimated remaining useful lives

Property, plant and equipment
Depreciable assets - During the year, the useful life of property, plant and equipment had been re-estimated at the beginning of the current period to refect the actual pattern of service potential derived from the assets. The effect on the current and future periods will be a decrease in the depreciation charge of R343 336 289 in the current period and an equal increase in the depreciation charge of R343 336 289 over the remaining period/s.

10.5 Other information

Borrowing costs capitalised

There are no borrowing costs that have been capitalised to the property, plant and equipment value.

Assets subject to finance lease (Net carrying value)

Leased Assets	12 647 926	22 529 877

Revaluations

The effective date of the revaluations was Friday, 30 June 2023. Revaluations were performed by MMB Consulting.
MMB Consulting and its directors are not connected to the municipality. (The valuations are performed by Madie Bapela CA(SA)(RA), Madishe Shokoane CA(SA) and Max Pawandiwa (Pr Eng-Civil)).

Land and infrastructure are re-valued independently every three years.

The valuation for Public Service Infrastructure were valued through a calculated nominal value.

The valuation for land is based on the market rate per square metre, taking into account the extent of the property.

All assumptions were based on current market conditions at the time of the valuation.

Delayed and halted projects

10. Property, plant and equipment (continued)

Carrying value of delayed and halted projects		
Terminated contracts due to poor performance by contractors	469 955 032	540 754 193
Delay in servitude negotiations and payment agreements	12 644 529	10 076 698
Variation orders	470 767 039	539 874 083
Lack of funding	6 796 945	6 796 945
Lack of capacity by Eskom	4 855 314	4 855 314
	965 018 859	**1 102 357 233**

Within the above carrying value of delayed and halted projects is a carrying value of R37 395 811 (Prior year: R158 333 817) relating to halted projects.

No impairment loss was recognised in the current and prior reporting periods on the above capital projects. Condition assessment were performed for consideration of impairment in all the delayed and halted projects.

Work in progress

Reconciliation of work-in-progress 2025	Included within infrastructure assets	Included within community assets	Included within other PPE	Total
Opening balance	1 802 404 251	566 896 295	10 928 280	2 380 228 826
Additions/capital expenditure	566 237 141	87 235 590	-	653 472 731
Transferred to completed items	(722 715 556)	(147 537 085)	-	(870 252 641)
Transferred to intangible assets	(7 813 919)	-	-	(7 813 919)
	1 638 111 917	**506 594 800**	**10 928 280**	**2 155 634 997**

Reconciliation of work-in-progress 2024	Included within infrastructure assets	Included within community assets	Included within other PPE	Total
Opening balance	1 794 711 762	506 795 687	-	2 301 507 449
Additions/capital expenditure	765 746 972	73 000 673	28 610 951	867 358 596
Transferred to completed items	(742 088 459)	(12 900 065)	(17 483 868)	(772 472 392)
Expensed	(15 966 024)	-	(198 802)	(16 164 826)
	1 802 404 251	**566 896 295**	**10 928 281**	**2 380 228 827**

Concession assets

The overall objective is to provide public transport services that is reliable and safe at an affordable price.

The municipality entered into a negotiated 3 year interim agreement with Esilux Pty Ltd (Operator) to provide the said service on behalf of the municipality at a negotiated rate. The purpose of the arrangement is to capacitate both the operator and the municipality in running public transport services in terms of the NLTA (National Land Transport Act) as an added service of the municipality. The interim agreement was extended to 31 October 2025. The municipality is currently engaged in discussion to finalise the 12 year negotiated contract in terms of the NLTA.

The operator has the full rights to use the busses for the duration of the contract to provide public transport services. The service concession asset will be utilised by the operator up to the end of the current contract. In addition it is expected that the operator will continue to utilise the asset for the duration of an additional two years post expiry of the new contract that will be entered into.

The municipality reserves the right to terminate the service arrangement in the event of the operator not adhereing to the service standard.

Service concession assets comprises of 26 buses (five 9m busses and twenty one 12m busses) as at 30 June 2025.

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

11. Biological assets

11.1 Reconciliation of carrying value

	2025		2024	
	Biological assets measured at fair value	**Total**	**Biological assets measured at fair value**	**Total**
Opening carrying value	15 622 003	15 622 003	14 905 421	14 905 421
Fair value less costs to sell adjustments				
Timber trees	1 247 978	1 247 978	716 582	716 582
Closing carrying value	**16 869 981**	**16 869 981**	**15 622 003**	**15 622 003**

11.2 Biological assets contractual commitments

There is no commitment for the development or acquisition of biological assets.

11.3 Restrictions on biological assets

There are no biological assets whose title is restricted and the municipality does not have restrictions regarding the sale of the biological assets.

11.4 Financial risk management strategies

There are no financial management risks related to agricultural activity in the municipality.

Non-financial information

All biological assets relate to timber.

All biological assets held by the municipality are bearer biological assets. These assets are used for more than one financial year.

The municipality does not have consumable biological assets.

The municipality does not have any biological assets held for sale or held for distribution at no charge or for nominal value.

The municipality holds biological assets at the Kromdraai farm which are held for more than one financial year.

The fair value of the timber is determined with reference to recent market prices for the biological assets in the market.

The biological assets are matured and have reached harvest stage.

There was no harvest of biological assets during the fianancial year.

12. Heritage assets

12.1 Reconciliation of carrying value

2025

	Heritage sites	Memorials and statues	Artworks	Total
	-	-	-	-
Opening carrying value as at 01 July 2024				
Cost	144 000	3 858 647	17 897 171	21 899 818
Accumulated impairment losses	-	-	(32 250)	(32 250)
	144 000	**3 858 647**	**17 864 921**	**21 867 568**
Additions from acquisitions	-	-	136 000	136 000
Closing carrying value as at 30 June 2025	**144 000**	**3 858 647**	**18 000 921**	**22 003 568**
Cost	144 000	3 858 647	18 033 171	22 035 818
Accumulated impairment losses	-	-	(32 250)	(32 250)
Closing carrying value as at 30 June 2025	**144 000**	**3 858 647**	**18 000 921**	**22 003 568**

2024

	Heritage sites	Memorials and statues	Artworks	Total
Opening carrying value as at 01 July 2023				
Cost	144 000	3 858 647	17 897 171	21 899 818
Accumulated impairment losses	-	-	(32 250)	(32 250)
	144 000	**3 858 647**	**17 864 921**	**21 867 568**
Cost	144 000	3 858 647	17 897 171	21 899 818
Accumulated impairment losses	-	-	(32 250)	(32 250)
Closing carrying value as at 30 June 2024	**144 000**	**3 858 647**	**17 864 921**	**21 867 568**

12.2 Restrictions on heritage assets

There are no restrictions on any class of heritage assets owned by the municipality.

12.3 Heritage assets pledged as security

No heritage assets are pledged as security.

Age and/or condition of heritage assets

The majority of the heritage assets have a condition grading of 3 which transalates to fair as per the municipality's generic condition assessment methodology. Three assets with the condition grading of 1 which translate to very poor were impaired.

Heritage assets borrowed from other entities

There are 16 heritage assets that are borrowed from Ditsong Museums.

Heritage assets on loan to other entities

No heritage assets are loaned to other entities.

Notes to the Audited Annual Financial Statements

12. Heritage assets (continued)

Contractual commitments for the acquisition, maintenance and restoration of heritage assets

No amount included in the commitments amount as disclosed in the respective note relate to heritage assets.

Compensation from third parties

No compensation from third parties were received as no items of heritage assets were impaired, lost or given up.

Heritage assets used for more than one purpose

The assets are only used for heritage use and no other purpose.

Fair value of heritage assets (measured at cost less accumulatd impairment losses)

As the fair values are not mateially different from the cost of the heritage assets together with the fact that there are no fluctuation in the carrying values of both years, the fair values are not seperately disclosed.

Heritage assets which fair values cannot be reliably measured

The following categories of heritage assets could not be measured reliably and are kept in seperate lists other than the heritage assets register:

- One asset: Artist could not be traced.
- Assets received as donation from Wits Art Museum.
- Assets brought by local artist for exhibition purposes.
- Art work produced by Bakone Malapa labourers including cultural demonstrative items.

Expenditure incurred to repair and maintain heritage assets

There were no expenditure incurred relating to repairs and maintenance of heritage assets during the year.

Heritage assets under construction

There are no heritage assets currently under construction.

Held for disposal

There are no heritage assets currently held for disposal.

13. Intangible assets

13.1 Reconciliation of carrying value

2025

	Note	Computer software	Service, operating and land rights	Total
Opening carrying value as at 01 July 2024				
Cost		62 014 667	1 304 768	63 319 435
Accumulated amortisation and impairment		(27 648 857)	-	(27 648 857)
		34 365 810	**1 304 768**	**35 670 578**
Additions from acquisitions		1 649 588	-	1 649 588
Additions		7 138 720	-	7 138 720
Amortisation	37	(2 405 887)	-	(2 405 887)
		6 382 421	**-**	**6 382 421**
Closing carrying value as at 30 June 2025		**40 748 231**	**1 304 768**	**42 052 999**
Cost		70 802 975	1 304 768	72 107 743
Accumulated amortisation and impairment		(30 054 744)	-	(30 054 744)
		40 748 231	**1 304 768**	**42 052 999**

2024

	Note	Computer software	Service, operating and land rights	Total
Opening carrying value as at 01 July 2023				
Cost		58 660 144	1 304 768	59 964 912
Accumulated amortisation and impairment		(24 871 336)	-	(24 871 336)
		33 788 808	**1 304 768**	**35 093 576**
Additions from transfer of functions / mergers		3 920 383	-	3 920 383
Amortisation	37	(2 435 678)	-	(2 435 678)
		1 484 705	**-**	**1 484 705**
Carrying value of disposals / transfers				
Cost		(565 860)	-	(565 860)
Accumulated depreciation and impairment		565 860	-	565 860
		-	**-**	**-**
Impairment loss / reversal of impairment	37	(907 702)	-	(907 702)
Closing carrying value as at 30 June 2024		**34 365 811**	**1 304 768**	**35 670 579**
Cost		62 014 667	1 304 768	63 319 435
Accumulated amortisation and impairment		(27 648 856)	-	(27 648 856)
		34 365 811	**1 304 768**	**35 670 579**

There are no intangible assets work in progress that are halted, delayed or taking a significantly long time to be developed in the current financial year.

13. Intangible assets (continued)

13.1.1 Intangible assets with indefinite useful lives

The following intangible assets have been assessed to have indefinite useful lives:

Polokwane Municipality has servitudes as part of their intangible assets as contained within their records. These servitudes are assessed as having an indefinite useful life. The reason supporting this assessment is as follows:
The right of way/servitude merely exists because the asset exists and the need of service exists. Therefore, the servitude will continue to exist until such time as the need for the service (addressed through the associated infrastructure asset itself) no longer exists. In fact, the ability to operate and maintain this asset is dependent on the existence of this right, this need is confirmed through the inclusion of section 101 of the Municipal Systems Act which governs municipal rights to access premises.

Service, operating and land rights - Carrying amount: R1 304 768
These are rights that are acquired under a once off transaction and that will be enforceable in the foreseeable future without requiring any additional payments or renewals.

Computer Software - Carrying amount: R37 940 294
These are software acquired by the municipality, which can be used indefinitely until the municipality does not need them, without requiring additional fees. The period over which the municipality can use the software is not linked to the length of a contract with the service provider.

13.2 Intangible assets contractual commitments

There is no contractual commitment for the acquisition, development or disposal of intangible assets.

13.3 Restrictions on intangible assets

There are no title restricitions for any of the municipal intangible assets.

13.4 Intangible assets pledged as security

No intangible assets are pledged as security.

13.5 Impairment

No impairment loss (2024: R907 702) was incurred for the year.

13.6 Research and development expenditure

There was no expenditure incurred for the research and development of intangible assets during the current financial year.

13.7 Review of useful lives

In the current year, useful lives were reviewed for intangible assets that are nearing the end of their useful lives. The remaining useful lives were allocated based on the users intention to continue with the use of the assets. The impact is immaterial.

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

14. Investment in subsidiary

14.1 Investment in subsidiairy

Name of subsidiary	Principal activities of associate	Interest held 2025	Interest held 2024	Fair value of Investment* 2025	Fair value of Investment* 2024
Polokwane Housing Association	Provision of low cost rental housing	100.00 %	100.00 %	1 000	1 000

14.1.1 Reconciliation of carrying value

	2025	2024
Opening carrying value	1 000	1 000
New investments	-	-
Disposals	-	-
Closing carrying value	**1 000**	**1 000**

15. Living resources

15.1 Reconciliation of carrying value

		2025		2024	
		Game	Total	Game	Total
Opening carrying value at 01 July 2024					
Cost		11 631 945	11 631 945	9 645 151	9 645 151
Accumulated depreciation		(278 511)	(278 511)	(394 088)	(394 088)
		11 353 434	**11 353 434**	**9 251 063**	**9 251 063**
Depreciation	37	(222 900)	(222 900)	(161 112)	(161 112)
Increase/decrease		1 617 330	1 617 330	2 263 483	2 263 483
		1 394 430	**1 394 430**	**2 102 371**	**2 102 371**
Closing carrying value as at 30 June 2025		**12 747 864**	**12 747 864**	**11 353 434**	**11 353 434**
Cost		13 249 275	13 249 275	11 908 634	11 908 634
Accumulated depreciation		(501 411)	(501 411)	(555 200)	(555 200)

The municipality had 1 109 matured animals and 9 young animals (2024: 901 matured animals and 17 young animals) at the end of the financial year which are managed and protected in terms of the National Environmental Management Act as well as the Protected Area Act.

15.2 Living resources that are borrowed from or on loan to other entities

There are no living resources which are borrowed from or loaned to other entities.

15.3 Restrictions on living resources

There are no living resources whose title is restricted.

15.4 Living resources pledged as security

There are no living resources that have been pledged as security.

15.5 Living resources contractual commitments

There are no contractual commitment for acquisition, development or disposal of living and non living resources.

Figures in Rand	2025	2024

15. Living resources (continued)

15.6 Compensation from third parties

There was no compensation for impairment, losses and resources given up during the financial year.

Restrictions on use or capacity to sell

There are no restrictions with regards to the municipality's rights to sell the animals.

Animals are traded during the hunting season when the carrying capacity of the game reserve is exceeded, while protecting endangered species.

Revaluations

Living resources are revalued every third financial year, with the latest revaluation having taken place during the 2022/23 financial year.

The municipality has previously experienced challenges relating to the measurement of the fair value of the living resources, in particular, those species which have a low market activity. Young animals were valued with their mothers.

16. Consumer deposits

Electricity	44 204 586	43 545 314
Rental properties	10 130 775	9 902 211
Water	45 897 950	12 848 669
Total	**100 233 311**	**66 296 194**

Deposits are released on termination of the contract or when the contractual services are delivered.

17. Trade and other payables from exchange transactions

Affiliates, related parties and associated companies	17.1	3 311 152	3 311 152
Bulk purchases	17.2	184 209 317	163 314 970
Contractors	17.3	147 247 044	130 068 532
Control and clearing accounts	17.4	12 859 501	15 104 663
Employee benefits	17.5	24 466 508	22 134 732
Other payables	17.6	524 070 913	392 560 062
Total		**896 164 435**	**726 494 111**

17.1 Affiliates, related parties and associated companies

Capricorn District Municipality	3 311 152	3 311 152

17.2 Bulk purchases

Bulk water	31 079 118	31 755 946
Bulk electricity	153 130 199	131 559 024
Total	**184 209 317**	**163 314 970**

17.3 Contractors

Retentions	147 247 044	130 068 532

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

17. Trade and other payables from exchange transactions (continued)

17.4 Control and clearing accounts

Cash and bank	4 116	-
Prepaid electricity	12 340 615	14 749 063
Salary Control	514 770	355 600
Total	**12 859 501**	**15 104 663**

17.5 Employee benefits

Bonus (13th Cheque)	24 466 508	22 134 732

17.6 Other payables

Agency fees	438 622	624 898
Payables and accruals	408 426 720	292 039 828
Unallocated deposits	13 115 472	18 404 497
Advance payments	102 090 099	81 490 839
Total	**524 070 913**	**392 560 062**

18. Payables from non - exchange transactions

Transfers and subsidies unpsent

2025

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

18. Payables from non - exchange transactions (continued)

	Opening Balance	Funds received	Funds surrendered	Funds utilised	Total
Integrated National Electrification Programme Grant	6 033	7 544 000	(6 033)	(7 544 000)	-
Neighbourhood Development Partnership Grant	-	44 984 000	-	(44 841 867)	142 133
Energy Efficiency and Demand Side Management Grant	5 787	-	(5 787)	-	-
Public Transport Network Grant	4 352 349	167 249 002	(4 352 349)	(167 249 002)	-
Regional Bulk Infrastructure Grant	-	126 013 000	-	(126 013 000)	-
Water Services Infrastructure Grant	-	96 000 000	-	(96 000 000)	-
Municipal Disaster Relief Grant	6 250 893	4 765 000	-	(10 984 881)	31 012
Integrated Urban Development Grant	-	414 065 998	-	(414 065 998)	-
Local Government Financial Management Grant	-	2 400 000	-	(2 400 000)	-
Infrastructure Skills Development Grant	2 517 610	8 000 000	(2 657)	(10 514 953)	-
Expanded Public Works Programme	-	6 117 000	-	(6 117 000)	-
Capricorn District Municipality	17 589	-	-	-	17 589
Department of Local Government and Housing	2 949 709	-	-	-	2 949 709
Local Government - Housing Accreditation	635 595	443 587	-	-	1 079 182
	16 735 565	**877 581 587**	**(4 366 826)**	**(885 730 701)**	**4 219 625**

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Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

18. Payables from non - exchange transactions (continued)

	Opening balance	Funds received	Funds surrendered	Funds utilised	Total
Integrated National Electrification Programme Grant	467 687	17 161 000	-	(17 622 654)	6 033
Neighbourhood Development Partnership Grant	4 974 227	22 168 000	(4 974 228)	(22 167 999)	-
Energy Efficiency and Demand Side Management Grant	-	4 000 000	-	(3 994 213)	5 787
Public Transport Network Grant	12 270 925	163 978 000	(12 270 925)	(159 625 651)	4 352 349
Regional Bulk Infrastructure Grant	-	238 539 000	-	(238 539 000)	-
Water Services Infrastructure Grant	1	67 700 000	-	(67 700 001)	-
Municipal Disaster Relief Grant	4 500 084	14 280 000	-	(12 529 191)	6 250 893
Integrated Urban Development Grant	-	435 949 000	-	(435 949 000)	-
Local Government Financial Management Grant	-	2 400 000	-	(2 400 000)	-
Infastructure Skills Development Grant	-	5 869 000	-	(3 351 390)	2 517 610
Expanded Public Works Programme	-	11 135 000	-	(11 135 000)	-
Capricorn District Municipality	17 589	-	-	-	17 589
Department of Local Government and Housing	2 949 709	-	-	-	2 949 709
Local Government - Housing Accreditation	591 743	43 852	-	-	635 595
	25 771 965	**983 222 852**	**(17 245 153)**	**(975 014 099)**	**16 735 565**

19. Borrowings

Total borrowings

	2025	2024
Annuity Loans	319 905 958	347 688 492
Less: Current portion transferred to current liabilities	(31 086 650)	(27 778 472)
Total non-current borrowings	**288 819 308**	**319 910 020**

19.1 Summary of arrangements

The Municipality had entered into a loan agreement with the Development Bank of Southern Africa in March 2017 to borrow R235 million at a interest rate of 10.756% over 14.92 years. The last instalment is repayable on 31 January 2032.

The Municipality had entered into a loan agreement with Standard Bank in January 2018 to borrow R205 million at a interest rate of 10.98% over 15years. The last instalment is repayable on 31 January 2032.

20. Finance Lease liabilities

		2025	2024
Finance lease liabilities	20.1	13 465 300	22 966 725
Less: Transferred to current liabilities		(6 950 172)	(10 610 561)
Total non-current liabilities		**6 515 128**	**12 356 164**

The municipality leases cellphones and photocopiers under finance leases.

Figures in Rand		2025	2024

20. Finance Lease liabilities (continued)

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

The photocopier contracts were signed with Mabapa Trading CC over a period of 3 years after the expiry of the contract with Dido Digital. A contingent rent of 14 cents (black) and 70 cents (colour) is charged per copy.

20.1 Finance lease payable

The municipality as lessee

The obligations under finance leases are as follow:

	2025	2024
Total future minimum lease payments		
Payable within 1 year	8 184 564	12 867 596
Payable within 2 to 5 years	6 904 067	13 839 223
Total minimum lease payments	**15 088 631**	**26 706 819**
Less: Future finance charges	(1 623 331)	(3 740 094)
Total	**13 465 300**	**22 966 725**
Present value of minimum lease payments		
Payable within 1 year	6 950 172	10 610 561
Payable within 2 to 5 years	6 515 128	12 356 164
Total	**13 465 300**	**22 966 725**
Current liability	6 950 172	10 610 561
Non-current liability	6 515 128	12 356 164
Total contingent rents recognised as an expense	3 686 109	2 632 530

21. Employee benefits

	Note	2025	2024
Current employee benefits			
Post employment health care benefits	21.1	8 340 000	8 280 000
Ex-Gratia pension benefits	21.2	2 692 859	1 593 000
Long-service awards	21.3	17 428 000	7 645 000
Leave	21.4	9 187 977	9 896 631
		37 648 836	**27 414 631**
Non-current employee benefits			
Post employment health care benefits	21.1	242 777 000	223 958 000
Ex-Gratia pension benefits	21.2	14 934 141	13 110 000
Long-service awards	21.3	64 851 000	56 684 000
Leave	21.4	114 822 321	117 489 477
		437 384 462	**411 241 477**
Total		**475 033 298**	**438 656 108**

21.1 Post employment health care benefits

The municipality provides certain post-retirement medical benefits by funding the medical aid contributions of qualifying retired members of the municipality. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current conditions of service) is entitled to remain a continued member of such medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee. The municipality operates an unfunded defined benefit plan for these qualifying employees.

21. Employee benefits (continued)

	Number	
Current (in service) members	1 233	1 193
Current (In service) non members	791	769
Continuation members (members)	145	130
Total members	**2 169**	**2 092**

The liability in respect of past service has been estimated as follow:

In-service members (Employees)	174 720 000	159 660 000
Continuation members (Retirees)	76 397 000	72 578 000
Total liability	**251 117 000**	**232 238 000**

Current	8 340 000	8 280 000
Non-current	242 777 000	223 958 000
Total liability	**251 117 000**	**232 238 000**

The municipality makes monthly contributions for health care arrangements to the following Medical Aid Schemes:

- Bonitas
- Hosmed
- Key Health
- LA Health
- Fed Health
- Samwumed

The Future-service Cost for the ensuing year is estimated to be R 12 034 000 whereas the Interest Cost is estimated to be R 29 748 000.

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

Rates of interest

Discount rate	Yield curve	Yield curve
Consumer Price Inflation (CPI)	Difference between nominal and yield curve	Difference between nominal and yield curve
Medical aid contribution inflation	CPI+1%	CPI+1%
Net effective discount rate	Yield curve based	Yield curve based

GRAP 25 defines the determination of the Discount Rate Assumption to be used as follows:

'The discount rate that reflects the time value of money is best approximated by reference to market yields at the reporting date on government bonds. Where there is no deep market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, an entity uses current market rates of the appropriate term to discount shorter term payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve.'

The Actuaries used the nominal and real zero curves as at 30 June 2025 supplied by the JSE to determine the discount rates and CPI assumptions at each relevant time period.

Mortality rates

Mortality before retirement has been based on the SA 85-90 mortality tables. These are the most commonly used tables in the industry. Mortality post-employment (for pensioners) has been based on the PA (90) ultimate mortality tables. No explicit assumption was made about additional mortality or health care costs due to AIDS. Furthermore, no updates were made for the impact of COVID 19 as there is insufficient evidence to suggest that it would have an impact on mortality rates in the future.

Notes to the Audited Annual Financial Statements

Figures in Rand		2025	2024

21. Employee benefits (continued)

Normal and average retirement age

The average retirement age for all active employees was assumed to be 63 years. This assumption implicitly allows for ill-health and early retirements. The normal retirement age (NRA) for all active employees was assumed to be 65 years.

Amounts recognised in the statement of financial position

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

Present value of unfunded obligations	251 117 000	232 238 000

Amounts recognised in the statement of financial performance

The amounts recognised in the statement of financial performance is as follows:

Current service cost		10 498 000	9 429 000
Interest cost		28 658 000	27 828 000
Actuarial loss/ (gain) recognised in the year		(11 607 158)	(11 893 566)
Total post-retirement benefit included in employee related costs	35	**27 548 842**	**25 363 434**

Movement in the present value of the defined benefit obligation		
Opening balance	232 238 000	214 847 000
Current service cost	10 498 000	9 429 000
Interest cost	28 658 000	27 828 000
Actual employer benefit payments	(8 669 842)	(7 972 434)
Actuarial loss/(gain) recognised in the year	(11 607 158)	(11 893 566)
	251 117 000	**232 238 000**

History of present value of unfunded defined benefit

	2021	**2022**	**2023**	**2024**	**2025**
Present value of defined benefit obligation	204 408 000	188 093 000	214 847 000	232 238 000	251 117 000

Sensitivity Analysis
The effect of a 1% movement in the assumed rate of medical aid inflation is as follows:

	+1% Increase	**-1% Decrease**
Effect on the defined benefit obligation	279 191 000	224 365 000
Effect on the aggregate of the interest cost	33 169 000	26 492 000
Effect on the aggregate of the current service cost	14 032 000	10 185 000

The effect of a 20% movement in the assumed mortality rates are as follow on the ensuing years assumptions:

	+20% Mortality rate	**-20% Mortality rate**
Total accrued liability	234 366 000	271 192 000
Effect on the aggregate of the interest cost	27 726 000	32 172 000
Effect on the aggregate of the current service cost	11 151 000	13 082 000

ZAQ Consultants and Actuaries were the appointed actuaries for the year ending 30 June 2024.

Figures in Rand	2025	2024

21. Employee benefits (continued)

21.2 Ex-Gratia pension benefits

21.2.1 Provision for ex-gratia pension benefits

Movements in the present value of the defined benefit obligation		
Opening Balance	14 703 000	13 582 998
Interest	1 021 000	974 000
Current service cost	1 781 000	1 722 000
Actual employer benefit payments	(1 621 739)	(1 392 204)
Actuarial (gain)/loss recognised in the year	1 743 739	(183 794)
Closing balance	**17 627 000**	**14 703 000**

Current	2 692 859	1 593 000
Non-current	14 934 141	13 110 000

Key assumptions

The basis on which the discount rate has been determined is as follows:

To obtain the applicable discount rate, the implied duration of the liability to obtain an appropriate interest rate on the yield curve is used. The nominal and real zero curves as at 28 June 2025 supplied by the JSE is used to determine the discounted rates and CPI assumptions is used.

The discount rate used is 10.31%
The consumer price inflation value used is 4.74%
Net effective discount rate: 5.32%
The normal retirement age is 65 years whilse the average retirment age used is 63 years in order to implicitly allow for ill health and early retirements.
Mortality rate used has been based on the SA 85-90 mortality tables. These are the most commonly used tables in the industry. No updates are made for the impact of COVID 19 as there is insufficient evidence that it would have an impact on mortality rates in the future.

Sensitivity analysis
The effect of a 1% movement in the assumed rate of inflation is as follows:

	1% Decrease	1% Increase
Effect on the interest cost	1 601 000	1 896 000
Effect on current service cost	1 086 000	1 314 000
Effect on defined benefit obligation	16 327 000	19 085 000

21.3 Long-service awards

21.3.1 Provision for long-service awards

Movements in the present value of the defined benefit obligation		
Opening Balance	64 329 000	60 699 000
Current cost	5 140 000	5 022 000
Interest cost	6 775 000	6 626 000
Benefits paid	(521 587)	(262 580)
Actuarial (gain)/loss	6 556 587	(7 755 420)
Closing balance	**82 279 000**	**64 329 000**

Current	17 428 000	7 645 000
Non-current	64 851 000	56 684 000

21. Employee benefits (continued)

Discount rate: Yield curve
CPI: Difference between nominal and real yield curve
Normal salary increase rate: CPI+1%
Net effective discount rate: Yield curve based

Sensitivity analysis

The effect of a 1% movement in the normal salary inflation are as follow on the ensuing years assumptions:

	1% Decrease	1% Increase
Effect on the defined benefit obligation	77 789 000	86 949 000
Effect on the aggregate of the current service cost	6 557 000	7 465 000
Effect on the aggregate of the interest cost	7 021 000	7 888 000

The effect of a 20% movement in the withdrawal rates are as follow on the ensuing years assumptions:

	-20% Withdrawal rate	+20% Withdrawal rate
Effect on the defined benefit obligation	85 298 000	79 470 000
Effect on the aggregate of the current service cost	7 356 000	6 656 000
Effect on the aggregate of the interest cost	7 731 000	7 162 000

21.4 Leave

21.4.1 Provision for leave

Movements in the present value of the defined benefit obligation		
Opening Balance	127 386 108	117 132 351
Additional provisions raised	33 394 864	41 999 161
Reductions (Payments, remeasurement etc.)	(36 770 674)	(31 745 404)
Closing balance	**124 010 298**	**127 386 108**

Current	9 187 977	9 896 631
Non-current	114 822 321	98 708 326

22. Provisions (Current and non-current)

Landfill Sites	22.1	139 607 168	129 352 291

Split between current and non-current

Current	-	3 656 736
Non-current	139 607 168	125 695 555
Total	**139 607 168**	**129 352 291**

22.1 Landfill Sites

Opening Balance	129 352 291	117 269 606
Change in landfill closure provision	(2 907 588)	(440 450)
Interest cost	13 162 465	12 523 135
Closing balance	**139 607 168**	**129 352 291**

Figures in Rand	2025	2024

22. Provisions (Current and non-current) (continued)

Split between current and non-current

Current	-	3 656 736
Non-current	139 607 168	125 695 555
Total	**139 607 168**	**129 352 291**

The landfill rehabilitation provision is created for the rehabilitation of Aganang and Weltevreden landfill site which is evaluated at each year-end to reflect the best estimate at reporting date. The valuation for the landfill site was performed by a team from **Environmental and Sustainability Solutions CC** consisting of Mr Seakle Godschalk MSc(Zoology) with the following qualifications: MCom(Accounting), SAIEES, CIGFARO, SACNASP and Maryna Mohr with the following qualifications: DTech (Environmental Management), MBA.

Key financial assumptions used in this calculation were as follows:

Weltevreden landfill

CPI - 2.8878%
Discount rate - 8.1378
Net effective discount rate - 5.25%

Aganang landfill

CPI - 2,8878%
Discount rate - 8.6378%
Net effective discount rate - 5.75%

The approximate size used as at 30 June 2024 is 310 123 square metres for Weltevreden. The total area of the landfill is 298 314 square metres at the Aganang landfill site.

Remaining useful life:
Weltevreden: 4 years
Aganang: 46 years

The disclosed amount of R139 607 121 represents an increase of R10 254 831 from the provision of R129 352 290 in the previous financial year. The factors that cause a net increase in the closure provision relates to changes in the CPI, discount rate and unit costs amounting to R2 907 588. The interest charge relating to the assessment amounts to R 13 162 465.

The corresponding asset is measured using the revaluation model.

Change in the estimated useful life of Weltevreden landfill site:
During the year, the estimated useful life of the Weltevreden landfill site had been reassessed from two years at the end of the 2024 financial year to four years as at 30 June 2025. The effect on the provision for rehabilitation of landfill site balance at year end is a decrease of R21 243 178 (from R159 407 683 to R138 164 505).

23. Revaluation reserve

Revaluation Reserve	10 257 919 445	10 257 919 444

The Re-valuation reserve arises on the revaluation of Land and Buildings. Where revalued Land or Buildings are sold, the portion of the Re-valuation reserve that relates to that asset, and is effectively realised, is transferred directly to Accumulated Surplus.

Distributions from the Re-valuation reserve can be made when it is in accordance with the requirements of the municipality's accounting policy. The payment of cash distributions out of the reserve is restricted by the terms of the municipality's. These restrictions do not apply to any amounts transferred to the Accumulated Surplus. Council do not currently intend to make any distribution from the Re-valuation reserve.

Refer to Statement of Changes in Net Assets for more detail and the movement on Reserves.

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024
24. Services charges		
Electricity		
Electricity charges	1 554 279 260	1 363 550 445
Waste management		
Waste management charges	161 565 294	141 418 456
Waste water management		
Waste water management charges	188 545 502	168 663 701
Water management		
Waste management charges	311 369 228	293 106 989
Total	**2 215 759 284**	**1 966 739 591**

25. Rent from fixed assets

	2025	2024
Market related	27 222 357	32 331 124
Non-market related	10 191 077	8 629 927
Total	**37 413 434**	**40 961 051**

25.1 Rental by asset class

	2025	2024
Market related		
Property, plant and equipment	27 222 357	32 331 124
Non-market related		
Property, plant and equipment	21 524	23 836
Investment property	10 169 553	8 606 091
	10 191 077	**8 629 927**
Total	**37 413 434**	**40 961 051**

25.2 Rental by type

	2025	2024
Market related		
Property, plant and equipment		
Community assets		
• Ad-hoc rentals	21 022 271	17 702 186
• Straight-lined operating	6 200 063	14 628 788
	27 222 334	**32 330 974**
Other assets		
• Ad-hoc rentals	23	150
Total property, plant and equipment	**27 222 357**	**32 331 124**
Non-market related		
Property, plant and equipment		
Other assets		
• Ad-hoc rentals	21 524	23 836
Investment property		

Notes to the Audited Annual Financial Statements

Figures in Rand		2025	2024

25. Rent from fixed assets (continued)

Ad-hoc rentals		10 169 553	8 606 091
Total non-market related		**10 191 077**	**8 629 927**
Total		**37 413 434**	**40 961 051**

26. Interest earned from receivables

Exchange receivables	26.1	92 189 663	84 572 986
Non-exchange receivables	26.2	59 007 930	55 266 097
Total		**151 197 593**	**139 839 083**

26.1 Interest earned from exchange receivables

Consumer receivables		
Electricity	20 328 445	22 927 792
Water	39 328 386	33 747 126
Waste water management	14 844 766	15 245 604
Waste management	17 665 413	17 492 015
Service charges	13 383	(4 839 551)
	92 180 393	**84 572 986**
Other receivables		
Property rental debtors	9 270	-
Total	**92 189 663**	**84 572 986**

26.2 Interest earned from non-exchange receivables

Consumer receivables		
Property rates	59 007 930	55 266 097

27. Interest earned on bank accounts

Bank accounts	21 002 285	21 080 865
Call accounts	48 803 977	27 096 905
Total	**69 806 262**	**48 177 770**

28. Licence and permits

Exchange revenue	28.1	14 351 674	13 596 844

28.1 Licenses and permits – Exchange revenue

Road and transport	14 351 577	13 594 947
Trading	97	1 897
Total	**14 351 674**	**13 596 844**

29. Agency services

Public entities	238 893	332 199
Provincial	23 165 249	25 894 646
Total	**23 404 142**	**26 226 845**

Notes to the Audited Annual Financial Statements

Figures in Rand		2025	2024

30. Operational revenue

	2025	2024
Exchange revenue		
Administrative Handling Fees	652 566	708 902
Arbor City Awards Competition	211 946	700 000
Collection Charges	8 860 619	-
Commission	3 843 853	4 292 710
Incidental Cash Surpluses	19 909	12 208
Inspection fees	68 219	53 125
Recovery - Fruitless and Wasteful expenditure	3 933 270	-
Request for information	38 637	66 670
Skills Development Levy Refund	1 736 085	1 727 423
Staff and Councillors Recoveries	31 499	59 895
Total	**19 396 603**	**7 620 933**

31. Sales of goods and rendering of services

	2025	2024
Academic Services	4 356	34 036
Advertisements	121 602	126 711
Application Fees for Land Usage	1 774 909	495 786
Building Plan Approval	11 210 954	6 625 900
Cemetery and Burial	1 421 592	1 305 458
Clearance Certificates	1 158 160	1 654 095
Entrance Fees	873 980	877 533
Escort Fees	190 356	306 808
Fire Services	122 881	164 594
Library Fees	11 174	20 895
Occupation Certificates	193 949	224 495
Parking Fees	249	1 913
Photo copies, Faxes and Telephone charges	15 990	15 271
Sale of Goods	2 860	5 338
Transport Fees	7 756 044	9 350 104
Weighbridge Fees	5 486	2 250
Total	**24 864 542**	**21 211 187**

32. Property rates

	2025	2024
Agricultural property	12 237 975	12 585 793
Business and commercial properties	272 061 613	256 936 565
Industrial properties	73 669 967	60 140 563
Public benefit organisations	228 879	469 293
Public service infrastructure properties	195 805	125 318
Public service purposes properties	42 285 616	22 111 086
Residential properties	309 422 130	240 698 284
Total	**710 101 985**	**593 066 902**

The increase in the property rates revenue is attributable to the implementation of the new valuation roll during the 2024-25 financial year which includes changes in market values or changes in the category of the property.

33. Transfers and subsidies

	Note	2025	2024
Operational			
Monetary allocations or revenue	33.1	1 678 653 627	1 538 725 422

Notes to the Audited Annual Financial Statements

Figures in Rand		2025	2024

33. Transfers and subsidies (continued)

Capital			
Allocations in-kind	33.2	13 780 766	5 184 696
Monetary allocations or revenue	33.3	615 385 901	770 124 798
Total transfers and subsidies: Capital		**629 166 667**	**775 309 494**
Total		**2 307 820 294**	**2 314 034 916**

33.1 Monetary allocations or revenue: Operational

National Treasury - conditional grants	270 344 801	219 604 269
National Treasury - equitable share	1 407 808 826	1 318 621 153
Public contributions and donations	500 000	500 000
Total	**1 678 653 627**	**1 538 725 422**

Revenue recognised per grant

Expanded Public Works Programme Integrated Grant	6 117 000	11 135 000
Infrastructure Skills Development Grant	10 514 952	2 759 462
Local Government Financial Management Grant	2 242 260	2 024 065
Public Transport Network Grant	98 664 227	88 491 123
Regional Bulk Infrastructure Grant	11 433 492	-
Integrated Urban Development Grant	141 372 870	115 194 619
	270 344 801	**219 604 269**

33.2 Allocations in-kind: Capital

Private enterprises	13 780 766	5 184 696

33.3 Monetary allocations: Capital

Foreign government and international organisations	-	14 714 969
National government	615 385 901	755 409 829
Total	**615 385 901**	**770 124 798**

Revenue recognised per grant

Integrated National Electrification Programme Gran	7 544 000	17 622 654
Neighbourhood Development Partnership Grant	44 841 867	22 167 999
Local Government Finance Management Grant	-	375 935
Municipal Disaster Recovery Grant	10 984 881	-
Energy Efficiency and Demand Side Management Grant	-	3 994 213
Water Services Infrastructure Grant	96 000 002	67 700 000
Local Government Financial Management Grant - Capital	157 740	-
Public Transport Network Grant	68 584 774	71 134 528
Regional Bulk Infrastructure Grant	114 579 507	238 539 000
Infrastructure Skills Development Grant	-	591 928
Municipal Disaster Relief Grant	-	12 529 191
Integrated Urban Development Grant	272 693 130	320 754 381
	615 385 901	**755 409 829**

Analysis of donations received in kind

Included in the donations amount that are donations received in kind. Refer to the table below for the respective details:

Figures in Rand	2025	2024

33. Transfers and subsidies (continued)

Upgrading of roads - Greenery Shopping Centre	-	3 982 090
Transformers and cables - Greenery Shopping Centre	-	1 202 605
Water and sanitation infrastructure - Southern Gateway	607 214	-
Bulk infrastructure services - Bendor Ext 126 (Water, roads and electrical)	11 530 600	-
Water infrastructure - Polokwane Ext 91	1 642 951	-
	13 780 765	**5 184 695**

Analysis of cash donations

Mayors charity fund	500 000	500 000
International cash donations for roads	-	14 714 969
	500 000	**15 214 969**

33.4.1 Equitable share

Balance at the beginning of the year	-	-
Current year receipts	1 403 442 000	1 301 376 000
Offset December tranch - roll overs not approved	4 366 827	17 245 152
	1 407 808 827	**1 318 621 152**

This grant is an unconditional grant and is partially utilized for the provision of indigent support through basic service delivery.

33.4.2 Finance Management Grant

Balance at the beginning of the year	-	-
Current year receipts	2 400 000	2 400 000
Conditions met - transferred to revenue	(2 400 000)	(2 400 000)
	-	**-**

This grant was used to promote and support reforms to municipal financial management and the implementation of the MFMA, 2003. The conditions of the grant were met. No funds have been withheld.

33.4.3 Public Transport Network Grant

Balance at the beginning of the year	4 352 349	12 270 926
Current year receipts	167 249 002	163 978 000
Conditions met - transferred to revenue	(167 249 002)	(159 625 651)
Paid back to National Treasury	(4 352 349)	(12 270 925)
	-	**4 352 350**

The grant was used for public transport and non motorised transppport infrastructure.

33.4.4 Municipal Disaster Relief Grant

Balance at the beginning of the year	6 250 893	4 500 084
Current year receipts	4 765 000	14 280 000
Conditions met - transferred to revenue	(10 984 881)	(12 529 191)
	31 012	**6 250 893**

33.4.5 Limpopo Provincial Government

Balance at the beginning of the year	2 949 710	2 949 710

The grant was utilised in the planning phase of the Convention Centre.

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

33. Transfers and subsidies (continued)

33.4.6 Limpopo Local Government and Housing

Balance at the beginning of the year	635 596	591 743
Current year receipts	443 587	43 853
	1 079 183	**635 596**

The grant was used to fund the housing accreditation process.

33.4.7 Integrated National Electrification Programme Grant

Balance at the beginning of the year	6 033	467 687
Current year receipts	7 544 000	17 161 000
Conditions met - transferred to revenue	(7 544 000)	(17 622 654)
Paid back to National Treasury	(6 033)	-
	-	**6 033**

The grant was used to fund projects to address the electrification backlogs in rural areas.

33.4.8 Capricorn District Municipality

Balance at the beginning of the year	17 589	17 589
Current year receipts	-	-
Conditions met - transferred to revenue	-	-
	17 589	**17 589**

33.4.9 Expanded Public Works Programme Incentive Grant

Balance at the beginning of the year	-	-
Current year receipts	6 117 000	11 135 000
Conditions met - transferred to revenue	(6 117 000)	(11 135 000)
	-	**-**

The grant was used to fund projects in order to maximise job creation and skills development.

33.4.10 Neighbourhood Development Partnership Grant

Balance at the beginning of the year	-	4 974 227
Currewnt year receipts	44 984 000	22 168 000
Conditions met - transferred to revenue	(44 841 867)	(22 167 999)
Paid back to National Treasury	-	(4 974 228)
	142 133	**-**

The grant was used to fund projects in order to provide community infrastructure to improve quality of life of residents in townships.

33.4.11 Infrastructure Skills Development Grant

Balance at the beginning of the year	2 517 610	-
Current year receipts	8 000 000	5 869 000
Conditions met - transferred to revenue	(10 514 953)	(3 351 390)
Paid back to National Treasury	(2 657)	-
	-	**2 517 610**

33.4.12 Regional Bulk Infrastructure Grant

Notes to the Audited Annual Financial Statements

Figures in Rand		2025	2024

33. Transfers and subsidies (continued)

Balance at the beginning of the year		-	-
Current year receipts		126 013 000	238 539 000
Conditions met - transferred to revenue		(126 013 000)	(238 539 000)
		-	-

The grant was used to fund projects in order to provide bulk infrastructure to improve quality of life of residents.

33.4.13 Energy Efficiency and Demand Side Management Grant

Balance at the beginning of the year		5 787	-
Current year receipts		-	4 000 000
Conditions met - transferred to revenue		-	(3 994 213)
Paid back to National Treasury		(5 787)	-
		-	**5 787**

The grant was used to reduce electricity consumption and improve energy efficiency.

33.4.14 Water Services Infrastructure Grant

Current year receipts		96 000 000	67 700 000
Conditions met - transferred to revenue		(96 000 000)	(67 700 000)
		-	-

The grant was used to fund projects in order to provide water infrastructure to improve quality of life of residents.

33.4.15 Integrated Urban Development Grant

Current year receipts		414 065 998	435 949 000
Conditions met - transferred to revenue		(414 065 998)	(435 949 000)
		-	-

34. Fines, penalties and forfeits

Fines	34.1	27 934 213	38 820 345
Forfeits	34.2	4 497 011	2 158 316
Total		**32 431 224**	**40 978 661**

34.1 Fines

Traffic fines			
Municipal fines		22 094 558	31 739 600
Other fines			
Illegal connections		5 564 049	6 941 900
Overdue books		-	431
Pound fees		275 606	138 414
		5 839 655	**7 080 745**
Total		**27 934 213**	**38 820 345**

Notes to the Audited Annual Financial Statements

Figures in Rand		2025	2024

34. Fines, penalties and forfeits (continued)

34.2 Forfeits

Retentions		4 415 377	2 100 173
Unclaimed money		81 634	58 143
Total		**4 497 011**	**2 158 316**

35. Employee related cost

Senior management	35.1	17 552 096	14 166 613
Municipal staff	35.2	1 077 412 945	1 100 369 385
Total		**1 094 965 041**	**1 114 535 998**

35. Employee related cost (continued)

35.1 Senior management costs

2025

	City Manager	Group Chief Financial Officer	Chief Operations Officer	Executive Director Community Services	Executive Director Energy Services	Executive Director Planning and Economic Developmen t	Executive Director Transport Services	Executive Director Water and Sanitation	Executive Director Corporate and Shared Services	Executive Director Roads	Deputy Chief Financial Officer	Total
Basic salary	1 642 560	911 779	-	1 317 284	607 856	1 317 284	1 317 284	1 156 878	911 779	1 317 284	466 868	10 966 856
Service-related benefits	-	38 022	47 487	-	24 336	2 938	-	114 615	20 480	-	183 048	430 926
Allowances	566 650	423 903	-	399 141	331 230	444 066	399 141	349 884	300 810	419 982	201 701	3 836 508
Medical	44 143	-	-	65 466	-	44 143	65 466	36 695	47 111	65 466	6 125	374 615
Pension	273 534	182 356	-	243 141	72 943	218 827	243 141	202 618	182 356	218 827	87 207	1 924 950
Unemployment insurance	2 125	1 771	-	2 125	1 240	2 125	2 125	1 771	1 594	2 125	1 240	18 241
	2 529 012	**1 557 831**	**47 487**	**2 027 157**	**1 037 605**	**2 029 383**	**2 027 157**	**1 862 461**	**1 464 130**	**2 023 684**	**946 189**	**17 552 096**

35. Employee related cost (continued)

2024

	City Manager	Group Chief Financial Officer	Chief Operations Officer	Executive Director Community Services	Executive Director Energy Services	Executive Director Planning and Economic Development	Executive Director Transport Services	Executive Director Water and Sanitation	Executive Director Corporate and Shared Services	Executive Director Roads	Deputy Chief Financial Officer	Total
Basic salary	1 642 992	371 020	-	1 317 252	719 109	1 317 252	728 579	728 579	-	609 471	1 065 883	8 500 137
Service-related benefits	-	306 916	81 805	-	183 108	-	57 747	132 014	81 805	-	-	843 395
Allowances	590 733	126 695	-	421 668	234 697	468 328	261 683	273 999	-	222 960	495 150	3 095 913
Medical	40 982	9 168	-	63 329	-	40 982	36 942	24 625	-	31 173	-	247 201
Pension	273 534	-	-	242 798	117 630	218 827	145 069	145 069	-	109 802	213 177	1 465 906
Unemployment insurance	2 125	531	177	2 125	1 063	2 195	1 240	1 240	177	1 063	2 125	14 061
	2 550 366	**814 330**	**81 982**	**2 047 172**	**1 255 607**	**2 047 584**	**1 231 260**	**1 305 526**	**81 982**	**974 469**	**1 776 335**	**14 166 613**

Figures in Rand	2025	2024

35. Employee related cost (continued)

Additional information on acting allowances:

2025

1. Included in the allowances for the Chief Financial Officer's salary is an amount of R38 022 for acting allowance. The acting allowance was paid to the Deputy Chief Financial Officer for the period 1 July 2024 to 30 September 2024 (3 months) in which he acted.

2. Included in the allowances for the Chief Operations Officer's salary is an amount of R47 487 for acting allowance. The acting allowance was paid to the Manager: Performance Management System for the period 1 July 2024 to 30 June 2025 (1 year) in which he acted. The Manager: Performance Management System received a backpay in August and October 2024 for the period in which he acted.

3. Included in the allowances for the Director Corporate and Shared Services's salary is an amount of R20 480 for acting allowance. The acting allowance was paid to the Manager: Office of the Municipal Manager for the period 1 July 2024 to 30 September 2024 (3 months) in which he acted. The Manager: Office of the Municipal Manager received a backpay in August and October 2024 for the period in which he acted.

4. Included in the allowances for the Director Energy Services' salary is an amount of R24 336 for acting allowance. The acting allowance was paid to the Manager: Energy Services for the period 1 July 2024 to 30 September 2024 (3 months) in which he acted.

2024

1. Included in the allowances for the Chief Financial Officer's salary is an amount of R162 541 for acting allowance. The acting allowance was paid to the Deputy Chief Financial Officer for the period 1 July 2023 to 30 June 2024 (1 year) in which he acted.

2. Included in the allowances for the Chief Operations Officer's salary is an amount of R81 804 for acting allowance. The acting allowance was paid to the Manager: Performance Management System for the period 1 July 2023 to 30 June 2024 (1 year) in which he acted.

3. Included in the allowances for the Director Transportation Service's salary is an amount of R57 747 for acting allowance. The acting allowance was paid to the Manager: Public Transport Regulations for the period 1 July 2023 to 30 November 2023 (5 months) in which he acted.

4. Included in the allowances for the Director Water and Sanitation's salary is an amount of R132 014 for acting allowance. The acting allowance was paid to the Assistant Manager: Water and Sanitation for the period 1 July 2023 to 30 November 2023 (5 months) in which he acted.

5. Included in the allowances for the Director Corporate and Shared Services's salary is an amount of R81 805 for acting allowance. The acting allowance was paid to the Manager: Office of the Municipal Manager for the period 1 July 2023 to 30 June 2024 (1 year) in which he acted.

6. Included in the allowances for the Director Energy Services' salary is an amount of R38 749 for acting allowance. The acting allowance was paid to the Manager: Energy Services for the period 1 January 2024 to 30 June 2024 (6 months) in which he acted.

Notes to the Audited Annual Financial Statements

Figures in Rand		2025	2024

35. Employee related cost (continued)

35.2 Municipal staff costs

Basic salary	592 682 529	585 142 012
Service-related benefits	177 171 804	230 267 572
Allowances	74 756 208	65 185 363
Bargaining council	279 535	258 650
Medical	52 787 941	49 335 372
Pension	121 038 324	113 796 287
Post-retirement benefit: Medical	39 156 000	37 257 000
Post-retirement benefit: Pension	14 717 000	14 344 000
Unemployment insurance	4 823 604	4 783 129
Total	**1 077 412 945**	**1 100 369 385**

36. Remuneration of councillors

Executive Mayor	36.1	2 020 402	1 206 341
Chief whip	36.2	1 560 345	917 103
Speaker	36.3	1 649 276	977 711
Mayoral committee	36.4	12 260 425	7 268 995
Section 79 committee chairperson	36.5	12 882 798	5 659 033
All other councillors	36.6	53 337 878	27 847 968
Total		**83 711 124**	**43 877 151**

36.1 Executive Mayor

Basic salary	1 648 238	942 274
Cell phone allowance	43 200	45 400
In-kind benefits	3 804	3 991
Medical aid benefits	77 924	73 335
Pension fund contributions	247 236	141 341
Total	**2 020 402**	**1 206 341**

36.2 Chief whip

Basic salary	986 962	565 899
Cell phone allowance	43 200	45 400
In-kind benefits	3 804	3 991
Motor vehicle allowance	378 335	216 928
Pension fund contributions	148 044	84 885
Total	**1 560 345**	**917 103**

36.3 Speaker

Basic salary	1 044 960	605 355
Cell phone allowance	43 200	45 492
In-kind benefits	3 804	4 008
Motor vehicle allowance	400 568	232 053
Pension fund contributions	156 744	90 803
Total	**1 649 276**	**977 711**

Figures in Rand		2025	2024

36. Remuneration of councillors (continued)

36.4 Mayoral committee

Basic salary		8 096 367	4 571 818
Cell phone allowance		432 000	454 092
In-kind benefits		38 040	39 859
Motor vehicle allowance		2 368 903	1 385 830
Medial aid benefits		110 660	133 833
Pension fund contributions		1 214 455	683 563
Total		**12 260 425**	**7 268 995**

36.5 Section 79 committee chairperson

Basic salary		8 255 024	3 636 877
Cell phone allowance		604 800	453 000
In-kind benefits		53 256	39 869
Motor vehicle allowance		2 634 416	935 205
Medical aid benefits		97 048	56 101
Pension fund contributions		1 238 254	537 981
Total		**12 882 798**	**5 659 033**

36.6 All other councillors

Basic salary		36 002 005	17 565 283
Cell phone allowance		2 882 377	3 202 952
In-kind benefits		237 908	265 565
Motor vehicle allowance		9 282 316	4 408 558
Medial aid benefits		142 010	70 094
Pension fund contributions		4 791 262	2 335 516
Total		**53 337 878**	**27 847 968**

The increase in Councillors Remuneration is as a result of the change in municipal grading (from Grade 5 to Grade 6) which is used in the determination of councillor remuneration in line with the Government Gazette No 51407 - *Determination of Upper limits of salaries, allowances and benefits of different members of municipal council*.

37. Depreciation and amortisation

Amortisation			
Intangible assets	13.1	2 405 887	2 435 678
Depreciation			
Property, plant and equipment		879 352 688	1 144 660 517
Living resources	15.1	222 900	159 290
		879 575 588	**1 144 819 807**
Total		**881 981 475**	**1 147 255 485**

38. Interest

38.1 Interest cost

Borrowings			
• Banks		35 801 803	35 359 502

Figures in Rand		2025	2024

38. Interest (continued)

Finance leases	20.1	2 398 468	1 880 525
Interest costs non-current provisions	22	13 162 465	12 523 135
Overdue accounts	17.6	701 400	1 045 237
Total		**52 064 136**	**50 808 399**

39. Bulk purchases

Electricity: Eskom	1 186 442 906	1 018 199 332

39.1 Electricity losses

	2025		2024	
	KHW	**Amount**	**KHW**	**Amount**
Units purchased	622 022 632	1 186 442 906	599 488 310	1 018 199 332
Units sold	(545 311 610)	(1 040 124 681)	(526 244 124)	(893 797 938)
Total loss	**76 711 022**	**146 318 225**	**73 244 186**	**124 401 394**

Percentage loss:				
Distribution loss	12.33 %	12.33 %	12.22 %	12.22 %

39.2 Water losses

	2025		2024	
	KL	**Amount**	**KL**	**Amount**
Opening inventory	65 006	596 784	56 207	454 943
Units purchased	31 634 315	342 816 274	30 683 939	281 691 685
Units sold	(21 204 700)	(229 792 121)	(23 206 277)	(213 043 546)
Closing inventory	(73 781)	(799 551)	(65 006)	(596 784)
Total loss	**10 420 840**	**112 821 386**	**7 468 863**	**68 506 298**

Percentage loss:				
Distribution losses	33.00 %	33.00 %	24.00 %	24.00 %

40. Inventory consumed

Materials and supplies	55 783 878	62 655 795
Water	229 792 121	213 043 546
Total	**285 575 999**	**275 699 341**

41. Debt impairment

Receivables from non exchange transactions	6	59 175 120	153 545 960
Receivables from exchange transactions	6	28 413 467	194 223 262
Total		**87 588 587**	**347 769 222**

42. Contracted services

Consultants and professional services	42.1	489 004 469	311 494 600
Contractors	42.2	254 933 534	272 664 805
Outsourced services	42.3	490 882 559	412 830 757
Total		**1 234 820 562**	**996 990 162**

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

42. Contracted services (continued)

42.1 Consultants and professional services

Business advisory services		
Accounting and auditing	18 430 269	24 377 536
Audit committee	1 100 659	990 927
Business and financial management	43 590 128	42 085 995
Commissions and committees	348 422	395 183
Communications	13 462 582	12 445 298
Project management	13 848 495	15 536 429
Quality control	3 006 599	2 660 462
Research and advisory	1 400 583	7 650 069
Total business advisory services	**95 187 737**	**106 141 899**
Laboratory services		
Water	57 924 849	24 164 468
Legal services		
Legal advice and litigation	59 818 976	31 559 039
Engineering services		
Civil engineering	274 328 294	148 259 205
Infrastructure and planning services		
Town planner infrastructure and planning	1 744 613	1 369 989
Total consultants and professional services	**489 004 469**	**311 494 600**

42.2 Contractors

General services		
Electrical	13 638 892	26 735 848
Employee wellness	337 019	236 240
Event promoters	317 459	482 645
Fire protection	3 070 884	3 038 071
First aid	-	379 683
Forestry	15 130	14 009
Gardening services	5 321 515	4 602 370
Grading of sport fields	383 796	457 602
Safeguard and security	11 908 043	11 552 262
Sewerage services	31 071 237	34 744 102
Transportation	45 386 091	62 195 671
Total general services	**111 450 066**	**144 438 503**
Maintenance services		
Maintenance of buildings and facilities	41 587 036	45 751 719
Maintenance of equipment	39 702 452	36 480 507
Maintenance of unspecified assets	62 193 980	45 994 076
Total maintenance service	**143 483 468**	**128 226 302**
Total contractor	**254 933 534**	**272 664 805**

Notes to the Audited Annual Financial Statements

Figures in Rand		2025	2024

42. Contracted services (continued)

42.3 Outsourced services

		2025	2024
Business and advisory services			
Business and Financial Management		2 347 892	2 608 567
Commissions and Committees		108 407 433	80 410 400
Communications		5 349 367	5 056 898
Human Resources		2 734 097	364 560
Valuer		8 050 596	6 612 255
Total business and advisory services		**126 889 385**	**95 052 680**
General services			
Animal Care		891 280	915 880
Burial Services		2 436 134	2 125 212
Call Centre		675 200	-
Catering Services		1 967 099	2 049 539
Cleaning Services		340 145	7 267 151
Clearing and Grass Cutting Services		2 906 631	2 311 585
Hygiene Services		1 026 990	667 833
Medical Services [Medical Health Services & Suppor		109 788	-
Meter Management		11 048 337	13 603 036
Personnel and Labour		43 595 456	59 223 675
Refuse Removal		86 681 195	82 938 874
Removal of Structures and Illegal Signs		-	434 010
Sewerage Services		-	8 468 283
Translators, Scribes and Editors		-	15 500
Transport Services		57 255 548	47 933 831
Total general services		**208 933 803**	**227 954 409**
Trading services			
Connection/Dis-connection: Electricity		-	2 301
Electrical		-	7 735
Security Services		155 059 371	89 813 632
Total trading services		**155 059 371**	**89 823 668**
Total outsourced services		**490 882 559**	**412 830 757**

43. Transfers and subsidies

		2025	2024
Operational			
Monetary allocations	43.1	16 480 000	15 480 000

43.1 Monetary allocations: Operational

		2025	2024
Municipal Entities (Polokwane Housing Association)		16 000 000	15 000 000
Non-profit institutions (SPCA)		480 000	480 000
Total		**16 480 000**	**15 480 000**

Figures in Rand		2025	2024

44. Operational cost

	2025	2024
Advertising, Publicity and Marketing	61 159 176	45 976 485
Bank Charges, Facility and Card Fees	5 924 158	7 188 120
Bursaries (Employees)	1 126 101	1 321 823
Commission	349 715	421 132
Communication	14 638 331	16 225 086
Deeds	4 130	884
Drivers Licences and Permits	755	550
Entrance Fees	67 257	52 413
External Audit Fees	15 216 788	14 307 681
External Computer Service	23 124 798	24 640 081
Firearm Handling Fees	25 640	14 260
Hire Charges	3 628 610	2 339 789
Indigent Relief	16 236 719	14 549 282
Insurance Underwriting	25 822 000	42 827 931
Learnerships and Internships	5 494 012	1 274 855
Management Fee	275 400	141 100
Municipal Services	5 281 723	4 149 184
Printing, Publications and Books	42 650	305 606
Professional Bodies, Membership and Subscription	11 614 688	12 058 449
Registration Fees	2 812 185	4 599 530
Remuneration to Ward Committees	12 356 246	8 764 871
Signage	-	612 337
Skills Development Fund Levy	9 827 648	9 456 836
System Access and Information Fees	-	242 608
Toll Gate Fees	95 398	83 972
Travel Agency and Visa's	5 783 633	3 826 969
Travel and Subsistence	1 659 189	1 920 829
Uniform and Protective Clothing	11 179 997	19 407 902
Wet Fuel	36 135 392	46 836 237
Workmen's Compensation Fund	4 099 935	7 380 661
Total	**273 982 274**	**290 927 463**

45. Gain/(Loss) on disposal of fixed and intangible assets

		2025	2024
Gains/(losses) on disposals	45.1	(226 844)	3 031 122

45.1 Gains/(losses) on disposals

	2025	2024
Property, plant and equipment	(259 312)	3 005 871
Living resources	32 468	25 251
Total	**(226 844)**	**3 031 122**

46. Fair value adjustment

		2025	2024
Biological assets	11	1 247 978	716 583
Investment property	9	74 189 872	47 409 274
Actuarial Assessments	21	6 214 420	20 273 227
Living resources	15	1 361 961	2 238 232
		83 014 231	**70 637 316**

47. Inventory write down & losses

	2025	2024
Decrease in net-realisable value	(2 580 408)	(9 278 544)
Water losses	(112 821 385)	(68 506 297)
	(115 401 793)	**(77 784 841)**

Notes to the Audited Annual Financial Statements

Figures in Rand		2025	2024

48. Impairment losses

Intangible assets	13.1	-	907 702
Property, plant and equipment		19 343 762	44 445 021
Total		**19 343 762**	**45 352 723**

49. Net cash from/(used) operating activities

Surplus (deficit) for the year	356 976 765	(138 557 896)
Adjustments for:		
Depreciation and amortisation	881 981 475	1 147 255 485
Bad debts written off/Debt impairment	87 588 587	347 769 222
(Gains) / Losses on disposal of assets	226 844	(3 031 122)
Fair value adjustment	(83 014 231)	(70 637 316)
Impairment loss	19 343 762	45 352 723
Inventory losses	115 401 793	77 784 841
Capital assets donations	(13 780 766)	(5 184 696)
Movement in working capital		
(Increase) / Decrease in receivables	(301 283 361)	(371 673 035)
(Increase) / Decrease in inventory	(109 843 619)	(96 597 931)
Increase / (Decrease) provisions	52 846 489	64 750 668
Increase / (Decrease) in VAT	(30 478 703)	13 617 053
Increase / (Decrease) in trade and other payables	162 030 467	67 861 752
Increase / (Decrease) in unspent conditional grants and receipts trade and other payable non-exchange transactions	(12 515 945)	(9 036 400)
Net cash flows from operating activities	**1 125 479 557**	**1 069 673 348**

50. Financial instruments

50.1 Fair value of financial instruments

The management of the municipality is of the opinion that the carrying value of Financial Assets and Financial Liabilities recorded at amortised cost in the audited annual financial statements approximate their fair values. In accordance with GRAP 104 the Fair Values of Financial Assets and Financial Liabilities, together with the carrying amounts shown in the Statement of financial position, are as follow:

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

50. Financial instruments (continued)

		2025		2024	
		Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
Financial assets					
Amortised cost					
Trade and other receivables from exchange transactions	4	963 543 678	963 543 678	836 740 246	836 740 246
Other receivables from exchange transactions		20 747 169	20 747 169	16 584 034	16 584 034
Cash and cash equivalents	3	708 476 798	708 476 798	343 278 496	343 278 496
VAT input accrual		72 070 268	72 070 268	49 185 916	49 185 916
		1 764 837 913	**1 764 837 913**	**1 245 788 692**	**1 245 788 692**
Financial liabilities					
Amortised cost					
Unsecured bank facilities:					
Financial liabilities	19 & 20	295 334 436	295 334 436	332 266 184	332 266 184
Trade and other payables:					
Consumer deposits	16	100 233 311	100 233 311	66 296 194	66 296 194
Trade and other payables from exchange transactions	17	896 164 435	896 164 435	726 494 111	726 494 111
Current portion of financial liabilities	19 & 20	38 036 822	38 036 822	38 389 033	38 389 033
VAT output accrual		113 491 472	113 491 472	119 142 965	119 142 965
		1 147 926 040	**1 147 926 040**	**950 322 303**	**950 322 303**
Total financial liabilities		**1 443 260 476**	**1 443 260 476**	**1 282 588 487**	**1 282 588 487**
Total financial instruments		**321 577 437**	**321 577 437**	**(36 799 795)**	**(36 799 795)**

The fair values of financial assets and financial liabilities are determined as follows:

Fair values for financial assets are based on quoted market prices in active markets for an identical instrument.

For financial liabities the contractual undiscounted cash flow is used. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

50.2 Liquidity risk

Ultimate responsibility for liquidity risk management rests with the Council. The municipality manages liquidity risk by effectively managing its working capital, capital expenditure, external borrowings and cash flows.

50. Financial instruments (continued)

30 June 2025

	Within 1 year	2 to 5 years	5 years +	Total
Maturity analysis				
Borrowings - capital repayments	31 086 649	215 133 110	73 686 209	319 905 968
Borrowings - interest	33 845 530	109 527 785	7 281 104	150 654 419
Trade and other payables	896 164 435	-	-	896 164 435
Finance lease - capital repayments - cellphones	827 145	190 770	-	1 017 915
Finance lease - capital repayments - photocopiers	6 123 027	6 324 354	-	12 447 381
Finance lease - interest - cellphones	95 019	8 093	-	103 112
Finance lease - interest - photocopiers	1 139 373	380 846	-	1 520 219
	969 281 178	**331 564 958**	**80 967 313**	**1 381 813 449**

30 June 2024

	Within 1 year	2 to 5 years	5 years +	Total
Maturity analysis				
Borrowings - capital repayments	27 778 472	193 564 670	126 345 361	347 688 503
Borrowings - interest	37 145 580	131 055 593	20 528 408	188 729 581
Trade and other payables	726 494 111	-	-	726 494 111
Finance lease - capital repayments - cellphones	5 303 524	274 796	-	5 578 320
Finance lease - capital repayments - photocopiers	5 307 037	12 081 364	-	17 388 401
Finance lease - interest - cellphones	493 672	12 828	-	506 500
Finance lease - interest - photocopiers	1 763 363	1 470 236	-	3 233 599
	804 285 759	**338 459 487**	**146 873 769**	**1 289 619 015**

50.3 Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the municipality.

Potential concentrations of credit risk consist mainly of fixed deposit investments, long-term debtors, consumer debtors, other debtors, short-term investment deposits and bank and cash balances.

The municipality manages credit risk in its borrowing and investing activities by only dealing with wellestablished financial institutions of high credit standing, and by spreading its exposure over a range of such institutions in accordance with its approved investment policies. Credit risk relating to consumer debtors is managed in accordance with the municipality’s credit control and debt collection policy. The municipality’s credit exposure is spread over a large number and wide variety of consumers and is not concentrated in any particular sector or geographical area. Adequate provision has been made for anticipated bad and doubtful debts. Additional information relating to the analysis of consumer debtors is given in the accounting policies and Note 4&6 to the audited annual financial statements.

The municipality does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The municipality defines counterparties as having similar characteristics if they are related entities. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings.

The carrying amount of financial assets recorded in the audited annual financial statements, which is net of impairment losses, represents the municipality’s maximum exposure to credit risk without taking account of the value of any collateral obtained.

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

		2025	2024
Other receivables from exchange transactions		20 747 169	16 584 034
Trade and other receivables from exchange transactions	4	963 543 678	836 740 246
Bank and cash balances	3	708 476 798	343 278 496
Maximum credit and interest risk exposure		**1 692 767 645**	**1 196 602 776**

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

51. Contingent assets and liabilities

Contingent liabilities		
Public liability claims	12 597 986	12 489 761
Services rendered	78 300 451	65 591 314
Breach of contract	134 470 192	126 684 286
General damages	6 358 917	7 441 097
Retentions	41 712 031	41 712 031
	273 439 577	**253 918 489**

Contingent assets		
Breach of contract	35 607 040	15 417 766

The above legal matters are ongoing and have not yet been finalised.

The nature of contingent liabilities are as follows:
Public liability claims: These are claims against the municipality, which are handled through municipal insurance, relating to motor vehicle accidents, unlawful arrests, and damages caused by municipal infrastructure.

Services rendered: These are claims against the municipality for non payment of alleged services rendered.

Breach of contract: These are claims against the municipality that relate to disagreements on the interpretations of contracts.

General damages: These are claims against the municipality relating to motor vehicle accidents, unlawful arrests, and damages caused by municipal infrastructure. These cases are handled through the municipality's appointed attorneys.

Retentions: Retentions with no movement (increases/decreases) for a consecutive period of three years have been classified as contingent liabilities as the municipality may not have a present obligation to settle. Management will implement controls to investigate the validity of the retentions. All unconfirmed retentions will be derecognised during the following financial year.

The nature of contingent assets are as follows:
Breach of contract: These are claims in which the municipality is a plaintiff. The municipality is claiming for monies the following:
- monies collected on behalf of the municipality by service providers and never paid over;
- recovery of money utilised for expenditure that is classified as fruitless and wasteful expenditure;
- recovery of repair costs associated with the damage to municipal property;
- recovery of municipal rates and taxes

Figures in Rand	2025	2024

52. Unauthorised, irregular, fruitless and wasteful expenditure

52.1 Unauthorised expenditure

Opening balance as previously reported	273 675 451	1 631 926 182
Correction of prior period error	(10 450 293)	-
Opening balance as restated	**263 225 158**	**1 631 926 182**
Add: Unauthorised expenditure – current	234 479 032	932 058 521
Less: Amounts written-off – current	(483 134 881)	(2 300 759 545)
Closing balance	**14 569 309**	**263 225 158**

The over expenditure incurred by the municipal departments during the year is attributable to the following categories		
Non cash items	234 479 032	932 058 521
Cash items	-	-
	234 479 032	**932 058 521**

Analysed as follows: non cash items		
Depreciation and amortisation	183 921 788	721 104 460
Inventory consumed	15 944 884	-
Inventory write down (Water losses and inventory)	12 629 542	77 498 913
Impairment losses	19 343 763	45 352 723
Debt impairment	2 639 055	88 102 425
	234 479 032	**932 058 521**

52.2 Irregular expenditure

Opening balance as previously reported	139 573 517	301 379 734
Correction of prior period error	(6 399 665)	(614 468)
Opening balance as restated	**133 173 852**	**300 765 266**
Add: Irregular expenditure - current	222 039 795	400 030 502
Less: Amounts written-off – current	(318 800 334)	(567 621 916)
Closing balance	**36 413 313**	**133 173 852**

Irregular expenditure incurred is due to non compliance with SCM regulations.

The council resolution number for the above write-off of irregular expenditure is CR/28/07/23; CR/156/01/24; CR/81/08/24 and CR/58/07/24.

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

52. Unauthorised, irregular, fruitless and wasteful expenditure (continued)

52.3 Fruitless and wasteful expenditure

Opening balance as previously reported	3 928 759	17 125 046
Correction of prior period error	21 533 530	-
Opening balance as restated	**25 462 289**	**17 125 046**
Add: Fruitless and wasteful expenditure – current	10 861 767	27 638 681
Less: Amount recoverable – current	(3 928 759)	(16 680 253)
Less: Amounts written-off – current	-	(2 621 185)
Closing balance	**32 395 297**	**25 462 289**

Analysis of fruitless and wasteful expenditure incurred:

Incident		
Interest on late payment to Workmen's Compensation Fund	-	3 102 366
Payment for project standing time	-	3 002 785
Interest on late payment	68 465	-
Payment for remedial work	5 185 948	-
Payment for design development	5 607 354	-
Payment for standing kilometres	-	21 533 530
Total	**10 861 767**	**27 638 681**

Fruitless and wasteful expenditure is incurred due to late payment to Department of Labour.

The council resolution number for the above recovery of fruitless and wasteful expenditure is CR59/07/25.

53. Capital commitments

Commitments in respect of capital expenditure:

Authorised capital expenditure

Already contracted for but not provided for		
• Infrastructure	1 006 626 706	1 065 652 989
• Other	18 474 726	13 798 797
	1 025 101 432	**1 079 451 786**

Total capital commitments		
Already contracted for but not provided for	1 025 101 432	1 079 451 786

Total commitments

Total commitments		
Authorised capital expenditure	1 025 101 432	1 079 451 786

Figures in Rand	2025	2024

54. Related party disclosures

54.1 Nature of related party relationships

Related party:	**Nature of relationship:**
Councillors	Refer to General Information page
Accounting Officer	Refer to accounting officer's report note
Ultimate controlling entity	Polokwane Municipality
Controlling entity	Polokwane Municipality
Controlled entities	Polokwane Housing Association. Refer to the related party transactions note below as well as Note 14
Members of key management	Refer to Employee cost Note 35
Councillor remuneration	Refer to Remuneration of Councillors Note 36

54.2 Related party transactions

Compensation to councillors - Payments to councillors are for allowances as gazetted. Refer to Note 36 for remuneration of councillors.

Controlled entities - the municipality has exempted PHA from paying municipal rates and taxes.

There is a shared Internal Audit unit which performs the functions of internal audit for Polokwane Housing Association at no cost.

	2025	2024
Revenue		
Operational grant	16 000 000	15 000 000
Accounting fees paid - Munsoft	1 280 401	1 205 651
Accounting fees paid on behalf of PHA - MMB Consulting	1 426 000	2 118 792
	18 706 401	**18 324 443**

54.3 Related party balances

Controlled entities

No guarantees were given or received.

There were no loans given or taken from Polokwane Housing Association during the year.

54.4 Remuneration of management

Management class: Councillors/mayoral committee members

Refer to Note 36 - "Remuneration of councillors"

Management class: Executive management

Refer to note 35 "Employee related costs"

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

55. Deviations from SCM regulations - SCM Regulation 36

In terms of section 36 of the municipality SCM regulations, any deviations from SCM policy needs to be approved by the accounting officer and noted by Council. The awards listed below have been approved by the accounting officer and noted by Council.

Nature and value of deviations from SCM Regulations granted during the reporting year:

	2025	2024
Information technology upgrades	2 722 753	1 367 588
Membership and conferences	179 342	483 373
Deviations less than R200,000	1 611 709	1 151 743
Other	5 282 035	1 393 800
Total amount approved by the accounting officer and noted by council	**9 795 839**	**4 396 504**

The following deviations have been appointed on a rate basis:
- Legal
- Newspaper and radio advertisements

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

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

Prescribed procurement processes were not followed but was approved by the Municipal Manager in terms of delegated powers and in accordance with Supply Chain Management Regulations and Policy. Valid reasons for deviations were recorded in all instances

Figures in Rand	2025	2024

56. Principal-agent arrangements

56.1 Municipality acting as the principal

	2025	2024
SANRAL	349 715	421 132
Cigicell Pty Ltd	23 400 036	21 722 579
Park Point Pty Ltd	-	-
Easy Pay	2 384 315	2 436 669
	26 134 066	**24 580 380**

SANRAL

The municipality is a party to a principal-agent arrangement with SANRAL, wherein the municipality acts as the prinicpal.

SANRAL is entitled to 5% of the service fee.

No resources held at SANRAL are owned by the municipality. All resources that are utilised by SANRAL in support of the function is owned by SANRAL. Consequently, there will be no cost implications in the event of termination of the arrangement.

Fees paid as commission to agent	349 715	421 132

Cigicell Pty Ltd

The municipality is a party to a principal-agent arrangement with Cigicell Pty Ltd, wherein the municipality acts as the principal.

Polokwane Municipality appointed Cigicell for vending of prepaid electricity and water to its Customers (third party); as well as the collection the payment of outstanding accounts on its behalf.

Cigicell Pty Ltd is entitled to 2.25% of the face value of the revenue collected via the vending system. Cigicell Pty Ltd is also entitled to an amount of between 1.5% to 3.7% of the money collected. This range is dependant on the payment method used.

No resources held at Cigicell Pty Ltd are owned by the municipality. All resources that are utilised by Cigicell Pty Ltd in support of the function is owned by Cigicell Pty Ltd. Consequently, there will be no cost implications in the event of termination of the arrangement.

Reconciliation of amounts payable to Cigicell Pty Ltd

Fees paid as commission to agent	23 400 036	21 722 579

Park Point Pty Ltd

The municipality is a party to a principal-agent arrangement with Park Point Pty Ltd, wherein the municipality acts as the principal.

Polokwane Municipality appointed Park Point for collection of parking fees from its customers (third party) on its behalf.

Park Point Pty Ltd is entitled to 75% of the face value of the revenue collected on street parking.

No resources held at Park Point Pty Ltd are owned by the municipality. All resources that are utilised by Park Point Pty Ltd in support of the function is owned by Park Point Pty Ltd. Consequently, there will be no cost implications in the event of termination of the arrangement.

Reconciliation of amounts payable to Park Point Pty Ltd

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

56. Principal-agent arrangements (continued)

Fees paid as commission to agent	-	-

No commission has been paid to the municipality since inception of the agreement.

Easy Pay

The municipality is a party to a principal-agent arrangement with Easy Pay, wherein the municipality acts as the prinicpal.

Polokwane Municipality appointed EasyPay for the collection of payments made by customers (third party) relating to outstanding accounts on its behalf. EasyPay is entitled to R7.17 per transaction of the receipts from customers via their system.

No resources held at EasyPay are owned by the municipality. All resources that are utilised by EasyPay in support of the function is owned by EasyPay. Consequently, there will be no cost implications in the event of termination of the arrangement..

Reconciliation of amounts payable to Easy Pay

Fees paid as commission to agent	2 384 315	2 436 669

56. Principal-agent arrangements (continued)

56.2 Municipality acting as the agent

	2025	2024
Department of Transport	23 165 249	25 894 645
South African National Roads Agency Ltd	238 893	332 199
	23 404 142	**26 226 844**

The municipality is a party to two prinicipal-agent arrangements:
- Department of Transport
- South African National Roads Agency

Department of Transport

The municipality is the agent to the provincial Department of Transport.

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

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

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

No significant risks exist other than risks associated with cash management. The application controls designed within the IT system are adequate to correctly account for such revenues.

	2025	2024
Revenue recognised as compensation for the transactions carried out on behalf of the principal	23 165 249	25 894 645
Revenue received or to be received on behalf of the principal	117 618 422	128 666 102

	2025	2024
Payables held on behalf of the prinicipal		
Opening balance	701 436	-
Expenses incurred	117 618 208	128 666 102
Cash paid	(118 319 644)	(127 964 666)
Closing balance	**-**	**701 436**

There are no expenditure paid or incurred on behalf of the principal.

There are no receivables held on behalf of the principal.

South African National Roads Agency Ltd

The municipality is the agent to the South African National Roads Agency Ltd. The municipality is entitled to a commission of 4% based on the proceeds collected by SANRAL. for commission payable.

Figures in Rand	2025	2024

56. Principal-agent arrangements (continued)

Revenue recognised as compensation for the transactions carried out on behalf of the principal	238 893	332 199

Revenue received or to be received on behalf of the principal	6 310 445	8 313 344

Payables held on behalf of the principal

Opening balance	(76 537)	-
Expenses incurred	6 310 445	8 313 344
Cash paid	(5 795 286)	(8 389 881)
Closing balance	**438 622**	**(76 537)**

There are no expenditure paid or incurred on behalf of the principal.

There are no receivables held on behalf of the principal.

57. Additional disclosure in terms of Municipal Finance Management Act

SALGA Contributions

Current year subscription / fee	11 614 688	12 039 802
Amount paid - current year	(11 614 688)	(12 039 802)
Amount approved by the director and noted by council	-	-

Audit fees

Opening balance	-	166 888
Current year subscription / fee	15 216 788	14 140 793
Amount paid - current year	(15 216 788)	(14 307 681)
Amount approved by the director and noted by council	-	-

PAYE, UIF and SDL

Current year subscription / fee	206 414 052	194 656 553
Amount paid - current year	(206 414 052)	(194 656 553)
Amount approved by the director and noted by council	-	-

Pension deductions

Current year subscription / fee	187 279 315	167 762 681
Amount paid - current year	(187 279 315)	(167 762 681)
Amount approved by the director and noted by council	-	-

Medical aid deductions

Current year subscription / fee	94 234 008	87 175 593
Amount paid - current year	(94 234 008)	(87 175 593)
Total	-	-

Value Added Tax

VAT input receivables are shown in note 8.

VAT output payables are shown in note 8.

Figures in Rand	2025	2024

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

All VAT returns have been submitted by the due date throughout the year.

VAT on a payment basis reflects a net VAT receivable amount of R15 956 136 (2024: R14 013 278)

Councillors' arrear consumer accounts

	2025			2024		
	Outstanding less than 90 days	**Outstanding more than 90 days**	**Total**	**Outstanding less than 90 days**	**Outstanding more than 90 days**	**Total**
RR Malema	11 442	658	**12 100**	-	-	**-**

58. Statutory Receivables

Statutory receivables consists of:

2025

	Gross amount	Impairment	Carrying amount
Property rates	709 299 186	(319 812 548)	389 486 638
Traffic fines	95 634 150	(87 287 844)	8 346 306
VAT receivable	15 956 136	-	15 956 136
	820 889 472	**(407 100 392)**	**413 789 080**

2024

	Gross amount	Impairment	Carrying amount
Property rates	626 022 521	(311 771 541)	314 250 980
Traffic fines	76 849 648	(72 067 133)	4 782 515
VAT receivable	14 013 278	-	14 013 278
	716 885 447	**(383 838 674)**	**333 046 773**

59. Segment information

General information

Identification of segments

The municipality is organised and reports to management on the basis of three major functional areas: Community and Public Safety, Economic and Environmental 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.

The municipality's operations are in Limpopo Province.

Separate financial and other relevant information on geographical areas in which the municipality operates is not available. The cost to develop the necessary information would be excessive.

59. Segment information (continued)

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
Community and Public Safety	Community and social services, sport and recreation facilities, crime prevention, traffic enforcement, public housing and health. These activities are performed by various departments within the municipality and have aligned objectives.
Economic and Environmental Services	Urban planning and development, transport, road maintenance and environmental protection. These activities are performed by various departments within the municipality and have aligned objectives.
Trading services - Energy services	Distributing electricity to residential, commercial and industrial customers in Polokwane and providing the link between Eskom and electricity consumers. Constructing and maintaining the equipment that transforms the power supply for consumer needs.
Trading services - Water management	Providing residents, businesses and industries with clean, safe and reliabile drinking water. This entails many diverse activities from the management of water catchment areas and water storage to distribution.
Trading services - Waste water management	Treating of waste water and safely disposing of it back into the environment.
Trading services - Waste management	Collecting and disposing of waste in a safe manner, as required by legislation. Ensuring the general cleanliness of Polokwane's streets, public spaces and rivers.
Governance and administration	All aspects of governance and the centralised financial administration of the City. Various transactions are managed and administered centrally.

Segment surplus or deficit, assets and liabilities

By function

Figures in Rand	Community and Public Safety	Economic and Environmental services	Trading Services	Governance and administration	Unallocated	Total
2025						
Segment revenue						
External revenue from non-exchange transactions	47 762 611	507 958 716	346 564 193	2 207 075 917	-	3 109 361 437
External revenue from exchange transactions	22 135 069	71 189 673	2 215 759 284	26 105 649	-	2 335 189 675
Interests on investments	-	-	-	69 806 262	-	69 806 262
Interest earned from receivables	-	-	92 189 662	-	-	92 189 662
Gain on disposal of assets	-	-	-	3 908 834	-	3 908 834
Fair value adjustments	2 609 940	-	2 907 588	77 496 704	-	83 014 232
	72 507 620	**579 148 389**	**2 657 420 727**	**2 384 393 366**	**-**	**5 693 470 102**

Segment expenses

59. Segment information (continued)

Total segment expenses	309 884 083	619 826 457	2 110 584 031	1 135 683 324	-	4 175 977 895
Depreciation and amortisation	192 337 159	339 841 459	335 720 573	14 082 280	-	881 981 471
Loss on disposal of assets	300 344	2 614 636	1 220 698	-	-	4 135 678
Impairment losses/(reversals)	(5 397 087)	18 810 585	11 090 018	82 428 835	-	106 932 351
Interest expense	-	-	-	52 064 136	-	52 064 136
Inventory write down	-	-	112 821 385	2 580 408	-	115 401 793
	497 124 499	**981 093 137**	**2 571 436 705**	**1 286 838 983**	**-**	**5 336 493 324**
Surplus for the year	**(424 616 879)**	**(401 944 748)**	**85 984 022**	**1 097 554 383**	**-**	**356 976 778**
Other information						
Segment assets	2 582 122 195	4 008 410 649	7 658 786 170	3 652 872 853	-	17 902 191 867
Segment liabilities	(23 049 099)	(66 222 283)	(741 423 045)	(1 231 426 133)	-	(2 062 120 560)
Capital expenditure	92 253 126	256 426 978	401 235 012	42 205 692	-	792 120 808

2024

Segment revenue						
External revenue from non-exchange transactions	431	31 878 014	6 941 899	2 956 549 835	-	2 995 370 179
External revenue from exchange transactions	28 606 168	67 432 669	1 966 739 589	13 578 019	-	2 076 356 445
Interests on investments	-	-	-	48 177 770	-	48 177 770
Interest earned from receivables	-	-	89 412 601	3 136 780	-	92 549 381
Gain on disposal of assets	-	-	25 251	3 005 870	-	3 031 121
Fair value adjustments	2 954 814	(38 937 379)	440 447	106 179 433	-	70 637 315
	31 561 413	**60 373 304**	**2 063 559 787**	**3 130 627 707**	**-**	**5 286 122 211**
Segment expenses						
Total segment expenses	307 585 097	541 980 664	1 913 845 938	992 297 709	-	3 755 709 408
Depreciation, amortisation and impairment	183 801 107	525 914 756	360 857 971	76 681 651	-	1 147 255 485
Impairment losses	-	68 599 188	123 562 899	200 959 856	-	393 121 943
Interest expense	-	-	-	50 808 399	-	50 808 399
Inventory write down	-	-	-	77 784 842	-	77 784 842
	491 386 204	**1 136 494 608**	**2 398 266 808**	**1 398 532 457**	**-**	**5 424 680 077**
Surplus for the year	**(459 824 791)**	**(1 076 121 304)**	**(334 707 021)**	**1 732 095 250**	**-**	**(138 557 866)**
Other information						
Segment assets	2 758 424 228	4 029 721 877	7 151 322 518	3 410 958 359	-	17 350 426 982
Segment liabilities	(7 494 639)	(53 536 163)	(664 814 314)	(1 141 487 333)	-	(1 867 332 449)
Capital expenditure	39 636 612	270 737 359	572 719 848	131 859 615	-	1 014 953 434

Analysis of impact on surplus/deficit for the year from change in reportable function

There has been a change in the reportable function for Transfers and subsidies revenue in line with the guidance as provided by National Treasury MFMA Circular 126.

59. Segment information (continued)

Segment revenue	Community and Public Safety	Economic and Environmental Services	Trading Services	Governance and administration	Total
External revenue from non-exchange transactions	10 512 405	408 323 470	467 581 106	2 108 953 198	2 995 370 179
External revenue from exchange transactions	28 606 168	67 432 669	1 966 739 589	13 578 019	2 076 356 445
Interest on investments	-	-	-	48 177 770	48 177 770
Interest earned from receivables	-	-	89 412 601	3 136 780	92 549 381
Gain on disposal of assets	-	-	25 251	3 005 870	3 031 121
Fair value adjustments	2 954 814	(38 937 379)	440 447	106 179 433	70 637 315
	42 073 387	**436 818 760**	**2 524 198 994**	**2 283 031 070**	**5 286 122 211**

Segment expenses	Community and Public Safety	Economic and Environmental Services	Trading Services	Governance and administration	Total
Total Segment expenses	307 585 097	541 980 664	1 913 845 938	992 297 709	3 755 709 408
Depreciation, amortisation and impairment	183 801 107	525 914 756	360 857 971	76 681 651	1 147 255 485
Impairment losses	-	68 599 188	123 562 899	200 959 856	393 121 943
Interest expense	-	-	-	50 808 399	50 808 399
Inventory write down	-	-	-	77 784 842	77 784 842
	491 386 204	**1 136 494 608**	**2 398 266 808**	**1 398 532 457**	**5 424 680 077**

	Community and Public Safety	Economic and Environmental Services	Trading Services	Governance and administration	Total
Total Segment Revenue	42 073 387	436 818 760	2 524 198 994	2 283 031 070	5 286 122 211
Total Segment Expenses	(491 386 204)	(1 136 494 608)	(2 398 266 808)	(1 398 532 457)	(5 424 680 077)
	(449 312 817)	**(699 675 848)**	**125 932 186**	**884 498 613**	**(138 557 866)**

60. Events after the reporting date

Management is not aware of any events after the balance sheet date that are indicative of conditions that existed at 30 June 2025.

61. GRAP 3 Adjustments

The following restatements and adjustments occurred which are set out below:

61.1 Adjustments of Statement of financial position items

2024

	Note	Previously reported	Correction of error	Re-classification	Restated
Assets					
Current assets					
Cash and cash equivalents	3	343 278 496	-	-	**343 278 496**
Receivables from exchange transactions	4	861 879 737	(25 965 776)	826 285	**836 740 246**
Other receivables from exchange transactions	5	16 584 034	-	-	**16 584 034**
Receivables from non-exchange transactions	6	328 668 305	(9 634 810)	-	**319 033 495**
Inventory	7	112 808 412	-	-	**112 808 412**
VAT Receivable		14 013 278	-	-	**14 013 278**
VAT input accrual		106 176 476	(56 990 560)	-	**49 185 916**
Total Current assets		**1 783 408 738**	**(92 591 146)**	**826 285**	**1 691 643 877**
Non-current assets					
Investment property	9	1 024 964 286	(48 003 119)	-	**976 961 167**
Property, plant and equipment	10	14 571 550 142	25 757 204	-	**14 597 307 346**
Biological assets	11	15 622 003	-	-	**15 622 003**
Heritage assets	12	21 867 568	-	-	**21 867 568**
Intangible assets	13	35 556 809	113 770	-	**35 670 579**
Investment in subsidiary		1 000	-	-	**1 000**
Living resources	15	11 606 694	(253 260)	-	**11 353 434**
Total Non-Current assets		**15 681 168 502**	**(22 385 405)**	**-**	**15 658 783 097**
Total assets		**17 464 577 240**	**(114 976 551)**	**826 285**	**17 350 426 974**
Liabilities					
Current liabilities					
Consumer deposits	16	65 469 909	-	826 285	**66 296 194**
Trade and other payables from exchange transactions	17	731 057 499	(4 563 388)	-	**726 494 111**
Trade and other payables from non-exchange transactions	18	16 735 566	-	-	**16 735 566**
Borrowings	19	27 778 472	-	-	**27 778 472**
Finance lease liabilities	20	10 610 561	-	-	**10 610 561**
Employee benefits	21	16 301 297	11 113 334	-	**27 414 631**
Provisions	22	3 656 736	-	-	**3 656 736**
VAT output accrual		119 142 965	-	-	**119 142 965**
Total Current liabilities		**990 753 005**	**6 549 946**	**826 285**	**998 129 236**
Non-current liabilities					
Borrowings	19	319 910 020	-	-	**319 910 020**
Finance lease liabilities	20	12 356 164	-	-	**12 356 164**
Employee benefits	21	401 698 326	9 543 151	-	**411 241 477**
Provisions	22	125 695 555	-	-	**125 695 555**
Total Non Current liabilities		**859 660 065**	**9 543 151**	**-**	**869 203 216**
Total liabilities		**1 850 413 070**	**16 093 097**	**826 285**	**1 867 332 452**
Net Assets					
Revaluation reserve	23	10 257 919 444	-	-	**10 257 919 444**
Accumulated surplus		5 356 244 736	(131 069 649)	-	**5 225 175 087**
Total Net assets		**15 614 164 180**	**(131 069 649)**	**-**	**15 483 094 531**

61. GRAP 3 Adjustments (continued)

61.2 Adjustments of Statement of financial performance items

2024

	Note	As previously reported	Correction of error	Re-classification	Restated
Revenue					
Exchange revenue					
Services charges – Electricity	24	1 368 902 843	(5 352 398)	-	**1 363 550 445**
Services charges – Waste management	24	142 911 569	(1 493 113)	-	**141 418 456**
Services charges – Waste water management	24	170 741 829	(2 078 128)	-	**168 663 701**
Services charges – Water	24	298 432 073	(5 325 084)	-	**293 106 989**
Rental from fixed assets	25	40 961 051	-	-	**40 961 051**
Interest earned from receivables	26	96 290 038	(11 717 052)	-	**84 572 986**
Interest earned on bank accounts	27	48 177 770	-	-	**48 177 770**
Licence and permits	28	13 596 844	-	-	**13 596 844**
Agency services	29	26 226 845	-	-	**26 226 845**
Operational revenue	30	7 620 933	-	-	**7 620 933**
Sales of goods and rendering of services	31	21 211 187	-	-	**21 211 187**
		2 235 072 982	**(25 965 775)**	**-**	**2 209 107 207**
Non-exchange revenue					
Property rates	32	602 555 837	(9 488 935)	-	**593 066 902**
Transfers and subsidies		2 312 832 310	-	(2 312 832 310)	**-**
Transfers and subsidies – Operational	33	-	-	1 538 725 422	**1 538 725 422**
Transfers and subsidies – Capital	33	-	1 202 606	774 106 888	**775 309 494**
Fines, penalties and forfeits	34	40 978 661	-	-	**40 978 661**
Interest earned from receivables	26	55 411 975	(145 878)	-	**55 266 097**
		3 011 778 783	**(8 432 207)**	**-**	**3 003 346 576**
Total revenue		**5 246 851 765**	**(34 397 982)**	**-**	**5 212 453 783**
Expenditure					
Employee related cost	35	1 104 282 242	10 253 756	-	**1 114 535 998**
Remuneration of councillors	36	43 877 151	-	-	**43 877 151**
Debt impairment	41	347 769 222	-	-	**347 769 222**
Depreciation and amortisation	37	1 146 713 013	542 472	-	**1 147 255 485**
Finance costs	38	50 808 399	-	-	**50 808 399**
Bulk purchases	39	1 018 199 332	-	-	**1 018 199 332**
Inventory consumed	40	275 699 341	-	-	**275 699 341**
Contracted services	42	961 690 928	35 299 234	-	**996 990 162**
Government grants and subsidies	43	15 480 000	-	-	**15 480 000**
Operational cost	44	290 927 463	-	-	**290 927 463**
Total expenditure		**5 255 447 091**	**46 095 462**	**-**	**5 301 542 553**
Gains/(losses) on disposals	45	3 005 871	25 251	-	**3 031 122**
Fair value adjustments		61 562 019	9 075 297	-	**70 637 316**
Inventories (write-down)		(77 784 841)	-	-	**(77 784 841)**
Impairment losses		(45 352 723)	-	-	**(45 352 723)**
		(58 569 674)	**9 100 548**	**-**	**(49 469 126)**
Surplus/(deficit) for the year		**(67 165 000)**	**(71 392 896)**	**-**	**(138 557 896)**

Statement of financial position

Receivables from exchange transactions

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

61. GRAP 3 Adjustments (continued)

	-
Balance as previously reported	861 879 737
Correction of customer accounts	(16 310 944)
Reclassification from consumer deposits	(8 828 547)
	-
	836 740 246

The prior period adjustment is attributable to debit and credit notes processed on customer accounts to correct billing for previous financial years. These corrections arise from supplementary property valuations, changes in ownership recorded through deeds of office, billing errors identified during customer queries, and discrepancies discovered during account reconciliations.

Receivables from non-exchange transactions

Balance as previously reported	328 668 305
Correction of customer accounts	(9 634 810)
	319 033 495

The prior period adjustment is attributable to debit and credit notes processed on customer accounts to correct billing for previous financial years. These corrections arise from supplementary property valuations, changes in ownership recorded through deeds of office, billing errors identified during customer queries, and discrepancies discovered during account reconciliations.

VAT input accrual

Balance as previously reported	106 176 476
Correction of system migration error affecting the opening balance	(56 990 560)
	49 185 916

Investment property

Balance as previously reported	1 024 964 286
Commercial Property	
Additions of commercial investment properties	6 178 815
Recognition of prior years fair value adjustment on commercial property not previously accounted for	625 615
Derecognition of investment property that was duplicated in the investment property register relating to the 2023 financial year	(899 416)
Derecognition of investment property that was duplicated in the investment property register relating to the 2024 financial year	1 064
Reclassification of investment property to land property under Property, plant and equipment	(767 658)
Land	
Addition of land not accounted for in prior years	6 646 560
Recognition of prior years fair value adjustment on land parcels not previously accounted for	610 035
Removal of duplicates between commercial and land investment property relating to the 2023 financial year	(71 459 887)
Removal of duplicates between commercial and land investment property relating to the 2024 financial year	18 894 629
Reclassification of investment property to Property, plant and equipment	(7 832 876)
	976 961 167

Certain properties were erroneously omitted that should have been included as Investment property in the Seshego area.

Some properties were reclassified from Investment property to Property, plant and equipment as a result of a change in use.

Figures in Rand	2025	2024

61. GRAP 3 Adjustments (continued)

Property, plant and equipment

Balance as previously reported	14 571 550 142
Correction of disposal of movable property	(107 758)
Land transfer from Investment property	7 947 216
Correction of Work in progress capitalisation	13 269 523
Correction of bulk infrastructure service developed by private developer	5 296 902
Correction of depreciation on private developed bulk infrastructure	(648 679)
	14 597 307 346

The correction of Property, plant and equipment relates to the following:
- Some assets have been derecognised as the items did not meet the the recognition criteria as required by GRAP Standards.
- Some expenditure were erroneously omitted from the work in progress balance of previous years.
- Recognition of bulk infrastructure that was donated in the previous years and erroneously omitted.

Intangible assets

Balance as previously reported	35 556 809
Correction of amortisation	113 770
	35 670 579

The amortisation was incorrectly computed for certain intangible assets.

Living resources

Balance as previously reported	11 606 694
Accounting for depreciation not previously taken into account	(253 260)
	11 353 434

Depreciation relating to living resources was previously not computed.

Consumer deposits

Balance as previously reported	65 469 909
Reclassification to receivables from exchange transactions	826 285
	66 296 194

In the prior years, system error occurred in which sundry deposit were not posted to the consumer deposit register.

Payables from exchange transactions

Balance as previously reported	731 057 499
Reversal of maintenance invoices erroneously accrued	(11 420 116)
Accrual of invoices relating to Infrastructure work in progress	27 035 227
Accrual of amount owing to Esilux for standing kilometres	21 533 530
Correction of retentions write-off	(41 712 029)
	726 494 111

Some expenditure were erroneously omitted from the work in progress balance of previous years, which resulted in an increase in the payables balance.
Retentions with no movement for a consecutive period of three years were written off retrospectively.

Employee benefits - Current portion

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

61. GRAP 3 Adjustments (continued)

Balance as previously reported		16 301 297
Correction of Ex-gratia split between current and non current liabilities		1 593 000
Correction of Long Service award split between current and non current liabilities		7 645 000
Correction of leave provision		1 875 334
		27 414 631

The split between current and non current portions as reflected in the actuarial valuation report was erroneously omitted. This applied to both Ex-gratia and Long Service award provisions.

Leave provision - the leave acrual report for the prior year was adjusted based on certain information that was erroneously omitted from the data in the previous year.

Employee benefit - non current

Balance as previously reported		401 698 326
Correction of Ex-gratia split between current and non current liabilities		(1 593 000)
Correction of Long service award split between current and non currentl liabilities		(7 645 000)
Correction of leave provision		18 781 151
		411 241 477

The split between current and non current portions as reflected in the actuarial valuation report was erroneously omitted. This applied to both Ex-gratia and Long Service award provisions.

Leave provision - the leave acrual report for the prior year was adjusted based on certain information that was erroneously omitted from the data in the previous year.

Accumulated surplus

Balance as previously reported		5 356 244 736
Adjustments affecting periods prior to 2023-2024 financial year		
Investment property additions		26 786 993
Investment property fair value adjustments		(86 320 921)
Correction of cost relating to donated infrastructure assets		4 126 832
Disposals relating to property, plant and equipment		(107 758)
Correction of depreciation on donated assets		(184 261)
Depreciation on living resources relating to prior years		(119 221)
Reversal of maintenance invoices incorrectly accrued		11 420 115
Reversal of VAT Input accrual		(56 990 560)
Retention write off		41 712 031
Adjustments affecting profit and loss of the 2023-2024 financial year		
- Service charges: Electricity		(5 352 398)
- Service charges: Waste management		(1 493 114)
- Service charges: Waste water management		(2 078 128)
- Service charges: Water		(5 325 084)
- Interest earned from receivables (exchange)		(11 717 053)
- Interest earned from receivables (non exchange)		(145 876)
- Property rates		(9 488 934)
- Transfers and subsidies: Capital		1 202 605
- Employee related costs		(10 253 757)
- Depreciation and amortisation		(542 472)
- Contracted services		(35 299 234)
- Gain/Loss on disposed assets		25 251
- Fair value adjustments		9 075 295
		5 225 175 087

61. GRAP 3 Adjustments (continued)

Statement of Financial Performance

Service charges - Electricity

61. GRAP 3 Adjustments (continued)

Balance as previously reported	1 368 902 843
Correction of customer accounts	(5 352 398)
	1 363 550 445

The prior period adjustment is attributable to debit and credit notes processed on customer accounts to correct billing for previous financial years. These corrections arise from supplementary property valuations, changes in ownership recorded through deeds of office, billing errors identified during customer queries, and discrepancies discovered during account reconciliations.

Service charges - Waste management

Balance as previously reported	142 911 569
Correction of customer accounts	(1 493 114)
	141 418 455

The prior period adjustment is attributable to debit and credit notes processed on customer accounts to correct billing for previous financial years. These corrections arise from supplementary property valuations, changes in ownership recorded through deeds of office, billing errors identified during customer queries, and discrepancies discovered during account reconciliations.

Service charges - Waste water management

Balance as previously reported	170 741 829
Correction of customer accounts	(2 078 128)
	168 663 701

The prior period adjustment is attributable to debit and credit notes processed on customer accounts to correct billing for previous financial years. These corrections arise from supplementary property valuations, changes in ownership recorded through deeds of office, billing errors identified during customer queries, and discrepancies discovered during account reconciliations.

Service charges - Water

Balance as previously reported	298 432 073
Correction of customer accounts	(5 325 084)
	293 106 989

The prior period adjustment is attributable to debit and credit notes processed on customer accounts to correct billing for previous financial years. These corrections arise from supplementary property valuations, changes in ownership recorded through deeds of office, billing errors identified during customer queries, and discrepancies discovered during account reconciliations.

Interest earned from receivables (exchange revenue)

Balance as previously reported	96 290 038
Correction of customer accounts	(11 717 053)
	84 572 985

The prior period adjustment is attributable to debit and credit notes processed on customer accounts to correct billing for previous financial years. These corrections arise from supplementary property valuations, changes in ownership recorded through deeds of office, billing errors identified during customer queries, and discrepancies discovered during account reconciliations.

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

61. GRAP 3 Adjustments (continued)

Property rates

Balance as previously reported	602 555 837
Correction of customer accounts	(9 488 934)
	593 066 903

The prior period adjustment is attributable to debit and credit notes processed on customer accounts to correct billing for previous financial years. These corrections arise from supplementary property valuations, changes in ownership recorded through deeds of office, billing errors identified during customer queries, and discrepancies discovered during account reconciliations.

Transfers and subsidies

Balance as previously reported	2 312 832 310
Reclassified to Transfers and subsidies - Operational	(1 538 725 422)
Reclassified to Transfers and subsidies - Capital	(774 106 888)
	-

The transfers and subsidies has been split between operational and capital in line with the National Treasury Specimen template.

Transfers and subsidies - operational

Balance as previously reported	-
Reclassification from transfers and subsidies	1 538 725 422
	1 538 725 422

The transfers and subsidies has been split between operational and capital in line with the National Treasury Specimen template.

Transfers and subsidies - capital

Balance as previously reported	-
Reclassification from transfers and subsidies	774 106 888
Correction of bulk infrastructure service developed by private developer	1 202 605
	775 309 493

The transfers and subsidies has been split between operational and capital in line with the National Treasury Specimen template.

Depreciation and amortisation

Balance as previously reported	1 146 713 013
Correction of depreciation on property, plant and equipment	496 041
Correction of depreciation on living resources	160 201
Correction of amortisation on intangible assets	(113 770)
	1 147 255 485

The adjustment of depreciation and amortisation was necessary due to the change in the property, plant and equipment, living resources and intangible assets balances as a result of prior period corrections as reflected above.

Contracted Services

Balance as previously reported	961 690 928
Correction of non asset expenditure from the capital project segments	13 765 704

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

61. GRAP 3 Adjustments (continued)

Accrual of standing kilometres due to Esilux not previously accounted for		21 533 530
		996 990 162

The impact on the contracted services is as a result of the derecognition of certain expenditure erroenously classified as Property, plant and equipment.

The accrual of standing kilometre charge that is due to Esilux was not accounted for previously.

Fair value adjustments

Balance as previously reported		61 562 019
Fair value adjustment on investment property		19 478 025
Correction of leave provision		(10 402 728)
		70 637 316

This is a result of the impact of the correction under the Investment Property balance.

Leave provision: The change in leave provision was erronously recoreded as a fair value adjustment instead of as an employee related cost.

Interest earned from receivables (Non exchange revenue)

Balance as previously reported		55 411 975
Correction of customer accounts		(145 877)
		55 266 098

The prior period adjustment is attributable to debit and credit notes processed on customer accounts to correct billing for previous financial years. These corrections arise from supplementary property valuations, changes in ownership recorded through deeds of office, billing errors identified during customer queries, and discrepancies discovered during account reconciliations.

Employee related costs

Balance as previously reported		1 104 282 242
Correction of leave provision		10 253 756
		1 114 535 998

Gain/(Loss) on disposal of assets

Balance as previously reported		3 005 871
Correction of depreciation impact on gain/loss on disposal		25 251
		3 031 122

Accounting for the impact on the Gains/losses on disposal of assets after taking into account the retrospective application of depreciation on living resources..

61.3 Adjustments to Disclosure notes

Note 51 - Contingent assets and liabilities

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

61. GRAP 3 Adjustments (continued)

Contingent liabilities		
Balance as previously reported		134 283 692
Correction of cases under Public liability claims		(20 968 087)
Correction of cases under services rendered		52 600 000
Correction of cases under breach of contract		56 662 855
Correction of cases under general damages		(10 372 002)
Retentions previously not reported as contingent liabilities		41 712 031
		253 918 489

Contingent assets		
Balance as previously reported		14 095 040
Correction of cases under breach of contract		1 322 726
		15 417 766

Note 51.1 - Unauthorised expenditure

Balance as previously reported		273 675 451
Correction of amount written off		(10 450 293)
		263 225 158

Note 51.2 - Irregular expenditure

Balance as previously reported		139 573 517
Correction of opening balance		(224 239)
Correction of the irregular expenditure incurred during the year		14 044 841
Correction of the amounts written off		(20 790 267)
		132 603 852

Note 51.3 - Fruitless and wasteful expenditure

Balance as previously reported		3 928 759
Correction of fruitless and wasteful expenditure relating to the payment of standing kilometres		21 533 530
		25 462 289