Phokwane Local Municipality
(Registration number NC094)
Annual Financial Statements
for the year ended 30 June 2025

2. N

General Information

Legal form of entity	Local municipality as defined in the Municipal Structures Act (Act no.117 of 1998)
Nature of business and principal activities	Phokwane Municipality is a local municipality performing the functions as set out in the Constitution (Act no.105 of 1996)
Mayoral committee	
Mayor	W Harmse
Speaker	GG Halter
Councillors	N Peters SM Khosa OS Tumodi TG Diloke RP Selogilwe E Meyer MP Mohale SM Mokgobo LA Le roux VL Janki TB Afrika TKG Mocumie MT van Wyk NS Pitso MM Setlhogomi M Kaars TE Baerts
Accounting Officer	Mr ZW Nikani
Chief Finance Officer (CFO)	Mrs ON Sauli Mrs KP Sengani (Acting from 01 June 2025)
Registered office	24 Hertzog Street Hartswater 8570
Postal address	Private Bag X3 Hartswater 8570
Bankers	First National Bank ABSA Bank Limited
Auditors	The Auditor-General of South Africa
Attorneys	Kopano Mothibi Inc Van de Wall Ndwanya Inc
Members of the audit committee	Rabelani Tshimomola (Chairperson) Yvonne Mothibi Nthabeleng Makhosane Stephen Masikela Zanele Ndlovu

 Z.N

General Information

Enabling legislation	Municipal Finance Management Act (Act no. 56 of 2003) Basic Conditions of Employment Act (Act no. 75 of 1997) Disaster Management Act of 2016 Division of Revenue Act Employment Equity Act (Act no. 30 of 1966) Housing Act (Act no. 107 of 1997) Municipal Planning and Performance Management Regulations Municipal Structures Act (Act no. 117 of 1998) Municipal Systems Act (Act no. 32 of 2000) Property Rates Act 6 of 2004 Skills Development Levies Act (Act no. 9 of 1999) Spatial Planning and Land Use Management Act (Act 16 of 2013) Supply Chain Management Regulations, 2005 The Income Tax Act (Act no. 58 of 1962) Unemployment Insurance Act (Act no. 30 of 1966) Value Added Tax Act (Act no 89 of 1991)

 2. N

Index

Abbreviations used:

CIGFARO	Chartered Institute of Government Finance, Audit & Risk Officers
COID	Compensation for Occupational Injuries and Diseases
DBSA	Development Bank of South Africa
DoRA	Division of Revenue Act
EPWP	Expanded Public Works Programme
GRAP	Generally Recognised Accounting Practice
FMG	Finance Management Grant
IAS	International Accounting Standards
IDP	Integrated Development Plan
INEP	Integrated National Electrification Programme
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
MSA	Municipal Systems Act
MSIG	Municipal System Improvement Grant
NERSA	National Energy Regulator of South Africa
PAYE	Pay As You Earn
SALGA	South African Local Government Association
SARS	South African Revenue Services

2 N

Accounting Officer's Responsibilities and Approval

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

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

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

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

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

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

The external auditors are responsible for independently auditing the municipality's financial statements. The annual financial statements have been audited by the municipality's external auditors and their report is presented on page 5.

The annual financial statements set out on page 5, which have been prepared on the going concern basis, were approved by the accounting officer on 5 September 2025 and were signed on its behalf by:

Mr ZW Nikani
Accounting Officer

Z N

Accounting Officer's Report

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

1. Review of activities

Main business and operations

The municipality is an investment and management entity engaged in trading controlled entities. Phokwane municipality is a local municipality performing the functions as set out in the constitution (act no.105 of 1996). The municipality operates principally in South Africa:

- The operating net deficit of the municipality was R 279,378,390 (2024: deficit R 93,146,034),
- The municipality's current liabilities exceed its current assets by R 1,741,307,405 (2024: R (683 123 864)).

2. Going concern

Notwithstanding that the municipality had an accumulated surplus (deficit) of R 1,741,307,405 (2024: R 99 904 091) and that the municipality's total liabilities exceed its assets by the said R 1,741,307,405 (2024: R (683 123 864)); the persistency over a sustained period of time of the above mentioned deficit and current liabilities in excess of the current assets, is worrisome. Strategies to address the root causes of the said situation are under way as part of the Financial Recovery Plan in terms of section 139 (1) (b), (4) and (5) of the Constitution with effect from April 2019.

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

Furthermore management has reviewed the municipality's cash flow forecast for the year ended 30 June 2025 and, in the light of this review and the current financial position, management is satisfied that the municipality has, or has access to, adequate resources to continue it's operation existing for the foreseeable future.

The municipality still has the ability to levy services, rates and taxes and will continue to receive funding from government as evident from the Equitable Share allocations as published in terms of the Division of Revenue Act (Act 1 of 2016).

3. Subsequent events

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

Refer to note 53 details of subsequent events.

4. Accounting Officers' interest in contracts

No matters to report.

5. Accounting policies

The annual financial statements prepared in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board as the prescribed framework by National Treasury.

6. Accounting Officer

The accounting officer of the municipality during the year and to the date of this report is as follows:

Name	Nationality
Mr ZW Nikani	South African

7. Auditors

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

Z.N

Statement of Financial Position as at 30 June 2025

Figures in Rand	Note(s)	2025	2024 Restated*
Assets			
Current Assets			
Inventories	3	1,589,315,508	1,589,031,477
Other receivables from exchange transactions	4	29,971,096	29,317,775
Statutory receivables from non-exchange transactions	5	12,153,524	31,369,152
Other receivables from non-exchange transactions	6	392,161	375,757
Statutory receivables from exchange transactions	7	46,668,693	60,463,560
Receivables from exchange transactions	8	62,898,944	85,582,037
Cash and cash equivalents	9	4,246,027	6,890,620
		1,745,645,953	**1,803,030,378**
Non-Current Assets			
Investment property	10	19,512,765	19,154,821
Property, plant, and equipment	11	1,090,300,017	1,122,837,793
Intangible assets	12	2,486,276	3,635,533
Heritage assets	13	7,774,552	7,774,552
		1,120,073,610	**1,153,402,699**
Total Assets		**2,865,719,563**	**2,956,433,077**
Liabilities			
Current Liabilities			
Payables from exchange transactions	14	668,219,665	657,061,814
Consumer deposits	15	3,954,846	3,787,453
Employee benefit obligation	16	23,114,083	20,851,310
Unspent conditional grants and receipts	17	42,502,187	36,393,286
		737,790,781	**718,093,863**
Non-Current Liabilities			
Non-current payables from exchange transactions	19	336,085,335	170,040,095
Employee benefit obligation	16	29,939,001	23,307,001
Provisions	18	20,597,041	24,306,322
		386,621,377	**217,653,418**
Total Liabilities		**1,124,412,158**	**935,747,281**
Net Assets		**1,741,307,405**	**2,020,685,796**
Accumulated surplus		1,741,307,405	2,020,685,796
Total Net Assets		**1,741,307,405**	**2,020,685,796**

* See Note 63

2.N

Statement of Financial Performance

Figures in Rand	Note(s)	2025	2024 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	21	171,996,051	141,764,827
Rental of facilities and equipment	22	145,928	132,767
Interest received (trading)	23	77,892,443	73,237,798
Licences and permits	24	2,480,925	2,068,140
Other income	25	835,360	1,374,712
Commissions received	26	371,378	326,592
Landfill site restoration	27	818,353	-
Interest received - investment	28	1,171,973	728,588
Total revenue from exchange transactions		**255,712,411**	**219,633,424**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	29	40,853,587	39,415,877
Availability charges	30	22,079,912	32,843,332
Transfer revenue			
Government grants & subsidies	31	197,520,097	220,145,305
Fines, Penalties and Forfeits	32	56,749	12,027
Debt relief	33	-	78,963,740
Interest received (trading)	34	20,189,607	18,542,737
Total revenue from non-exchange transactions		**280,699,952**	**389,923,018**
Total revenue	20	**536,412,363**	**609,556,442**
Expenditure			
Employee related costs	35	(128,484,986)	(123,047,741)
Remuneration of councillors	36	(8,168,401)	(8,188,288)
Depreciation and amortisation	37	(57,131,342)	(53,660,982)
Finance costs	38	(75,506,867)	(73,505,118)
Debt Impairment	39	(227,724,515)	(128,188,333)
Bulk purchases	40	(113,344,062)	(98,131,648)
General expenses	41	(180,445,323)	(201,656,218)
Total expenditure		**(790,805,496)**	**(686,378,328)**
Operating deficit		**(254,393,133)**	**(76,821,886)**
Loss on disposal of assets and liabilities	42	(11,004,307)	(14,498,718)
Fair value adjustments	43	382,603	557,907
Actuarial gains/losses	16	(4,200,131)	1,810,029
Impairment loss	44	(10,163,422)	(4,193,366)
		(24,985,257)	**(16,324,148)**
Deficit for the year		**(279,378,390)**	**(93,146,034)**

* See Note 63

2. N

Phokwane Local Municipality
(Registration number NC094)
Annual Financial Statements for the year ended 30 June 2025

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus / deficit	Total net assets
Opening balance as previously reported	552,609,624	552,609,624
Adjustments		
Correction of errors 63	1,561,222,206	1,561,222,206
Balance at 01 July 2023 as restated*	**2,113,831,830**	**2,113,831,830**
Changes in net assets		
Surplus for the year	(93,146,034)	(93,146,034)
Total changes	(93,146,034)	(93,146,034)
Restated* Balance at 01 July 2024	**2,020,685,795**	**2,020,685,795**
Changes in net assets		
Surplus for the year	(279,378,390)	(279,378,390)
Total changes	(279,378,390)	(279,378,390)
Balance at 30 June 2025	**1,741,307,405**	**1,741,307,405**

Notes

* See Note 63

Z, N

Phokwane Local Municipality

(Registration number NC094)
Annual Financial Statements for the year ended 30 June 2025

Cash Flow Statement

Figures in Rand	Notes	2025	2024 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		66,653,560	37,156,309
Grants		201,091,690	221,779,417
Interest income		98,082,050	92,509,123
		365,827,300	351,444,849
Payments			
Employee costs		(131,958,746)	(127,634,651)
Suppliers		(111,706,723)	(2,512,325)
Finance costs		(75,506,867)	(73,135,221)
		(319,172,336)	(203,282,197)
Net cash flows from operating activities	46	**46,654,964**	**148,162,652**
Cash flows from investing activities			
Purchase of property, plant, and equipment	11	(49,299,557)	(144,358,807)
Proceeds from sale of property, plant, and equipment	11	(24,659)	36
Proceeds from sale of investment property	10	24,659	-
Purchase of other intangible assets	12	-	(2,010,000)
Net cash flows from investing activities		**(49,299,557)**	**(146,368,771)**
Cash flows from financing activities			
Net increase/(decrease) in cash and cash equivalents		**(2,644,593)**	**1,793,881**
Cash and cash equivalents at the beginning of the year		6,890,620	5,096,739
Cash and cash equivalents at the end of the year	9	**4,246,027**	**6,890,620**

The accounting policies on pages 15 to 48 and the notes on pages 49 to 109 form an integral part of the annual financial statements.

* See Note 63

ZN

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	263,339,000	-	**263,339,000**	171,996,051	**(91,342,949)**	
Rental of facilities and equipment	608,000	-	**608,000**	145,928	**(462,072)**	
Interest received (trading)	58,934,000	-	**58,934,000**	77,892,443	**18,958,443**	
Licences and permits	2,700,000	-	**2,700,000**	2,480,925	**(219,075)**	
Miscellaneous other revenue	-	-	-	835,360	**835,360**	
Commissions received	-	-	-	371,378	**371,378**	
Other income	2,626,000	-	**2,626,000**	818,353	**(1,807,647)**	
Interest received - investment	3,489,000	-	**3,489,000**	1,171,973	**(2,317,027)**	
Total revenue from exchange transactions	**331,696,000**	-	**331,696,000**	**255,712,411**	**(75,983,589)**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	49,924,000	-	**49,924,000**	40,853,587	**(9,070,413)**	
Surcharges and Taxes	-	-	-	22,079,912	**22,079,912**	
Transfer revenue						
Government grants & subsidies	221,992,000	-	**221,992,000**	197,520,097	**(24,471,903)**	
Fines, Penalties and Forfeits	2,521,000	-	**2,521,000**	56,749	**(2,464,251)**	
Interest received (trading)	7,343,000	-	**7,343,000**	20,189,607	**12,846,607**	
Total revenue from non-exchange transactions	**281,780,000**	-	**281,780,000**	**280,699,952**	**(1,080,048)**	
Total revenue	**613,476,000**	-	**613,476,000**	**536,412,363**	**(77,063,637)**	
Expenditure						
Personnel	(139,812,000)	-	**(139,812,000)**	(128,484,986)	**11,327,014**	
Employee costs - Remuneration of councillors	(7,654,000)	-	**(7,654,000)**	(8,168,401)	**(514,401)**	
Depreciation and amortisation	(70,948,000)	-	**(70,948,000)**	(57,131,342)	**13,816,658**	
Impairment loss/ Reversal of impairments	-	-	-	(10,163,422)	**(10,163,422)**	
Finance costs	(10,000,000)	-	**(10,000,000)**	(75,506,867)	**(65,506,867)**	
Debt Impairment	(64,263,000)	-	**(64,263,000)**	(227,724,515)	**(163,461,515)**	
Bad debts written off	(3,382,000)	-	**(3,382,000)**	-	**3,382,000**	
Bulk purchases	(89,190,000)	-	**(89,190,000)**	(113,344,062)	**(24,154,062)**	
Expenses (by function)	(180,188,000)	-	**(180,188,000)**	(180,445,323)	**(257,323)**	
Total expenditure	**(565,437,000)**	-	**(565,437,000)**	**(800,968,918)**	**(235,531,918)**	
Operating deficit	**48,039,000**	-	**48,039,000**	**(264,556,555)**	**(312,595,555)**	
Loss on disposal of assets and liabilities	-	-	-	(11,004,307)	**(11,004,307)**	
Fair value adjustments	-	-	-	382,603	**382,603**	
Actuarial gains/losses	-	-	-	(4,200,131)	**(4,200,131)**	
	-	-	-	**(14,821,835)**	**(14,821,835)**	

Z.N

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Deficit before taxation	**48,039,000**	**-**	**48,039,000**	**(279,378,390)**	**(327,417,390)**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**48,039,000**	**-**	**48,039,000**	**(279,378,390)**	**(327,417,390)**	

Z,N

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Inventories	22,826,000	-	**22,826,000**	1,589,315,508	**1,566,489,508**	
Other receivables from exchange transactions	-	-	-	29,971,096	**29,971,096**	
Statutory receivables from non-exchange transactions	16,691,000	-	**16,691,000**	12,153,524	**(4,537,476)**	
Statutory receivables	-	-	-	392,161	**392,161**	
VAT receivable	54,943,000	-	**54,943,000**	23,933,392	**(31,009,608)**	
Receivables from exchange transactions	236,211,000	-	**236,211,000**	62,898,944	**(173,312,056)**	
Cash and cash equivalents	90,015,000	-	**90,015,000**	4,246,027	**(85,768,973)**	
	420,686,000	-	**420,686,000**	**1,722,910,652**	**1,302,224,652**	
Non-Current Assets						
Investment property	36,986,000	-	**36,986,000**	19,512,765	**(17,473,235)**	
Property, plant, and equipment	1,265,914,000	-	**1,265,914,000**	1,090,300,017	**(175,613,983)**	
Intangible assets	3,445,000	-	**3,445,000**	2,486,276	**(958,724)**	
Heritage assets	7,635,000	-	**7,635,000**	7,774,552	**139,552**	
Statutory receivables from non-exchange transactions	2,689,000	-	**2,689,000**	-	**(2,689,000)**	
	1,316,669,000	-	**1,316,669,000**	**1,120,073,610**	**(196,595,390)**	
Total Assets	**1,737,355,000**	-	**1,737,355,000**	**2,842,984,262**	**1,105,629,262**	
Liabilities						
Current Liabilities						
Finance lease obligation	190,000	-	**190,000**	-	**(190,000)**	
Payables from exchange transactions	156,147,000	-	**156,147,000**	668,219,657	**512,072,657**	
Consumer deposits	3,928,000	-	**3,928,000**	3,954,846	**26,846**	
Employee benefit obligation	863,000	-	**863,000**	23,114,083	**22,251,083**	
Unspent conditional grants and receipts	-	-	-	42,502,187	**42,502,187**	
	161,128,000	-	**161,128,000**	**737,790,773**	**576,662,773**	
Non-Current Liabilities						
Non-current payables from exchange transactions	-	-	-	336,085,335	**336,085,335**	
Employee benefit obligation	15,481,000	-	**15,481,000**	29,939,001	**14,458,001**	
Provisions	130,822,000	-	**130,822,000**	20,597,041	**(110,224,959)**	
	146,303,000	-	**146,303,000**	**386,621,377**	**240,318,377**	
Total Liabilities	**307,431,000**	-	**307,431,000**	**1,124,412,150**	**816,981,150**	
Net Assets	**1,429,924,000**	-	**1,429,924,000**	**1,718,572,112**	**288,648,112**	

Z.N

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	1,429,924,000	-	**1,429,924,000**	1,741,307,405	**311,383,405**	

ʅ.ᴺ

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Property rates	36,990,000	-	**36,990,000**	-	**(36,990,000)**	
Service charges	251,067,000	-	**251,067,000**	78,729,405	**(172,337,595)**	
Grants	221,992,000	-	**221,992,000**	203,628,998	**(18,363,002)**	
Interest income	32,956,000	-	**32,956,000**	99,254,023	**66,298,023**	
Other receipts	13,732,000	-	**13,732,000**	-	**(13,732,000)**	
	556,737,000	-	**556,737,000**	**381,612,426**	**(175,124,574)**	
Payments						
Suppliers and employees	(403,001,000)	-	**(403,001,000)**	(262,822,354)	**140,178,646**	
Finance costs	(10,000,000)	-	**(10,000,000)**	(74,387,998)	**(64,387,998)**	
	(413,001,000)	-	**(413,001,000)**	**(337,210,352)**	**75,790,648**	
Net cash flows from operating activities	**143,736,000**	-	**143,736,000**	**44,402,074**	**(99,333,926)**	
Cash flows from investing activities						
Purchase of property, plant, and equipment	(88,951,000)	-	**(88,951,000)**	(47,865,020)	**41,085,980**	
Proceeds from sale of property, plant, and equipment	-	-	-	793,694	**793,694**	
Proceeds from sale of investment property	-	-	-	24,659	**24,659**	
Net cash flows from investing activities	**(88,951,000)**	-	**(88,951,000)**	**(47,046,667)**	**41,904,333**	
Net increase/(decrease) in cash and cash equivalents	54,785,000	-	**54,785,000**	(2,644,593)	**(57,429,593)**	
Cash and cash equivalents at the beginning of the year	35,533,000	-	**35,533,000**	6,890,620	**(28,642,380)**	
Cash and cash equivalents at the end of the year	**90,318,000**	-	**90,318,000**	**4,246,027**	**(86,071,973)**	

L.N

Significant Accounting Policies

1. Significant accounting policies

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

1.1 Basis of preparation

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

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

These accounting policies are consistent with the previous period.

1.2 Presentation currency

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

1.3 Going concern assumption

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

1.4 Significant judgements and sources of estimation uncertainty

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

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

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

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

Fair value estimation

The 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 fair value of financial instruments that are not traded in an active market (for example, over-the counter derivatives) is determined by using valuation techniques. The municipality uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the end of the reporting period.

 2 .A

Significant Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty (continued)

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 assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including [list entity specific variables, i.e. production estimates, supply demand], together with economic factors such as [list economic factors such as exchange rates inflation interest].

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 18 - Provisions.

Useful lives and residual values

The municipality's management determines the estimated useful lives and related depreciation charges for assets as noted in accounting policy 1.6 Property plant and equipment.. This estimate is based on industry norm.

Management will increase the depreciation charge prospectively where useful lives are less than previously estimated useful lives. Management will decrease the depreciation charge prospectively where useful lives are more than previously estimated useful lives.

Where changes are made to the estimated residual values, management also makes these changes prospectively.

Post-retirement benefits

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

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

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 16.

Allowance for doubtful debts

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

1.5 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:

2, W

Significant Accounting Policies

1.5 Investment property (continued)

- 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.

Fair value

Subsequent to initial measurement investment property is measured at fair value.

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.

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

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

The municipality discloses relevant information relating to assets under construction or development, in the notes to the annual financial statements (see note 11).

Derecognition

Items of investment property are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use or disposal of asset.

The gain or loss arising from the derecognition of an item of investment property is included in surplus or deficit when the item is derecognised.

The gain or loss arising from the derecognition of an item of investment property is determined as the difference between the net disposal proceeds and the carrying amount of the asset.

2.W

Significant Accounting Policies

1.6 Property, plant, and equipment

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

The cost of an item of property, plant, and equipment is recognised as an asset when:
- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant, and equipment is initially measured at cost.

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

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

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

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

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

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

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

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

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

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

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Subsequent measurement:

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

Depreciation and impairment:

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

Land, except for landfill and quary sites, is not depreciated as it has an indefinate useful life.

Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

2.A

1.6 Property, plant, and equipment (continued)

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 shall be depreciated separately. Components of asset that are significant in relation to the whole asset and that have different useful lives are depreciated separately.

Subsequent to initial recognition, property plant and equipment on the cost model, is carried at cost less accumulated depreciation and any accumulated impairment losses. 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 useful lives of items of property, plant, and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Machinery and equipment	Straight-line	4 -5 years
Furniture and fittings	Straight-line	4 - 7 years
Office equipment	Straight-line	3 - 7 years
Computer equipment	Straight-line	4 - 7 years
Electrical Infrastructure	Straight-line	15 - 60 years
Community facilities	Straight-line	5 - 100 years
Operational buildings	Straight-line	5 - 100 years
Housing	Straight-line	5 - 100 years
Lease assets - office equipment	Straight-line	5 years
Roads Infrastructure	Straight-line	5 - 100 years
Sanitation Infrastructure	Straight-line	5 - 100 years
Sport and recreation facilities	Straight-line	5 - 100 years
Stomwater Infrastructure	Straight-line	20 - 60 years
Solid Waste Infrstructure	Straight-line	9 - 80 years
Water supply Infrastructure	Straight-line	5 - 90 years
Vehicles	Straight-line	4 - 15 years

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

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

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

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

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

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

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

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

 2, N

Significant Accounting Policies

1.6 Property, plant, and equipment (continued)

The municipality separately discloses expenditure to repair and maintain property, plant, and equipment in the notes to the financial statements (see note 11).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 11).

1.7 Site restoration and dismantling cost

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

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

If the related asset is measured using the revaluation model:
(a) changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
- a decrease in the liability (subject to (b)) is credited to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit
- an increase in the liability is recognised in surplus or deficit, except that it is debited to the revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

(b) in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit; and
(c) a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit or net assets under (a). If a revaluation is necessary, all assets of that class are revalued.

1.8 Intangible assets

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

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

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

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

2,A

1.8 Intangible assets (continued)

Intangible assets are initially recognised at cost.

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

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

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:
- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

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

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

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

Amortisation begins when intangible assets are in the location and condition necessary for it to be capable of operating in the manner intended by management and ceases at the earlier of the date that asset is classified as held for sale (or included a disposal group that is classified as held for sale) in accordance with the standard of GRAP on Non-current Assets Held for Sale and Discontinued Operations and the date that the asset is derecognised.

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

Item	Depreciation method	Average useful life
Computer software	Straight-line	3 - 5 years

Derecognition:

Intangible assets are 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 intangible assets is included in surplus or deficit when the asset is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

1.9 Heritage assets

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.

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.

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

 2 ,N

Significant Accounting Policies

1.9 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.

Recognition

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

Initial measurement

Heritage assets are measured at cost.

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

Subsequent measurement

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

Impairment

The heritage assets of the municipality shall not be depreciated but, the municipality assesses at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the heritage asset.

Transfers

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

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

For a transfer from investment property carried at fair value, on inventories to heritage assets at a revalued amount, any difference between the fair value of the asset at that date and its previous carrying amount shall be recognised in surplus or deficit.

Derecognition

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

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

Z.N

Significant Accounting Policies

1.9 Heritage assets (continued)

Application of deemed cost - Directive 7

The Municipality opted to take advantage of the transitional provision as contained in the Directive 7 of the Accounting Standards Board, issued in December 2009. The municipality applied deemed cost where the acquisition cost of an asset could not be determined. The fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2010.

1.10 Financial instruments

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

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

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

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

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

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

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

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

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

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

 2.N

Significant Accounting Policies

1.10 Financial instruments (continued)

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

A financial liability is any liability that is a contractual obligation to:
- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

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

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

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

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

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

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

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

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:
- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

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

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:
- the entity designates at fair value at initial recognition; or
- are held for trading.

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

Financial instruments at fair value comprise financial assets or financial liabilities that are:
- derivatives;
- contingent consideration of an acquirer in a transfer of functions between entities not under common control to which the Standard of GRAP on Transfer of Functions Between Entities Not Under Common Control (GRAP 106) applies
- combined instruments that are designated at fair value;

 7.N

Significant Accounting Policies

1.10 Financial instruments (continued)

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

Classification

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

Class	Category
Receivables from exchamge transactions	Financial asset measured at amortised cost
Statutory receivables from non-exchange transactions	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost
Other financial assets	Financial asset measured at amortised cost

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

Class	Category
Other financial liabilites	Financial liability measured at amortised cost
Payables from exchange transactions	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at amortised cost

1.11 Statutory receivables

Identification

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

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

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

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

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

Recognition

The municipality recognises statutory receivables as follows:

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

 2.10

Significant Accounting Policies

1.11 Statutory receivables (continued)

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

Subsequent measurement

The municipality measures statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:
- interest or other charges that may have accrued on the receivable (where applicable);
- impairment losses; and
- amounts derecognised.

Accrued interest

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

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

Other charges

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

Impairment losses

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

In assessing whether there is any indication that a statutory receivable, or group of statutory receivables, may be impaired, the municipality considers, as a minimum, the following indicators:
- Significant financial difficulty of the debtor, which may be evidenced by an application for debt counselling, business rescue or an equivalent.
- It is probable that the debtor will enter sequestration, liquidation or other financial re-organisation.
- A breach of the terms of the transaction, such as default or delinquency in principal or interest payments (where levied).
- Adverse changes in international, national or local economic conditions, such as a decline in growth, an increase in debt levels and unemployment, or changes in migration rates and patterns.

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

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

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

 2.N

Significant Accounting Policies

1.11 Statutory receivables (continued)

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

Derecognition

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

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

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

1.12 Leases

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

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

Finance leases - lessor

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

Finance revenue is recognised based on a pattern reflecting a constant periodic rate of return on the municipality's net investment in the finance lease.

Finance leases - lessee

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

The discount rate used in calculating the present value of the minimum lease payments is the 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.

2.N

Significant Accounting Policies

1.12 Leases (continued)

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

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

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

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

Income for leases is disclosed under revenue in statement of financial performance.

Operating leases - lessee

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

1.13 Inventories

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

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

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

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

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

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

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

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

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

2.N

Significant Accounting Policies

1.14 Cash and cash equivalents

Cash includes cash on hand (including petty cash) and cash at bank (including call deposits).

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

For the purposes of 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.

1.15 Impairment of cash-generating assets

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

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

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

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

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

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

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

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

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

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

Designation

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

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

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

2. N

Significant Accounting Policies

1.15 Impairment of cash-generating assets (continued)

Identification

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

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

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.

Discount rate

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

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.

2, N

Significant Accounting Policies

1.15 Impairment of cash-generating assets (continued)

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.

Reversal of impairment loss

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

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

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

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

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

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

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

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

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

Redesignation

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

1.16 Impairment of non-cash-generating assets

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

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

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

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

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

 2, N

Significant Accounting Policies

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

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

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

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

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

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

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

Designation

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

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

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

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

Identification

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

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

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

2.N

Significant Accounting Policies

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

Value in use

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

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

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.

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.

L.N

Significant Accounting Policies

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

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

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

Redesignation

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

1.17 Employee benefits

Identification

Employee benefits

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

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

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

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

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

Short-term employee benefits

Recognition and measurement

All short-term employee benefits

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

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

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

Short-term paid absences

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

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

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

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

Significant Accounting Policies

1.17 Employee benefits (continued)

Bonus, incentive and performance related payments

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

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

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

Post-employment benefits: Defined contribution plans

Recognition and measurement

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

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

(b) as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset. When contributions to a defined contribution plan are not expected to be settled wholly before twelve months after the end of the reporting period in which the employees render the related service, they are be discounted using the discount rate as specified.

Post-employment benefits: Defined benefit plans

Recognition and measurement

The entity determines the net defined benefit liability (asset) with sufficient regularity that the amounts recognised in the financial statements do not differ materially from the amounts that would be determined at the end of the reporting period.

Accounting for the constructive obligation

The entity accounts not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the entity's informal practices. Informal practices give rise to a constructive obligation where the entity has no realistic alternative but to pay employee benefits.

Statement of financial position

The entity recognises the net defined benefit liability (asset) in the statement of financial position. When the entity has a surplus in a defined benefit plan, it measures the net defined benefit asset at the lower of:

(a) the surplus in the defined benefit plan; and

(b) the asset ceiling, determined using the discount rate specified. Any adjustments arising from the limit is recognised in surplus or deficit.

Asset recognition ceiling: When a minimum funding requirement may give rise to a liability

If the entity has an obligation under a minimum funding requirement to pay contributions to cover an existing shortfall on the minimum funding basis in respect of services already received, the entity determines whether the contributions payable will be available as a refund or reduction in future contributions after they are paid into the plan. To the extent that the contributions payable will not be available after they are paid into the plan, the entity recognises a liability when the obligation arises. The liability reduces the defined benefit asset or increases the defined benefit liability so that no gain or loss is expected to result when the contributions are paid.

Significant Accounting Policies

1.17 Employee benefits (continued)

Recognition and measurement: Present value of defined benefit obligations and current service cost

Actuarial valuation method

The entity uses the projected unit credit method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost.

Attributing benefit to periods of service

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

(a) the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until

(b) the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

Actuarial assumptions: Mortality

The entity determines its mortality assumptions by reference to its best estimate of the mortality of plan members both during and after employment.

Actuarial assumptions: Discount rate

The rate used to discount post-employment benefit obligations (both funded and unfunded) 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 post-employment benefit obligations.

Actuarial assumptions: Salaries, benefits and medical costs

The entity measures its defined benefit obligations on a basis that reflects:

(a) the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the end of the reporting period;

(b) any estimated future salary increases that affect the benefits payable;

(c) the effect of any limit on the employer's share of the cost of the future benefits;

(d) contributions from employees or third parties that reduce the ultimate cost to the entity of those benefits; and

(e) 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:

(i) those changes were enacted before the end of the reporting period; or

(ii) historical data, 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 takes account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

Significant Accounting Policies

1.17 Employee benefits (continued)

Past service cost and gains and losses on settlement

When determining past service cost, or a gain or loss on settlement, the entity remeasures the net defined benefit liability (asset) using the current fair value of plan assets and current actuarial assumptions (including current market interest rates and other current market prices), reflecting:

(a) the benefits offered under the plan and the plan assets before the plan amendment, curtailment or settlement; and

(b) the benefits offered under the plan and the plan assets after the plan amendment, curtailment or settlement.

Past service cost

The entity recognises past service cost as an expense at the earlier of the following dates:

(a) when the plan amendment or curtailment occurs; and

(b) when the entity recognises related restructuring costs or termination benefits.

Gains and losses on settlement

The entity recognises a gain or loss on the settlement of a defined benefit plan when the settlement occurs.

Recognition and measurement: Plan assets

Fair value of plan assets

The fair value of any plan assets is deducted from the present value of the defined benefit obligation in determining the deficit or surplus.

Reimbursements

When, and only when, it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the entity:

(a) Recognises its right to reimbursement as a separate asset. The entity measures the asset at fair value.

(b) Disaggregate and recognise changes in the fair value of its right to reimbursement in the same way as for changes in the fair value of plan assets. The components of defined benefit cost recognised as below (see section on Components of defined benefit cost), may be recognised net of amounts relating to changes in the carrying amount of the right to reimbursement.

Components of defined benefit cost

The entity recognises the components of defined benefit cost in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset, as follows:

(a) service cost;

(b) net interest on the net defined benefit liability (asset); and

(c) remeasurements of the net defined benefit liability (asset).

Significant Accounting Policies

1.17 Employee benefits (continued)

Net interest on the net defined benefit liability (asset)

The entity determines net interest on the net defined benefit liability (asset) by multiplying the net defined benefit liability (asset) by the discount rate specified.

To determine net interest, the entity uses the net defined benefit liability (asset) and the discount rate determined at the start of the reporting period. However, if the entity remeasures the net defined benefit liability (asset) in accordance with the section on Past service cost gains and losses on settlement, the entity determines net interest for the remainder of the reporting period after the plan amendment, curtailment or settlement using:

(a) the net defined benefit liability (asset) determined in accordance with the section on Past service cost gains and losses on settlement (part b); and

(b) the discount rate used to remeasure the net defined benefit liability (asset) in accordance with the section on Past service cost gains and losses on settlement (part b).

In applying this, the entity also takes into account any changes in the net defined benefit liability (asset) during the period resulting from contributions or benefit payments.

Other long-term employee benefits

Recognition and measurement

For other long-term employee benefits, the entity recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

(a) service cost;

(b) net interest on the net defined benefit liability (asset); and

(c) remeasurements of the net defined benefit liability (asset).

Termination benefits

Recognition

The entity recognises a liability and expense for termination benefits at the earlier of the following dates: (a) when the entity can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of GRAP 19 and involves the payment of termination benefits.

Measurement

The entity measures termination benefits on initial recognition, and measures and recognise subsequent changes, in accordance with the nature of the employee benefit, provided that if the termination benefits are an enhancement to post-employment benefits, the entity applies the requirements for post-employment benefits. Otherwise:

(a) If the termination benefits are expected to be settled wholly before twelve months after the end of the reporting period in which the termination benefit is recognised, the entity applies the requirements for short-term employee benefits.

(b) If the termination benefits are not expected to be settled wholly before twelve months after the end of the reporting period, the entity applies the requirements for other long-term employee benefits.

1.18 Provisions and contingencies

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

1.18 Provisions and contingencies (continued)

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

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

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

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

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

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

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

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

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

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

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:
- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

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

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:
- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 49.

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

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

Significant Accounting Policies

1.18 Provisions and contingencies (continued)

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

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

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

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

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

1.19 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

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

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

1.20 Revenue from exchange transactions

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

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

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

Measurement

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

Significant Accounting Policies

1.20 Revenue from exchange transactions (continued)

Sale of goods

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

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

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

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

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised using the effective interest rate method for financial instruments.

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

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

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

Significant Accounting Policies

1.20 Revenue from exchange transactions (continued)

Pre-paid electricity

Prepaid electricity revenue is recognised at the point of sale. Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates. Pre-paid electricity sales are reconciled on a monthly basis and the sum of the monthly sales provides the total sales for the year. The financial year is divided in two seasons based on the application of tariffs with the seasons being summer (1 September – 31 May) and winter (1 June to 31 August). The deferred portion of revenue is accounted for by an adjustment for units not consumed at year end. This adjustment is based on the average consumption history, multiplied by the weighted average cost of units sold in June. Average consumption in units is determined per active prepaid meter using a trend analysis of historical consumer purchase data per meter for the months of May, June and July.The deferred portion of revenue is the amount by which the actual prepaid electricity sold for the month of June exceeds the average consumption calculated.

1.21 Revenue from non-exchange transactions

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

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

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

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

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

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

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

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

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

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

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

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

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

Significant Accounting Policies

1.21 Revenue from non-exchange transactions (continued)

Recognition

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

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

Measurement

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

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

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

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

Taxes

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

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

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

The taxable event for income tax is the earning of assessable income during the taxation period by the taxpayer.

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

The taxable event for customs duty is the movement of dutiable goods or services across the customs boundary.

The taxable event for estate duty is the death of a person owning taxable property.

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

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

Significant Accounting Policies

1.21 Revenue from non-exchange transactions (continued)

Transfers

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

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

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

Fines

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

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

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

Gifts and donations, including goods in-kind

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

Services in-kind

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

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

1.22 Investment income

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

1.23 Borrowing costs

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

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

1.24 Accounting by principals and agents

The municipality shall assess whether it is the principal or the agent in accounting for revenue, expenses, assets and/or liabilities that result from transactions with third parties undertaken in terms of a binding arrangement. The assessment requires the assessment whether the transactions undertaken with the third parties are for the benefit of another entity or for its own benefit. If the municipality is the principal, revenue and expenses that arise from transactions with the third parties are recognised by the municipality. Only that portion of the revenue and expenses the municipality receives or incurs in executing the transactions on behalf of the principal is recognised when the municipality is the agent. Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified, paid over and invoiced to the principal. Assets and liabilities arising from principal-agent arrangements are recognised in accordance with the requirements of the GRAP standards applicable to the specific assets and related liabilities.

Significant Accounting Policies

1.25 Current year comparatives

Where the presentation of classification of items in the 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 of 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 comparative 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 in consistent with prior periods.

1.26 Comparative figures

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

1.27 Unauthorised expenditure

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

Unauthorised expenditure is accounted for in line with all relating requirements, including, but not limited to, ruling Legislation, Regulations, Frameworks, Circulars, Instruction Notes, Practice Notes, Guidelines etc (as applicable).

1.28 Fruitless and wasteful expenditure

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

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

1.29 Irregular expenditure

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.

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

Significant Accounting Policies

1.30 Use of estimates

The preparation of annual financial statements in conformity with Standards of GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the municipality's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the annual financial statements are disclosed in the relevant sections of the annual financial statements. Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates.

1.31 Conditional grants and receipts

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 that the criteria, conditions or obligations have not been met a liability is recognised.

1.32 Segment information

A segment is an activity that generates economic benefits or service potential, whose results are regularly reviewed by management to make decisions about resources to be allocated to that activity in assessing its performance and for which separate financial information is available. The objective of segment reporting is to provide information about the specific operational objectives and major activities of the municipality as well as the resources devoted to and costs of these objectives and activities.

The municipality operates solely in its area of jurisdiction as determined by the Municipal Demarcation Board. Although the municipality operates in a number of geographical areas, it is irrelevant for users of the financial statements to make decisions about the municipality as the goods or services provided are substantially the same within these geographical areas.

The reportable segments of the municipality are the actual segments which are used for internal reporting requirements which is based on a directorate level within the municipal structure. The identified segments of the municipality is as follows, Community and Social Services, Energy Sources, Environmental Protection, Executive and Council, Finance and Administration, Planning and Development, Public Safety, Road Transport, Waste Management, Waste Water Management and Water Management.

The factors used to identify reportable segments include the nature as well and the reporting lines and allocation of responsibilities within the municipality. Segments were aggregated for reporting purposes. The segments were organised around the type of service delivered and the target market. Management uses these same segments for determining strategic objectives. 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 accounting policies of the segments are the same as those described in the summary of significant accounting policies.

Segmental information on total assets and liabilities, as well as income and expenditure per identified segment is set out on note 52, based on the International Government Financial Statistics classifications and the budget formats prescribed by National Treasury.

Significant Accounting Policies

1.32 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.

1.33 Housing development fund

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from national and provincial government used to finance housing selling schemes undertaken by the municipality were extinguished on 1 April 1998 and transferred to a Housing Development Fund. Housing selling schemes, both complete and in progress as at 1 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

1.34 Internal reserves

1.35 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.

1.36 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 2024/07/01 to 2025/06/30.

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

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

1.37 Related parties

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

Significant Accounting Policies

1.37 Related parties (continued)

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

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

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

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

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

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

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

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

1.38 Events after reporting date

The accounting officer is not aware of any events after reporting date.

1.39 Value Added Tax (VAT)

The municipality accounts for VAT on the accrual basis. The municipality is liable to account for VAT at the standard rate 15% as at 1 April 2018 (2017: 14%) in terms of section 7 (1) (a) of the VAT Act in respect of the supply of goods or services, except where the supplies are specifically zero-rated in terms of section 11, exempted in terms of section 12 of the VAT Act or are scoped out for VAT purposes.

1.40 Accumulated surplus

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

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

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

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

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 107 (as revised) Mergers	01 April 2099	Unlikely there will be a material impact
• GRAP 106 (as revised) Transfer of Functions Between Entities Not Under Common Control	01 April 2099	Unlikely there will be a material impact
• GRAP 105 Transfer of Functions Between Entities Under Common Control	01 April 2099	Unlikely there will be a material impact
• GRAP 2023 Improvements to the Standards of GRAP 2023	01 April 2025	Not expected to impact results but may result in additional disclosure
• GRAP 1 (amended): Presentation of Financial Statements (Going Concern)	01 April 2099	Not expected to impact results but may result in additional disclosure
• GRAP 103 (amended): Heritage Assets	01 April 2099	Unlikely there will be a material impact
• GRAP 104 (as revised): Financial Instruments	01 April 2025	Unable to reliably estimate the impact

3. Inventories

		2025	2024
Water - at cost		2,662,588	2,540,273
Consumable stores		1,193,640	1,031,925
Land held as inventory		1,585,459,280	1,585,459,279
		1,589,315,508	**1,589,031,477**

Inventory pledged as security

No inventory was pledged as security for any financial liability of the municipality at year end.

Water for distribution

	Note	2025	2024
Opening balance		2,540,273	3,159,424
Purchased during the year		61,868,637	62,628,001
Consumption during the year		(38,550,879)	(45,329,627)
Water losses	40	(23,195,443)	(17,917,525)
Closing balance		**2,662,588**	**2,540,273**

4. Other receivables from exchange transactions

	2025	2024
Other receivables	29,971,096	29,317,775

Other receivables from exchange transactions pledged as security

No other receivables from exchange transactions were pledged as security for any financial liability at year end.

Credit quality of other receivables from exchange transactions

The credit quality of trade and other receivables that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

4. Other receivables from exchange transactions (continued)

Other receivables from exchange transactions past due but not impaired

Trade and other receivables which are less than 3 months past due are not considered to be impaired. At 30 June 2025, R 39,278,861 (2024: R 22,582,957) were past due but not impaired.

The amount for debtors past due more than the impairment loss provided for is seen as recoverable therefore no impairment loss has been provided for this excess amount. Management is of the opinion that the current debtors is fully recoverable.

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

	2025	2024
3 months past due	39,278,861	22,582,957

5. Statutory receivables from non-exchange transactions

	2025	2024
Gross balances		
Property rates	262,542,143	228,291,283
Traffic fines	18,905	18,905
	262,561,048	**228,310,188**
Less: Allowance for impairment		
Property Rates	(250,407,524)	(196,941,036)
Net balance		
Property Rates	12,134,619	31,350,247
Traffic fines	18,905	18,905
	12,153,524	**31,369,152**
Rates		
Current (0 -30 days)	5,604,749	7,527,193
31 - 60 days	4,800,168	3,897,441
61 - 90 days	4,134,967	3,922,788
91 days +	248,002,260	212,943,861
Less: impairment	(250,407,525)	(196,941,036)
	12,134,619	**31,350,247**
Other - traffic fines		
91 days +	18,905	18,905

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

5. Statutory receivables from non-exchange transactions (continued)

Summary of debtors by customer classification

	2025	2024
Consumers		
Current (0 -30 days)	3,364,182	3,911,386
31 - 60 days	1,196,141	1,468,234
61 - 90 days	1,212,344	1,531,776
91 days +	80,134,661	87,226,539
	85,907,328	94,137,935
Less: allowance for impairment	(80,205,881)	(76,160,261)
	5,701,447	**17,977,674**

	2025	2024
Industrial/ commercial		
Current (0 -30 days)	1,731,307	3,259,509
31 - 60 days	567,570	2,330,330
61 - 90 days	556,691	2,292,439
91 days +	39,303,724	115,215,495
	42,159,292	123,097,773
Less: allowance for impairment	(38,614,273)	(115,745,119)
	3,545,019	**7,352,654**

	2025	2024
National and provincial government		
Current (0 -30 days)	5,084,558	356,299
31 - 60 days	2,263,693	98,878
61 - 90 days	2,248,014	98,573
91 days +	124,879,258	10,501,826
	134,475,523	11,055,576
Less: allowance for impairment	(131,587,370)	(5,035,656)
	2,888,153	**6,019,920**

	2025	2024
Total		
Current (0 -30 days)	10,180,047	7,527,193
31 - 60 days	4,027,403	3,897,441
61 - 90 days	4,017,049	3,922,788
91 days +	244,317,644	212,943,861
	262,542,143	228,291,283
Less: allowance for impairment	(250,407,524)	(196,941,035)
	12,134,619	**31,350,248**

	2025	2024
Reconciliation of allowance for impairment		
Balance at beginning of the year	(196,941,035)	(173,361,289)
Contributions to allowance	(53,466,488)	(23,579,746)
	(250,407,523)	**(196,941,035)**

5. Statutory receivables from non-exchange transactions (continued)

Statutory receivables general information

Statutory receivables from non-exchange transactions past due but not impaired

All statutory receivables from non-exchange transactions, excluding government and municipal debtors and debtors who paid more than their charges for the last three months of the financial year, are provided to be impaired in full.

The amount for debtors past due more than the impairment loss provided for is seen as recoverable therefore no impairment loss has been provided for this excess amount. Management is of the opinion that the current debtors is fully recoverable.

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

1 month past due	2,607,520	2,602,102
2 months past due	412,326	817,710
3 months past due	9,114,773	30,989,208

Statutory receivables from non-exchange impaired

As of 30 June 2025, Statutory receivables fron non-exchange transactions of R 250,407,524 (2024: R 193,882,263) were impaired and provided for.

The ageing of these loans is as follows:

1 month past due	7,572,527	4,925,091
2 months past due	3,615,077	3,079,731
3 months past due	239,219,920	185,877,441

Factors the entity considered in assessing statutory receivables impaired

No statutory receivables from non-exchange transactions that are pledged as security.

Credit quality of statutory receivables from non-exchange transactions

The credit quality of statutory receivables from non-exchange transactions that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

Statutory Receivables arise from the following legislation:

Assessment Rates	- Municipal Property Rates Act (No. 6 of 2004)
Traffic Fines	- Criminal Procedures Act

6. Other receivables from non-exchange transactions

Deposits paid	390,126	373,722
Other sundry receivables	2,035	2,035
	392,161	**375,757**
Current assets	392,161	375,757

Other receivables from non-exchange transactions pledged as security

None of the other receivables from non-exchange transactions were pledged as security for any financial liability at yearend. The credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

6. Other receivables from non-exchange transactions (continued)

Credit quality of other receivables from non-exchange transactions

The credit quality of other receivables from non-exchange transactions that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

Other receivables from non-exchange transactions past due but not impaired

Other receivables from non-exchange transactions which are less than 3 months past due are not considered to be impaired. At 30 June 2025, R 1,333,555 (2024: R 1,333,555) were past due but not impaired.

The amount for debtors past due more than the impairment loss provided for is seen as recoverable therefore no impairment loss has been provided for this excess amount. Management is of the opinion that the current debtors is fully recoverable.

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

3 months past due	1,333,555	1,333,555

7. Statutory receivables from exchange transactions

VAT	46,668,693	60,463,560

VAT is payable on the payment basis. VAT is only paid to SARS once payment is received from debtors. No interest is payable to SARS if the VAT is paid timeously. Interest is charged on late payment as per SARS policies.

The municipality has financial risk policies in place to ensure that payments are effected before the due date.

Statutory Receivables arise from the following legislation:
Taxes - Value-added Tax Act (No. 89 of 1991)

8. Receivables from exchange transactions

Gross balances		
Electricity	117,462,703	100,757,926
Water	500,234,655	432,257,431
Sewerage	306,302,735	267,051,812
Refuse	201,955,843	175,963,919
Sundry	29,682,759	28,032,674
	1,155,638,695	**1,004,063,762**
Less: Allowance for impairment		
Electricity	(88,609,738)	(65,564,454)
Water	(475,736,746)	(403,216,320)
Sewerage	(301,572,621)	(259,617,939)
Refuse	(197,480,127)	(171,186,035)
Sundry	(29,340,519)	(18,896,977)
	(1,092,739,751)	**(918,481,725)**
Net balance		
Electricity	28,852,965	35,193,472
Water	24,497,909	29,041,111
Sewerage	4,730,114	7,433,873
Refuse	4,475,716	4,777,884
Sundry	342,240	9,135,697
	62,898,944	**85,582,037**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

8. Receivables from exchange transactions (continued)

Electricity		
Current (0 -30 days)	12,421,739	12,686,745
31 - 60 days	2,979,426	3,308,250
61 - 90 days	2,725,267	2,718,693
91 days+	99,336,271	82,044,238
Less: impairment	(88,609,738)	(65,564,454)
	28,852,965	**35,193,472**

Water		
Current (0 -30 days)	19,818,962	10,527,631
31 - 60 days	6,963,166	6,014,602
61 - 90 days	6,951,706	6,414,576
91 days +	466,500,821	409,300,622
Less: impairment	(475,736,746)	(403,216,320)
	24,497,909	**29,041,111**

Sewerage		
Current (0 -30 days)	8,511,060	5,553,076
31 - 60 days	3,604,978	3,444,802
61 - 90 days	3,563,908	3,408,872
91 days +	290,622,789	254,645,062
Less: impairment	(301,572,621)	(259,617,939)
	4,730,114	**7,433,873**

Refuse		
Current (0 -30 days)	5,743,454	3,777,837
31 - 60 days	2,412,345	2,294,913
61 - 90 days	2,384,026	2,278,182
91 days +	191,416,018	167,612,987
Less: impairment	(197,480,127)	(171,186,035)
	4,475,716	**4,777,884**

Other - sundry		
Current (0 -30 days)	434,926	1,037,577
31 - 60 days	201,114	240,765
61 - 90 days	204,077	240,728
91 days +	28,842,643	26,513,605
Less: impairment	(29,340,520)	(18,896,978)
	342,240	**9,135,697**

Figures in Rand	2025	2024

8. Receivables from exchange transactions (continued)

Summary of debtors by customer classification

	2025	2024
Consumers		
Current (0 -30 days)	34,342,731	25,287,756
31 - 60 days	13,667,882	11,777,252
61 - 90 days	13,549,539	12,299,466
91 days +	991,827,393	782,875,897
	1,053,387,545	832,240,371
Less: allowance for impairment	(1,016,008,919)	(778,857,257)
	37,378,626	**53,383,114**

	2025	2024
Industrial/ commercial		
Current (0 -30 days)	8,874,542	4,027,407
31 - 60 days	1,247,977	1,436,220
61 - 90 days	1,109,906	1,158,803
91 days +	34,790,032	42,016,126
	46,022,457	48,638,556
Less: allowance for impairment	(24,890,217)	(38,998,460)
	21,132,240	**9,640,096**

	2025	2024
National and provincial government		
Current (0 -30 days)	3,712,869	4,267,702
31 - 60 days	1,245,170	2,089,859
61 - 90 days	1,169,539	1,602,781
91 days +	50,101,117	115,224,492
	56,228,695	123,184,834
Less: allowance for impairment	(51,840,616)	(100,626,009)
	4,388,079	**22,558,825**

	2025	2024
Total		
Current (0 -30 days)	46,930,141	33,582,866
31 - 60 days	16,161,029	15,303,332
61 - 90 days	15,828,984	15,061,051
91 days +	1,076,718,541	940,116,513
	1,155,638,695	1,004,063,762
Less: allowance for impairment	(1,092,739,751)	(918,481,725)
	62,898,944	**85,582,037**

	2025	2024
Less: allowance for impairment		
Current (0 -30 days)	(27,285,718)	(18,522,295)
31 - 60 days	(13,836,566)	(11,437,088)
61 - 90 days	(14,198,487)	(11,815,710)
91 days +	(1,037,418,980)	(876,706,632)
	(1,092,739,751)	**(918,481,725)**

	2025	2024
Reconciliation of allowance for impairment		
Balance at beginning of the year	(918,481,725)	(813,873,138)
Contributions to allowance	(175,567,488)	(104,608,587)
Bad debts written off	1,309,462	-
	(1,092,739,751)	**(918,481,725)**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

8. Receivables from exchange transactions (continued)

Credit quality of receivables from exchange transactions

The credit quality of consumer debtors that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

Receivables from exchange transactions past due but not impaired

Consumer debtors which are less than 3 months past due are not considered to be impaired. At 30 June 2025, R 62,898,943 (2024: R 82,965,323) were past due but not impaired.

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

Current (0 - 30 days):	19,644,423	15,060,571
61 - 90 days:	2,324,463	3,245,341
91 days +	40,930,057	63,409,882

Receivables from exchange transactions impaired

As of 30 June 2025, consumer debtors of R 1,092,739,752 (2024: R 918,481,725) were impaired and provided for.

The ageing of this impairment is as follows:

61 - 90 days:	14,198,487	11,815,710
91 days +	1,037,418,981	876,706,632

9. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	1,481,986	4,606,873
Short-term deposits	2,764,041	2,283,747
	4,246,027	**6,890,620**

Cash and cash equivalents pledged as collateral

No cash and cash equivalents are pledged as collateral.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

9. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2025	30 June 2024	30 June 2023	30 June 2025	30 June 2024	30 June 2023
ABSA BANK - 1930000309	67,679	168,186	345,920	67,679	3,998,108	345,920
FNB - 63038580949 (Primary Account)	1,414,300	608,766	4,694,189	1,414,300	608,766	4,694,189
ABSA Bank - 911851699 (General Call Account)	1,209	1,152	56,630	1,209	1,152	56,630
FNB Call Account : 63081082538	7,765	638	-	7,765	638	-
FNB Call Account : 63097554513	2,525,968	380,575	-	2,525,968	380,575	-
FNB Call Account : 63081085144	178,058	1,248,825	-	178,058	1,248,825	-
FNB Call Account : 63081670284	51,041	652,556	-	51,041	652,556	-
Total	**4,246,020**	**3,060,698**	**5,096,739**	**4,246,020**	**6,890,620**	**5,096,739**

ABSA Bank account is the municipality old primary bank account in the process of being closed.

Notes to the Annual Financial Statements

Figures in Rand

10. Investment property

	2025			2024		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	19,512,765	-	19,512,765	19,154,821	-	19,154,821

Reconciliation of investment property - 2025

	Opening balance	Derecognition	Transfers	Fair value adjustments	Total
Investment property	19,154,821	(24,659)	-	382,603	19,512,765

Reconciliation of investment property - 2024

	Opening balance	Derecognition	Transfers	Fair value adjustments	Total
Investment property	21,322,874	-	(2,725,960)	557,907	19,154,821

Pledged as security

No investment property was pledged as security for any financial liability at year-end.

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.

Notes to the Annual Financial Statements

10. Investment property (continued)

Property valuations were performed by an independent , Zack van der Merwe (registered with South African Council of Property Valuers Profession (SACPVP), is not connected to the municipality and have recent experience in location and category of the investment property being valued. The fair value adjustments of the investment properties being improved, and unimproved land was determined based on the trend of the general market growth rate figure taking into consideration of the registered market transactions and slow growth and decline in the demand for these properties. This was supported by sale prices which were based on data sourced from the Lightstone toolkit through transactions registered in the Registrar of Deeds.

The property market in general has slowed down with a visual impact on property markets and year-on-year sales.

Sales considered was for Phokwane Municipality for the financial year 24/25, these sales were matched to the values of current General Valuation Roll for the transferred properties. The transfers compared to the valuation roll indicated a 2% (2024 - 3%) increase in the market values of those properties considered.

Maintenance of investment property

No repairs or maintence was incurred on investment property.

Land owned by the municipality which are not under the control of the municipality

In a number of instances, the municipality are not able to illustrate a substantive right over the land parcels as a result of social housing development, development of educational facilities and incomplete ownership transfers.

Key judgments made and assumptions applied to conclude that the municipality does not controls such land include:

Custodianship taken over by another organ of state for the social housing development.

The municality does not have access to the land, nor is it able to restrict or deny access of other parties to the land.

The municipality has not implimented any action or remedial measures to regain access to the land for a significant period of time.

Notes to the Annual Financial Statements

Figures in Rand

11. Property, plant, and equipment

	2025			2024		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	31,687,496	(5,559)	31,681,937	31,687,496	(5,559)	31,681,937
Buildings	85,789,522	(64,748,822)	21,040,700	87,133,480	(62,648,204)	24,485,276
Infrastructure	2,397,955,820	(1,587,035,470)	810,920,350	2,427,857,885	(1,562,429,131)	865,428,754
Community	131,540,234	(114,863,894)	16,676,340	134,448,164	(112,005,585)	22,442,579
Other property, plant and equipment	48,411,664	(30,344,016)	18,067,648	47,710,455	(28,681,868)	19,028,587
Work in progress	191,913,042	-	191,913,042	162,399,535	(2,628,875)	159,770,660
Total	**2,887,297,778**	**(1,796,997,761)**	**1,090,300,017**	**2,891,237,015**	**(1,768,399,222)**	**1,122,837,793**

Notes to the Annual Financial Statements

Figures in Rand

11. Property, plant, and equipment (continued)

Reconciliation of property, plant, and equipment - 2025

	Opening balance	Additions	Disposals	Transfers received	Other changes, movements	Depreciation	Impairment loss	Impairment reversal	Total
Land	31,681,937	-	-	-	-	-	-	-	31,681,937
Buildings	24,485,276	369,893	(75,691)	-	-	(2,031,421)	(1,707,357)	-	21,040,700
Infrastructure	865,428,754	2,056,421	(10,841,186)	12,128,659	(4,712,180)	(48,852,831)	(4,425,941)	138,654	810,920,350
Community	22,442,579	-	(26,477)	-	-	(1,646,972)	(4,125,540)	32,750	16,676,340
Other property, plant and equipment	19,028,587	2,602,202	(36,294)	-	-	(3,450,860)	(75,987)	-	18,067,648
Work in progress	159,770,660	44,271,041	-	(12,128,659)	-	-	-	-	191,913,042
	1,122,837,793	**49,299,557**	**(10,979,648)**	**-**	**(4,712,180)**	**(55,982,084)**	**(10,334,825)**	**171,404**	**1,090,300,017**

Notes to the Annual Financial Statements

Figures in Rand

11. Property, plant, and equipment (continued)

Reconciliation of property, plant, and equipment - 2024

	Opening balance	Additions	Disposals	Transfers received	Other changes, movements	Depreciation	Impairment loss	Impairment reversal	Total
Land	31,681,937	-	-	-	-	-	-	-	31,681,937
Buildings	25,158,816	1,733,942	(2,925)	-	-	(1,856,039)	(548,518)	-	24,485,276
Infrastructure	857,742,600	68,746,185	(12,598,402)	-	(1,899,869)	(46,302,745)	(2,237,155)	1,978,140	865,428,754
Community	27,181,462	-	(1,830,334)	-	-	(2,151,590)	(756,959)	-	22,442,579
Other property, plant and equipment	17,469,693	3,165,194	(67,093)	-	-	(1,539,207)	-	-	19,028,587
Work in progress	160,298,935	70,713,486	-	(68,612,888)	-	-	(2,628,873)	-	159,770,660
	1,119,533,443	**144,358,807**	**(14,498,754)**	**(68,612,888)**	**(1,899,869)**	**(51,849,581)**	**(6,171,505)**	**1,978,140**	**1,122,837,793**

Pledged as security

No property, plant and equipment has been pledged as security for any financial liability at year-end.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

11. Property, plant, and equipment (continued)

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

Cumulative expenditure recognised in the carrying value of property, plant and equipment		
Electrical infrastructure	3,652,847	12,128,659
Sanitation infrastructure	123,841,501	86,831,814
Storm water infrastructure	651,463	-
Water supply infrastructure	63,767,229	60,810,187
	191,913,040	**159,770,660**

Cumulative expenditure recognised in the carrying value of property, plant and equipment		
Pampierstad: Bulk Water Infrastructure Phase 2	26,112,781	26,112,781
The project of the bulk water infrastructure has been reconfigured to the New Name: MIG1630: Pampierstad:Asbestos Water reticulation Phase 5-revised and this project we are currently at the tail end of its implementation		
Provision of Water and Sanitation for 608 Stands in Guldenskat - Phase 1	2,834,128	2,834,128
The costs relates to pre-engineering assessments and the project will only commence once funding has been secured		
Pampierstad Bulk Water Infrastructure	3,637,095	3,637,095
The project of the bulk water infrastructure has been reconfigured to the New Name: MIG1630: Pampierstad:Asbestos Water reticulation Phase 5-revised and this project we are currently at the tail end of its implementation		
Masakeng 1200 Sites Sewer Reticulation Network	56,169,724	56,169,724
Although the project in essence have been completed, it is not operational as yet and can only be commissioned for use upon completion op the pump station, which is currently in process		
Development of Sport Facility Gaspan	2,628,875	2,628,875
This project has been placed on hold due to a lack of funding. The project will commence once funding has been secured		
	91,382,603	**91,382,603**

Reconciliation of Work-in-Progress 2025

	Included within Infrastructure	Included within Community	Total
Opening balance	159,770,658	-	159,770,658
Additions/capital expenditure	44,271,041	-	44,271,041
Transferred to completed items	(12,128,659)	-	(12,128,659)
	191,913,040	**-**	**191,913,040**

Reconciliation of Work-in-Progress 2024

	Included within Infrastructure	Included within Community	Total
Opening balance	157,670,063	2,628,875	160,298,938
Additions/capital expenditure	70,713,486	-	70,713,486
Impairments	-	(2,628,875)	(2,628,875)
Transferred to completed items	(68,612,889)	-	(68,612,889)
	159,770,660	**-**	**159,770,660**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

11. Property, plant, and equipment (continued)

Expenditure incurred to repair and maintain property, plant and equipment

Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance		
Infrastructure	65,742,592	69,783,961
Community assets and buildings	-	323,133
	65,742,592	**70,107,094**

Deemed cost

Deemed cost was determined using depreciated replacement cost.

Notes to the Annual Financial Statements

Figures in Rand

12. Intangible assets

	2025			2024		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	8,291,312	(5,805,036)	2,486,276	8,291,312	(4,655,779)	3,635,533

Reconciliation of intangible assets - 2025

	Opening balance	Additions	Amortisation	Total
Computer software, other	3,635,533	-	(1,149,257)	2,486,276

Reconciliation of intangible assets - 2024

	Opening balance	Additions	Amortisation	Total
Computer software, other	3,436,934	2,010,000	(1,811,401)	3,635,533

Pledged as security

No intangible assets have been pledged as security for any financial liability at year-end.

Notes to the Annual Financial Statements

Figures in Rand

13. Heritage assets

	2025			2024		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Art collections, antiquities and exhibits	157,217	-	157,217	157,217	-	157,217
Historical buildings, monuments and conservation areas	7,617,335	-	7,617,335	7,617,335	-	7,617,335
Total	**7,774,552**	**-**	**7,774,552**	**7,774,552**	**-**	**7,774,552**

Reconciliation of heritage assets 2025

	Opening balance	Total
Art collections, antiquities and exhibits	157,217	157,217
Historical buildings, monuments and conservation areas	7,617,335	7,617,335
	7,774,552	**7,774,552**

Reconciliation of heritage assets 2024

	Opening balance	Total
Art collections, antiquities and exhibits	157,217	157,217
Historical buildings, monuments and conservation areas	7,617,335	7,617,335
	7,774,552	**7,774,552**

Pledged as security

No heritage are pledged as security for any financial liability at year-end.

Deemed costs

Deemed cost was determined using depreciated replacement cost.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

14. Payables from exchange transactions

Trade payables	595,092,474	495,585,085
Payments received in advanced	7,277,797	40,079,996
Retentions	18,078,277	16,540,871
Unallocated deposits	5,860,404	26,502,783
Payroll control account	5,257,616	4,878,587
Current portion transferred from non-current payables from exchange	36,653,097	73,474,492
	668,219,665	**657,061,814**

15. Consumer deposits

Electricity	1,423,748	1,315,955
Water	2,531,098	2,471,498
	3,954,846	**3,787,453**

16. Employee benefit obligations

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

Carrying value		
Present value of the defined benefit obligation-wholly unfunded	(25,221,000)	(18,434,000)
Present value of the defined benefit obligation-partly or wholly funded	(7,321,000)	(6,813,000)
Staff leave accrual	(17,149,171)	(16,130,405)
Staff bonus accrual	(3,361,913)	(2,780,906)
	(53,053,084)	**(44,158,311)**

Non-current liabilities	(29,939,001)	(23,307,001)
Current liabilities	(23,114,083)	(20,851,310)
	(53,053,084)	**(44,158,311)**

Benefits

Post-retirement medical aid benefit	(24,358,000)	(17,612,000)
Long service awards	(6,699,000)	(5,695,000)
	(31,057,000)	**(23,307,000)**

Figures in Rand	2025	2024

16. Employee benefit obligations (continued)

Post retirement benefits

Post Retirement Medical Aid Benefit		
Balance 1 July	(18,434,000)	(17,450,000)
Contribution for the year	(799,000)	(719,000)
Interest cost	(2,211,000)	(2,141,000)
Benefits paid during the year	751,462	709,696
Actuarial gains/(losses)	(4,528,462)	1,166,304
	(25,221,000)	(18,434,000)
Less: Transfer to current portion	863,000	822,000
	(24,358,000)	**(17,612,000)**

The Post Retirement Benefit Plan is a defined benefit plan, of which the members are made up as follows:

Members		
Current (In service) members	110	110
Continuation members (pensioners)	13	12
	123	**122**

The liability in respect of past service has been estimated to be as follows:

Liability		
Current (In service) members	17,244,000	11,679,000
Continuation members (pensioners)	7,977,000	6,755,000
	25,221,000	**18,434,000**

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

- LA Health
- Keyhealth
- Bonitas
- Hosmed
- Samwumed

Key actuarial assumptions used:

Discount rate	11.30 %	12.26 %
CPI (Consumer Price Inflation)	5.30 %	6.24 %
Medical aid contribution inflation rate	7.10 %	7.74 %

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

Discount rate

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

Consequently, a discount rate of 12.26% per annum has been used. The corresponding index-linked yield at this term is 5.20%. These rates do not reflect any adjustment for taxation. These rates were deduced from the interest rate data obtained from the Johannesburg Stock Exchange after the market close on 30 June 2025.

16. Employee benefit obligations (continued)

These yields were obtained by calculating the duration of the DBO and then taking the fixed-interest and index-linked yields from the respective yield curves at that duration using an iterative process (because the yields depend on the duration, which in turn depends on the DBO). The two main components of the DBO, and their respective durations, are shown in table below.

Component	Duration (Years)	Duration (Years)
In-service members' retirement liability	21.21	20.83
Continuation members' liability	8.18	7.95
Liability-weighted average	**17.00**	**16.00**

Medical Aid Contribution Inflation Rate:

This assumption is required to reflect estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs (for example, due to technological advances or changes in utilisation patterns). Any assumption regarding future medical scheme contribution increases is therefore subjective.

A medical aid contribution inflation rate of 7.74% per annum has been assumed. This is 1.50% in excess of expected consumer price index (CPI) inflation over the expected term of the DBO, namely 6.24% per annum. A larger differential would be unsustainable, eventually forcing members to less expensive options. This implies a net discount rate of 4.20% per annum which derives from ((1+12.26%)/(1+7.74%))-1.

The CPI inflation assumption of 6.24% per annum was obtained from the differential between market yields on index-linked bonds consistent with the estimated term of the DBO (5.20%) and those of fixed interest bonds (12.26%) with a risk premium adjustment for the uncertainty implicit in guaranteeing real increases (0.50%). This was thus determined as follows: ((1+12.26%-0.50%)/(1+5.20%))-1.

The next contribution increase was assumed to occur with effect from 1 January 2026.

Replacement Ratio:

This is the expected pension as a percentage of final salary, at retirement. This assumption is required to determine the income band at retirement of members since some contribution rate tables are income-dependent. A replacement ratio of 65% was assumed. Income bands are assumed to increase with general salary inflation and therefore an explicit salary inflation assumption is not necessary.

Demographic Assumptions

Mortality During Employment:

SA85-90 ultimate table, adjusted for female lives.

Post-Employment Mortality:

PA(90) ultimate table, adjusted down by one year of age, and a 1% annual compound mortality improvement from 2010. This means that we expect 1% fewer people to die next year. In the year thereafter, we expect 1.99% fewer people to die, i.e. 1.99% is derived from [1 - (1 - 1%)2], and so on.

Termination of Service:

If an eligible employee leaves due to resignation or retrenchment, the employer's DBO in respect of that employee ceases. It is therefore important not to overstate termination rates. The assumed annual rates are set out below.

Figures in Rand	2025	2024

16. Employee benefit obligations (continued)

Withdrawal rates:

Age Band	Withdrawal rate males	Withdrawal rate females
20 -24	9 %	- %
25 - 29	8 %	- %
30 - 34	6 %	- %
35 - 39	5 %	- %
40 - 44	5 %	- %
45 - 49	4 %	- %
50 - 54	3 %	- %
55+	- %	- %

Average Retirement Age:

The normal retirement age of employees is 65. It has been assumed that in-service members will retire at age 62 on average, which then implicitly allows for expected rates of ill-health and early retirement. In-service members who have passed the assumed average retirement age, have been assumed to retire at their next birthday.

Continuation of Membership

It has been assumed that 75% of in-service members will remain on the Municipality's health care arrangement should they stay until retirement.

Proportion of Eligible In-Service Non-Members Joining a Scheme by Retirement

It has been assumed that 0% of eligible in-service non-members will be on a medical scheme by retirement (should they not exit employment before then) and continue with the subsidy at and after retirement.

Family Profile

It has been assumed that female spouses will be five years younger than their male counterparts. Furthermore, we've assumed that 60% of eligible in-service members on a health care arrangement at retirement will have a subsidised spouse dependant. For current retiree members, actual subsidised spouse dependants were used and the potential for remarriage was ignored.

Sensitivity Analysis on the Accrued Liability

Assumption	Change	% Change	Eligible employees	Continuation members	Total liability
Central assumptions			17	8	25
Medical aid contribution inflation rate	+1%	- %	21	9	30
Medical aid contribution inflation rate	-1%	- %	15	7	22
Discount rate	+1%	- %	15	7	22
Discount rate	-1%	- %	20	9	29
Post-employment mortality	+1 yr	- %	17	8	25
Post-employment mortality	-1 yr	- %	18	8	26
Average retirement age	+1 yr	- %	-	-	-
Average retirement age	-1 yr	- %	19	8	27
Membership continuation	-10%	- %	15	8	23

16. Employee benefit obligations (continued)

Sensitivity Analysis on Current-service and Interest Costs for year ending 30/06/2025:

Assumption	Change	% Change	Current service cost	Interest cost	Total liability
Central assumptions			17	8	25
Medical aid contribution inflation rate	+1%	- %	21	9	30
Medical aid contribution inflation rate	-1%	- %	15	7	22
Discount rate	+1%	- %	15	7	22
Discount rate	-1%	- %	20	9	29
Post-employment mortality	+1 yr	- %	17	8	25
Post-employment mortality	-1 yr	- %	18	8	26
Average retirement age	+1 yr	- %	-	-	-
Average retirement age	-1 yr	- %	19	8	27
Membership continuation	-10%	- %	15	8	23

Long service award

Long service award		
Balance 1 July	(6,813,000)	(6,619,000)
Current service cost	(652,000)	(654,000)
Interest cost	(683,000)	(677,000)
Benefits paid during the year	498,669	493,275
Actuarial gains/(losses)	328,331	643,725
	(7,321,000)	(6,813,000)
Less: Transfer to current portion	622,000	1,118,000
	(6,699,000)	**(5,695,000)**

The Long Service Award is a defined benefit plan, of which the members are made up as follows:

Total eligible		
As at year end, the following number of employees were eligible for long service bonuses	316	341

Key actuarial assumptions used:

Discount rate	9.60 %	10.89 %
General earnings inflation rate	3.60 %	6.00 %
Health Care Cost Inflation Rate	4.60 %	- %
Net Effective Discount Rate	4.80 %	4.62 %

In estimating the LSA net defined benefit liability of the Municipality a number of actuarial assumptions are required. The GRAP 25 standard places the responsibility on management to set these assumptions, as guided by the principles set out in the standard and in discussion with the actuary.

It should be noted that the valuation method and assumptions do not affect the ultimate cost of the LSA arrangement – this is determined by actual experience and by the benefits provided. The method and assumptions influence how the DBO and current service costs are recognised over time.

Figures in Rand	2025	2024

16. Employee benefit obligations (continued)

Key demographic assumptions

Table below summarises the key demographic assumptions used.

Mortality during employment: SA 85-90

Age Band	Withdrawal rate males	Withdrawal rate females
20	1 %	- %
25	1 %	- %
30	1 %	- %
35	1 %	- %
40	1 %	- %
45	1 %	- %
50	1 %	- %
55	1 %	- %

Sensitivity analysis

The results presented in Section 6 are based on a number of assumptions. The extent to which the actual liability faced in the future by the Municipality differs from these results will depend on the extent to which actual experience differs from the assumptions made.

The assumptions which tend to have the greatest impact on the results are:

- the general earnings inflation rate assumption;
- the discount rate assumption;
- the average retirement age of employees; and
- assumed rates of withdrawal of employees from service.

The liability at the Valuation Date was recalculated to show the effect of:

- a one percentage point increase and decrease in the assumed general earnings inflation rate;
- a one percentage point increase and decrease in the discount rate;
- a two-year increase and decrease in the assumed average retirement age of eligible employees; and
- a two-fold increase and a 50% decrease in the assumed rates of withdrawal from service.

Sensitivity Analysis on the Accrued Liability

Assumption	Change	% Change	Liability
Central assumptions			7,321,000
General earnings inflation rate	+1%	5 %	7,707,000
General earnings inflation rate	-1%	(5)%	6,966,000
Discount rate	+1%	5 %	6,960,000
Discount rate	-1%	(5)%	7,719,000
Average retirement age	+2% yrs	7 %	7,824,000
Average retirement age	-2% yrs	(12)%	6,466,000
Withdrawal rates age	x2	(17)%	6,087,000
Withdrawal rates age	x.05	11 %	8,118,000

16. Employee benefit obligations (continued)

Sensitivity Analysis on Current-service and Interest Costs for year ending 30/06/2025:

Assumption	Change	Current service cost	Interest cost	Total liability
Central assumptions		652,000	683,000	1,335,000
General earnings inflation rate	+1%	696,000	722,000	1,418,000
General earnings inflation rate	-1%	612,000	647,000	1,259,000
Discount rate	+1%	617,000	706,000	1,323,000
Discount rate	-1%	690,000	657,000	1,347,000
Average retirement age	+2% yrs	697,000	732,000	1,429,000
Average retirement age	-2% yrs	598,000	605,000	1,203,000
Withdrawal rates age	x2	502,000	556,000	1,058,000
Withdrawal rates age	x0.5	754,000	766,000	1,520,000

17. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

	2025	2024
Unspent conditional grants and receipts		
Municipal Systems Improvement Grant (MSIG)	169,582	169,582
COGHSTA Grant	42,778	42,778
Financial Management Grant (FMG)	355,485	3,000
Water Service Operating Grant (WSOG)	9,102,324	9,342,633
Intergrated National Electrification Grant (INEP)	2,114,481	3,919,220
Northern Cape Roads Grant (NCRG)	1,463,126	1,463,126
Library Grant	2,496,501	2,067,864
Northern Cape Public Works Grant (NCPWG)	312,375	312,375
Municipal Infrastructure Grant (MIG)	26,435,005	19,062,178
Expanded Public Works Program (EPWP)	10,530	10,530
	42,502,187	**36,393,286**

Movement during the year

	2025	2024
Balance at the beginning of the year	36,393,286	34,759,174
Additions during the year	217,187,999	225,079,417
Income recognition during the year	(195,020,098)	(220,145,305)
Surrendered	(16,059,000)	(3,300,000)
	42,502,187	**36,393,286**

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

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

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

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

18. Provisions

Reconciliation of provisions - 2025

	Opening Balance	Additions	Change in discount factor	Total
Environmental rehabilitation	24,306,322	1,821,252	(5,530,533)	20,597,041

Reconciliation of provisions - 2024

	Opening Balance	Additions	Change in discount factor	Total
Environmental rehabilitation	23,936,425	2,269,766	(1,899,869)	24,306,322

Environmental rehabilitation provision

The municipality has an obligation to rehabilitate landfill sites at the end of the expected useful life of the asset. Total cost and estimated date of decommission of the sites are as follows:

The change in estimate is mainly due to the following reasons:
- Decrease in the inflation rate to 2.8% in 2025 from 5.1% in 2024.
- Increase in the net effective discount rate to 6.9% in 2025 from 5.20% in 2024.
- Change in the provision for the cost of the environmental impact assessment and permit application costs at 30 June 2025.

Municipal site	Year	2025 cost of rehabilitation	2024 cost of rehabilitation	2023 cost of rehabilitation
Ganspan Landfills Site	2035	4,625,821	5,386,313	5,331,855
Pampierstad Landfills Site	2032	5,811,733	6,508,774	6,401,297
Jan Kempdorp Landfills Site	2047	2,355,981	3,375,560	3,298,761
Hartswater new Landfill Site	2035	3,953,521	4,707,765	4,678,095
Hartswater old landfill site	2024	3,849,987	4,327,913	4,226,420
		20,597,043	**24,306,325**	**23,936,428**

Area of landfill site consumed

	2025 %	2024 %	2023 %
Ganspan Landfills Site	72	69	69
Pampierstad Landfills Site	24	22	22
Jan Kempdorp Landfills Site	27	24	24
Hartswater new Landfill Site	51	45	45
Hartswater old landfill site	96	96	96

Discount rate

Discount rate used 2025: 9.70% (2024: 10,30%).

The discount rate used to calculate the present value of the rehabilitation costs at each reporting period is based on a calculated risk free rate as determined by the municipality. The rate is considered appropriate given the municipality is in the government sector.

As such, a net discount rate of 5.20% p.a (2024: 5.20%) has been used. The net discount rate was derived from the yield curve, without a tax adjustment, obtained from the Bond Exchange of South Africa after the market closed on 30 June 2025 (30 June 2024) reduced by the contract price adjustment index (CPAF) as obtained from the South African Forum of Civil Engineering Contractors (SAFCEC).

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

19. Non-current payables from exchange transactions

At amortised cost		
Municipal debt relief from Eskom and Vaalharts	372,738,432	243,514,587
Less: transferred to current payables from exchange transactions	(36,653,097)	(73,474,492)
	336,085,335	**170,040,095**

Eskom Debt Relief:

Phokwane Local Municipality was approved for debt relief during the 2023/2024 financial year. The outstanding debt will be subject to write off over 3 years.

The value of the debt relief amounted to R262,779,140.

Vaalharts Water Debt Relief:

Phokwane Local Municipality was approved for debt relief during the 2024/2025 financial year. The outstanding debt will be subject to write off over 3 years.

The value of the debt relief amounted to R73,306,194.

20. Revenue

Service charges	171,996,051	141,764,827
Rental of facilities and equipment	145,928	132,767
Interest received (trading)	77,892,443	73,237,798
Licences and permits	2,480,925	2,068,140
Miscellaneous other revenue	835,360	1,374,712
Commissions received	371,378	326,592
Other income	818,353	-
Interest received - investment	1,171,973	728,588
Property rates	40,853,587	39,415,877
Surcharges and Taxes	22,079,912	32,843,332
Government grants & subsidies	197,520,097	220,145,305
Fines, penalties and forfeits	56,749	12,027
Interest received (trading)	20,189,607	18,542,737
	536,412,363	**530,592,702**

The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	171,996,051	141,764,827
Rental of facilities and equipment	145,928	132,767
Interest received (trading)	77,892,443	73,237,798
Licences and permits	2,480,925	2,068,140
Miscellaneous other revenue	835,360	1,374,712
Commissions received	371,378	326,592
Other income	818,353	-
Interest received - investment	1,171,973	728,588
	255,712,411	**219,633,424**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

20. Revenue (continued)

The amount included in revenue arising from non-exchange transactions is as follows:

Taxation revenue		
Property rates	40,853,587	39,415,877
Surcharges and Taxes	22,079,912	32,843,332
Transfer revenue		
Government grants & subsidies	197,520,097	220,145,305
Fines, penalties and forfeits	56,749	12,027
Interest received - Receivables from non-exchange transactions	20,189,607	18,542,737
	280,699,952	**310,959,278**

21. Service charges

Sale of electricity	98,054,157	68,977,132
Sale of water	38,070,812	37,620,650
Sewerage and sanitation charges	21,246,877	20,857,509
Refuse removal	14,624,205	14,309,536
	171,996,051	**141,764,827**

22. Rental of facilities and equipment

Premises		
Premises	145,928	132,767

23. Interest received (trading)

Exchange revenue		
Electricity	8,387,628	7,526,727
Sundry	438,284	2,144,597
Refuse	13,548,892	12,395,445
Sanitation	21,474,182	18,741,825
Water	34,043,457	31,651,858
	77,892,443	**72,460,452**

24. Licences and permits

Licences and permits	2,480,925	2,068,140

25. Other income

Reconnection fees - Electricity	663,946	1,003,928
Reconnection fees - Water	19,026	6,098
Sale of goods and services	105,618	349,859
Plan printing and duplicates	7,755	9,347
Hall rentals	16,271	2,756
Sundry income	2,724	2,724
	815,340	**1,374,712**

26. Commissions received

Commissions received	371,378	326,592
Other income	818,353	-
	1,189,731	**326,592**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

27. Landfill site restoration

Landfill site restoration	818,353	-

28. Investment revenue

Interest revenue		
Bank	1,038,653	728,588
Investments	133,320	-
	1,171,973	**728,588**

29. Property rates

Rates received

Residential	12,199,619	12,965,660
Commercial	12,047,016	11,227,003
State	386,287	318,814
Small holdings and farms	16,220,665	14,904,400
	40,853,587	**39,415,877**

Valuations

Residential	1,572,934,200	1,566,630,200
Commercial	983,055,400	976,485,400
State	844,632,300	848,852,300
Small holdings and farms	6,463,008,100	6,460,508,100
	9,863,630,000	**9,852,476,000**

30. Availability charges

Service charges - Electricity	16,262,302	26,602,978
Service charges - Water	5,817,610	6,240,355
	22,079,912	**32,843,333**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

31. Government grants & subsidies

Operating grants		
Equitable share	142,291,000	134,246,000
Finance Management Grant	2,644,515	3,097,000
Library Grant	879,362	2,166,586
Expanded Public Works Program	1,064,000	-
Frances Baard District Municipality Operational Grant	2,500,000	2,499,247
	149,378,877	**142,008,833**
Capital grants		
Municipal Infrastructure Grant (MIG)	15,148,118	36,876,991
Intergrated National Electrification Grant	4,200,775	12,234,577
Water Systems Operating Grant	28,792,327	21,730,735
Frances Baard District Municipality Capital Grant	-	7,294,169
	48,141,220	**78,136,472**
	197,520,097	**220,145,305**

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	52,729,098	85,899,305
Unconditional grants received	142,291,000	134,246,000
	195,020,098	**220,145,305**

Equitable Share

Current-year receipts	126,232,000	130,946,000
Conditions met - transferred to revenue	(142,291,000)	(134,246,000)
Surrendered	16,059,000	3,300,000
	-	-

Municipal Systems Improvement Grant (MSIG)

Balance unspent at beginning of year	169,582	169,582

Conditions still to be met - remain liabilities (see note 17).

COGHSTA Grant

Balance unspent at beginning of year	42,778	42,778

Conditions still to be met - remain liabilities (see note 17).

Finance Management Grant

Balance unspent at beginning of year	3,000	-
Current-year receipts	3,000,000	3,100,000
Conditions met - transferred to revenue	(2,644,515)	(3,097,000)
Surrendered	(3,000)	-
	355,485	**3,000**

Conditions still to be met - remain liabilities (see note 17).

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

31. Government grants & subsidies (continued)

Water Services Infrastructure Grant

Balance unspent at beginning of year	9,342,633	8,404,450
Current-year receipts	37,000,000	24,534,000
Conditions met - transferred to revenue	(28,792,327)	(21,730,735)
Surrendered	(8,447,982)	(1,865,082)
	9,102,324	**9,342,633**

Conditions still to be met - remain liabilities (see note 17).

Intergrated National Electrification Programme Grant

Balance unspent at beginning of year	3,919,220	870,194
Current-year receipts	6,316,000	15,500,000
Conditions met - transferred to revenue	(4,200,774)	(12,234,577)
Surrendered	(3,919,965)	(216,397)
	2,114,481	**3,919,220**

Conditions still to be met - remain liabilities (see note 17).

Northern Cape Roads Grant

Balance unspent at beginning of year	1,463,126	1,463,126

Conditions still to be met - remain liabilities (see note 17).

Library Grant

Balance unspent at beginning of year	2,067,864	2,984,450
Current-year receipts	1,308,000	1,250,000
Conditions met - transferred to revenue	(879,363)	(2,166,586)
	2,496,501	**2,067,864**

Conditions still to be met - remain liabilities (see note 17).

NC Public Works Grant

Balance unspent at beginning of year	312,375	312,375

Conditions still to be met - remain liabilities (see note 17).

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

31. Government grants & subsidies (continued)

Municipal Infrastructure Grant

Balance unspent at beginning of year	19,062,178	20,501,689
Current-year receipts	26,209,000	36,656,000
Conditions met - transferred to revenue	(15,148,118)	(36,876,991)
Surrendered	(3,688,055)	(1,218,520)
	26,435,005	**19,062,178**

Conditions still to be met - remain liabilities (see note 17).

Frances Baard District Municipality Operational and Capital Grant

Current-year receipts - operating grant	2,500,000	2,499,247
Current-year receipts - capital grant	-	7,294,169
Conditions met - transferred to revenue - operating grant	(2,500,000)	(2,499,247)
Conditions met - transferred to revenue - capital grant	-	(7,294,169)
	-	-

Conditions still to be met - remain liabilities (see note 17).

Expanded Public Works Programme Grant

Balance unspent at beginning of year	10,530	10,530
Current-year receipts	1,064,000	-
Conditions met - transferred to revenue	(1,064,000)	-
	10,530	**10,530**

Conditions still to be met - remain liabilities (see note 17).

32. Fines, penalties and forfeits

Traffic fines	56,749	12,027

33. Debt relief

Municipal debt relief from Eskom	-	78,963,740

34. Interest received (trading)

Non-exchange revenue		
Other transfer revenue	20,189,607	18,542,737

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

35. Employee related costs

Basic	85,782,811	82,583,069
Bonus	6,976,905	5,645,934
Medical aid - company contributions	4,267,757	4,804,826
UIF	748,136	744,450
SDL	969,387	921,116
Other payroll levies	50,106	48,251
Leave pay provision charge	1,623,056	2,442,946
Defined contribution plans	714,024	-
Travel, motor car, accommodation, subsistence and other allowances	2,199,642	2,131,567
Overtime payments	9,769,684	8,699,570
Long-service awards	652,000	654,000
Acting allowances	1,047,105	1,207,667
Housing benefits and allowances	202,821	168,493
Termination benefits	13,481,552	12,995,852
	128,484,986	**123,047,741**

Remuneration of the Municipal Manager - Mr ZW Nikani (July 2024 to June 2025):

Annual Remuneration	1,049,821	604,683
Remote Allowance	45,357	25,144
Contributions to UIF, Medical and Pension Funds	72,057	7,618
Car Allowance	50,717	-
	1,217,952	**637,445**

Remuneration of the Chief Financial Officer - Ms ON Sauli (July 2024 to June 2025):

Annual Remuneration	954,872	526,731
Remote Allowance	37,240	20,645
Contributions to UIF, Medical and Pension Funds	12,047	6,725
	1,004,159	**554,101**

Remuneration of the Chief Financial Officer - Me TP Modisa: (February 2021 - February 2023 and June 2023 - November 2023):

Acting Allowance	-	33,135
Annual Remuneration	-	693,016
Car Allowance	-	53,210
Contributions to UIF, Medical and Pension Funds	-	207,268
Other	-	6,000
	-	**992,629**

Remuneration of the Director of Corporate Services - Mr BB Marima: (September 2023 - May 2024):

Acting Allowance	-	21,346
Annual Remuneration	-	519,089
Car Allowance	-	94,971
Remote Allowance	-	17,695
Contributions to UIF, Medical and Pension Funds	-	137,583
Other	-	1,500
	-	**792,184**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

35. Employee related costs (continued)

Remuneration of the Director of Technical Services - Mr B Dluwayo: (July 2024 - June 2025):

Annual Remuneration	730,907	438,991
Car Allowance	94,831	24,072
Remote Allowance	37,240	20,645
Contributions to UIF, Medical and Pension Funds	133,947	33,974
	996,925	**517,682**

Remuneration of the Acting Director Community Services - Ms NJ Charlie: (July 2024 - June 2025):

Annual Remuneration	620,795	-
Acting Allowance	46,842	22,452
Car Allowance	85,500	-
Contributions to UIF, Medical and Pension Funds	45,384	-
Other	6,000	-
	804,521	**22,452**

Remuneration of the Acting Direct for Corporate Services - Ms ML Taaibos: (July 2024 to June 2025):

Annual Remuneration	625,299	-
Acting Allowance	47,770	5,613
Car Allowance	85,500	-
Contributions to UIF, Medical and Pension Funds	127,532	-
Other	19,373	-
	905,474	**5,613**

Remuneration of the Acting Chief Financial Officer - Me KP Sengani: (1 June 2025 - 30 June 2025)

Acting Allowance	6,546	-

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

36. Remuneration of councillors

Councillors	8,168,401	8,188,288

Remuneration of the Mayor: W Harmse		
Mayoral Allowance	822,881	649,985
Telephone Allowance	47,004	39,170
Contributions to pension, medical and SDL	148,119	116,997
	1,018,004	**806,152**

Remuneration of the Speaker: GG Halter		
Mayoral Allowance	723,610	580,104
Telephone Allowance	47,004	39,170
Contributions to pension, medical and SDL	53,190	33,482
	823,804	**652,756**

Remuneration of the Mayor: TB Afrika (1 July 2023 to 31 August 2023)		
Mayoral Allowance	-	186,662
Telephone Allowance	-	17,638
	-	**204,300**

Remuneration of the Speaker: W Harmse (1 July 2023 to 31 August 2023)		
Mayoral Allowance	-	117,238
Telephone Allowance	-	16,103
Contributions to pension, medical and SDL	-	18,034
	-	**151,375**

Remuneration of the Councillors:		
Councillor Allowance	4,884,336	4,887,895
Transport Allowance	60,000	60,000
Telephone Allowance	797,046	968,957
Contributions to pension, medical and SDL	585,212	429,629
	6,326,594	**6,346,481**

The Mayor and Speaker are full time. Each is provided with an office and shared secreterial support at the cost of the Council.

The Mayor has use of a Council owned vehicle for official duties.

37. Depreciation and amortisation

Property, plant, and equipment	55,982,084	51,849,581
Intangible assets	1,149,258	1,811,401
	57,131,342	**53,660,982**

38. Finance costs

Employee benefit obligation	2,894,000	2,818,000
Landfill provision	1,821,252	2,269,766
Trade and other payables	70,791,615	68,417,352
	75,506,867	**73,505,118**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

39. Debt impairment

Debt impairment	227,724,515	128,188,333

40. Bulk purchases

Electricity - Eskom	113,344,062	98,131,648

41. General expenses

Advertising	240,600	1,584,942
Auditors remuneration	4,559,475	5,924,136
Bank charges	740,365	996,541
Commission paid	1,056,798	818,586
Consulting and professional fees	20,570,940	24,542,751
Entertainment	135,883	127,500
Ward committees	1,186,000	-
Interns and learnerships	29,500	-
Bursaries	119,650	-
Hire	1,122,947	1,498,431
Insurance	2,595,413	2,379,268
Inventory consumed	65,847,883	70,107,095
Inventory consumed - water bulk purchases	55,487,090	62,628,001
Motor vehicle expenses	364,839	609,433
Printing and stationery	189,896	118,040
Protective clothing	1,811,394	321,812
Sample analysis	435,476	652,383
Security (Guarding of municipal property)	19,523,437	25,306,627
Subscriptions and membership fees	1,539,545	1,334,469
Telephone and fax	845,725	828,834
Training	639,014	437,808
Transport and freight	3,825	16,400
Travel - local	1,399,628	1,423,161
	180,445,323	**201,656,218**

42. Loss on disposal of assets and liabilities

Loss on disposal - infrastructure assets	10,841,186	12,598,401
Loss on disposal - community assets	62,770	1,830,297
Loss on disposal - buildings	75,691	2,927
Loss on disposal - other assets	24,660	67,093
	11,004,307	**14,498,718**

43. Fair value adjustments

Investment property (Fair value model)	382,603	557,907

44. Impairment loss

Impairments		
Property, plant, and equipment	10,163,422	4,193,366

45. Auditors' remuneration

Fees	4,559,475	5,924,136

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

46. Cash generated from operations

	2025	2024
Deficit	(279,378,390)	(93,146,034)
Adjustments for:		
Depreciation and amortisation	57,131,342	53,660,982
Gain on sale of assets and liabilities	11,004,307	14,498,718
Fair value adjustments	(382,603)	(557,907)
Impairment deficit	10,163,422	4,193,366
Debt impairment	227,724,515	128,188,333
Movements in retirement benefit assets and liabilities	8,894,773	1,791,349
Movements in provisions	(3,709,281)	(369,897)
Other non-cash items	-	62,669,615
Changes in working capital:		
Inventories	(284,031)	1,105,963
Other receivables from exchange transactions	22,029,772	7,736,705
Consumer debtors	(29,377,352)	(141,882,516)
Other receivables from non-exchange transactions	19,215,628	(8,844,793)
Statutory receivables	(16,404)	1,021,980
Payables from exchange transactions	11,157,839	139,516,093
VAT	(13,794,867)	(22,746,730)
Unspent conditional grants and receipts	6,108,901	1,634,112
Consumer deposits	167,393	(306,687)
	46,654,964	**148,162,652**

47. Financial instruments disclosure

Categories of financial instruments

2025

Financial assets

	At amortised cost	Total
Receivables from exchange transactions	62,898,944	62,898,944
Other receivables from exchange transactions	29,971,096	29,971,096
Cash and cash equivalents	4,246,027	4,246,027
	97,116,067	**97,116,067**

Financial liabilities

	At amortised cost	Total
Payables from exchange transactions	723,907,555	723,907,555
Consumer deposits	3,954,846	3,954,846
	727,862,401	**727,862,401**

2024

Financial assets

	At amortised cost	Total
Receivables from exchange transactions	85,582,037	85,582,037
Other receivables from exchange transactions	29,317,775	29,317,775
Cash and cash equivalents	6,890,620	6,890,620
	121,790,432	**121,790,432**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

47. Financial instruments disclosure (continued)

Financial liabilities

	At amortised cost	Total
Payables from exchange transactions	652,183,227	652,183,227
Consumer deposits	3,787,453	3,787,453
	655,970,680	**655,970,680**

48. Commitments

Authorised capital expenditure

	2025	2024
Already contracted for but not provided for		
• Property, plant and equipment	44,410,594	63,977,425
Total capital commitments		
Already contracted for but not provided for	44,410,594	63,977,425

Total commitments

	2025	2024
Total commitments		
Authorised capital expenditure	44,410,594	63,977,425

The commitments are exclusive of VAT.

49. Contingencies

Contingent liabilities

The following litigations have been raised against the municipality:

	2025	2024
CC Victor vs Phokwane Local Municipality Merits already settled at 70/30 in favour of Plaintiff. Likelihood of settling quantum AT30/70 to plaintiff.	1,400,000	1,400,000
Dephetogo Security Services vs Phokwane Local Municipality Contract terminated without lawful reason	9,000,000	9,000,000
UMS vs Phokwane Local Municipality Breach of contract	4,200,000	4,200,000
Matseba Chartered Accountant vs Phokwane Local Municipality Breach of contract	1,977,280	1,977,280
Bokao Projects (Pty) Ltd Payment of services rendered	-	389,550
Monnaemang Trading Entreprise vs Phokwane Local Municipality Overcharging of services	-	92,172
Phage & Moadi Trading & Projects vs Phokwane Local Municipality Overcharging of services	-	89,184
Senwes vs Phokwane Local Municipality Overcharging of services	669,708	669,708
Tecroveer Holdings vs Phokwane Local Municipality Payment of services rendered	6,091	6,091
	17,253,079	**17,823,985**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

50. Related parties

Relationships	
Interest in related parties	Councillors and /or management of the municipality
Services rendered to related parties	The services rendered to related parties are charged at the approved tarrifs that were advertised to the public. We have disclosed this information under the heading councillors arrear consumer accounts. Refer to 47
Compensation of related parties	Compensation of key management personnel Refer to note 32 Compensation of councillors Refer to note 35
Joint ventures	Municipality has no joint venture arrangement
Associates	Municipality has no associates in their business arrangement
Related party relationship	The municipalities officials declared the following reationship with the listed companies. It should be noted that no transactions were entered into between these related parties and the municipality
Councillors	No business interest, shares and / or directorships held
Municipal manager	No business interest, shares and / or directorships held
Acting Municipal Manager	No business interest, shares and / or directorships held
Chief Financial Officer	No business interest, shares and / or directorships held

Notes to the Annual Financial Statements

Figures in Rand

50. Related parties (continued)

Remuneration of management

Management class: Executive management

2025

Name	Acting allowance	Basic salary	Car allowance	Remote allowance	Contribution to UIF, Medical and pension funds	Other allowance	Total
Senior management	101,159	3,981,695	316,548	119,836	390,967	25,373	4,935,578

2024

Name	Acting allowance	Basic salary	Car allowance	Remote allowance	Contribution to UIF, Medical and pension funds	Other allowance	Total
Senior management	82,546	2,782,510	172,253	84,129	393,168	7,500	3,522,106

51. Risk management

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, municipality treasury maintains flexibility in funding by maintaining availability under committed credit lines.

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

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

At 30 June 2025	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Consumer deposits	3,954,846	-	-	-
Employee benefit oblgation	23,114,083	-	-	-
Payables from exchange transactions	668,219,665	-	-	-
Unspent conditional grants and receipts	42,502,187	-	-	-
	737,790,781	-	-	-

At 30 June 2024	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Consumer deposits	4,374,395	-	-	-
Employee benefit oblgation	20,851,310	-	-	-
Payables from exchange transactions	650,659,947	-	-	-
Unspent conditional grants and receipts	36,393,286	-	-	-
	712,278,938	-	-	-

Credit risk

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

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

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

Market risk

Interest rate risk

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

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

51. Risk management (continued)

Foreign exchange risk

The municipality does not hedge foreign exchange fluctuations.

The municipality reviews its foreign currency exposure, including commitments on an ongoing basis. The municipality expects its foreign exchange contracts to hedge foreign exchange exposure.

Price risk

The municipality is not exposed to price risk.

Post-tax surplus for the year would increase/decrease as a result of gains or losses on equity securities classified as at fair value through surplus or deficit. Other components of equity would increase/decrease as a result of gains or losses on equity securities classified as available-for-sale.

52. Going concern

We draw attention to the fact that at 30 June 2025, the municipality's current assets exceeds its current liabilities by R 1,007,855,172 (2024: R 1,084,936,515). Furthermore, the municipality recorded a deficit of R 279,378,390 (2024: deficit R 93,146,034) for financial period ended 30 June 2025. The major contributors to the deficits incurred are increases in bulk purchases, finance costs, general expenses and employee related costs.

We further draw attention to the fact that at 30 June 2025 a material uncertainty exists regarding the ability of the municipality to continue as a going concern. These factors are listed below. Management decided to include them to provide more information to the users.

1. The provisions for rehabilitation of landfill sites and employee benefit provisions are not cash backed.

2. Unspent conditional grants amounting to R 42,502,187 at 30 June 2025 are not cash-backed. Unspent grants exceed available cash and cash equivalents (30 June 2025: R 4,246,027).

3. There were rollover applications that were rejected by National Treasury. The main reasons for the rejection were the municipality's failure to (a) submit the AFS by the legislated date, (b) spend conditional grant and (c) appoint senior managers. As such, some of the unspent grants were taken back to the fiscus. Submission of the AFS has since been rectified and processes to appoint senior managers has been completed. There has also been an improvement regarding capital grant spending by the municipality.

4. The municipality experienced cash flow problems during the year, which resulted in major creditors e.g. Eskom, Vaalharts Water, South African Revenue Services (SARS) and the Auditor-General of South Africa not being paid timeously.

5. Furthermore the municipality did not comply with the requirements of the Eskom debt relief programme

6. Overdue payments to trade creditors exceed 2% of budgeted operating expenditure at 30 June 2025 (105%)

7. Current liabilities excluding unspent conditional grants exceed 10% of next years budgeted resources.

8. Debtors' collection days at 30 June 2025 remained at 1,245 days (2024 – 1,175 days)

9. Debtors' impairment provisions exceed 10% of receivables at 30 June 2025. In terms of impairment for Receivables from exchange transactions impairment amounts to 94% and statutory receivables from non-exchange transactions impairment amounts to 95% of the gross debtors' balance.

10. The municipality has overspent is current budget with unauthorised expenditure disclosed in note 54, R 252,499,677 incurred in the 2025 financial year.

11. Electricity distribution losses (technical and non-technical) remained stable at 60% (2024: 60%) and the water distribution losses has increased to 87% from (2024: 67%).

12. Further factors indicating a deterioration in assets used to generate revenue and cash flow were prevalent in the 2025 financial year such as repairs and maintenance are less than 8%, capital expenditure is less than 10% of the operating budget.

It should, however, be noted that the ability of the municipality to continue as a going concern is dependent on several factors:

- The most significant of these is that the Accounting Officer continues to procure funding for the ongoing operations of the municipality.
- Furthermore, the municipality has embarked on implementing strategies which will strengthen its ability to continue as a going concern. The most significant of these is that the municipality is currently implementing a system to enhance revenue collection (credit control and cost containment measures), minimising distribution losses and Council approved initiatives.
- Further initiatives include the installation of prepaid water meters for areas under the Eskom distribution and unmetered areas.
- The municipality is part of the National Treasury's Debt Relief Program.
- The municipality still can levy rates and taxes and will continue to receive funding from government as evident from the Equitable Share allocation in terms of the Division of Revenue Act.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

52. Going concern (continued)

Even though the above uncertainties exist regarding the municipality's ability to continue as a going concern, the annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

53. Events after the reporting date

Management is not aware of any material non-adjusting events after the reporting date.

54. Unauthorised expenditure

Opening balance as previously reported	868,311,941	1,613,333,395
Add: Unauthorised expenditure operational - current	252,157,906	340,687,756
Add: Unauthorised expenditure capital - current	-	1,401,493
Less: Amount recovered - current	-	-
Less: Amount recovered - prior period	-	-
Less: Amount authorised - current	-	-
Less: Amount authorised - prior period	-	(1,087,110,703)
Closing balance	**1,120,469,847**	**868,311,941**

Unauthorised exoenditure incurred for the period 2016 - 2023 was investigated by the Municipal Public Accounts Committee of Phokwane Local Municipality duirng the current financial year. At A Council meeting on the 29th of August 2024 Council condoned this expenditure.

Unauthorised expenditure: Operational budget overspending – per municipal department:

Executive and Council	-	74,051,827
Finance and Administration	92,616,866	42,522,452
Community and Social Services	68,715,479	32,961,141
Technical Services	90,825,561	-
Water management	-	191,152,336
	252,157,906	**340,687,756**

Unauthorised expenditure: Capital budget overspending – per municipal department:

Finance and Administration	-	1,047,194
Community and Social Services	-	354,299
	-	**1,401,493**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

55. Fruitless and wasteful expenditure

	2025	2024
Opening balance as previously reported	35,753,200	67,425,682
Add: Fruitless and wasteful expenditure identified - current	69,672,746	20,983,064
Add: Fruitless and wasteful expenditure identified - prior period	-	-
Less: Amount recovered - current	-	-
Less: Amount recovered - prior period	-	-
Less: Amount written off - current	-	-
Less: Amount written off - prior period	-	(52,655,546)
Closing balance	**105,425,946**	**35,753,200**

Fruitless and wasteful expenditure incurred for the period 2016 - 2023 was investigated by the Municipal Public Accounts Committee of Phokwane Local Municipality duirng the current financial year. At a Council meeting on the 29th of August 2024 Council condoned this expenditure.

Expenditure identified in the current year include those listed below:

	Disciplinary steps taken/criminal proceedings	2025	2024
Interest on late payments	Management is initiating an investigation into the cause for fruitless and wasteful expenditure as disclosed and as required in the MFMA	69,672,746	20,983,064

56. Irregular expenditure

	2025	2024
Opening balance as previously reported	395,510,707	376,647,968
Add: Irregular expenditure - current	-	18,862,739
Closing balance	**395,510,707**	**395,510,707**

Notes to the Annual Financial Statements

Figures in Rand

56. Irregular expenditure (continued)

Incidents/cases identified/reported in the current year include those listed below:

	Disciplinary steps taken/criminal proceedings	2025	2024
Procurement in contravention of municipal Supply chain management regulation in terms MFMA	Management is initiating an investigation to cause for irregular expenditure in line with MFMA requirements.	-	18,862,739

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

57. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Opening balance	679,064	7,705
Current year subscription / fee	1,539,545	1,334,469
Amount paid - previous years	(300,000)	(663,110)
	1,918,609	**679,064**

Material losses

Electricity distribution losses (KWh)		
KWh purchased	45,628,515	43,244,242
KWh sold	(18,304,533)	(17,254,606)
KWh losses	**27,323,982**	**25,989,636**
% losses	60	60
Average cost per KWh unit	1.54	1.24
Loss in Rand value	**42,712,502**	**32,403,500**

Water distribution losses (Mega litres)		
Mega litres purchased	4,844,077	4,869,125
Mega litres sold	(616,619)	(1,604,381)
Mega litres losses	**4,227,458**	**3,264,744**
% losses	87	67
Average cost per unit	5.50	5.57
Loss in Rand value	**23,195,443**	**17,917,525**

Audit fees

Opening balance	6,327,174	772,851
Current year subscription / fee	6,077,997	6,979,259
Amount paid - current year	-	(652,085)
Amount paid - previous years	(3,200,000)	(772,851)
	9,205,171	**6,327,174**

PAYE and UIF

Opening balance	1,342,998	-
Current year subscription / fee	18,480,120	15,851,010
Amount paid - current year	(17,125,272)	(14,508,012)
Amount paid - previous years	(1,342,998)	-
	1,354,848	**1,342,998**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

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

Pension and Medical Aid Deductions

	2025	2024
Opening balance	2,284,839	-
Current year subscription / fee	28,914,624	27,687,951
Amount paid - current year	(26,478,211)	(25,403,112)
Amount paid - previous years	(2,284,839)	-
	2,436,413	**2,284,839**

VAT

	2025	2024
VAT receivable	34,572,296	60,463,560

VAT is payable on the payment basis. VAT is only paid to SARS once payment is received from debtors. No interest is payable to SARS if the VAT is paid timeously. Interest is charged on late payment as per SARS policies.

The municipality has financial risk policies in place to ensure that payments are effected before the due date.

Statutory Receivables arise from the following legislation:
Taxes - Value-added Tax Act (No. 89 of 1991)

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

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2025:

30 June 2025	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Councillor TB Afrika	1,658	5,975	7,633
Councillor W Harmse	13,963	197,610	211,573
Councillor VL Janki	3,662	45,621	49,283
Councillor MT van Wyk	8,397	209,256	217,653
Councillor RP Selogilwe	7,133	209,149	216,282
Councillor TE Baerts	9,685	-	9,685
Councillor NS Pitso	11,862	174,636	186,498
Councillor MM Setlhogomi	2,569	62,236	64,805
Councillor GG Halter	2,471	30,868	33,339
Councillor OS Tomudi	1,756	15,278	17,034
Councillor N Peters	3,076	82,192	85,268
Councillor SM Khosa	2,434	43,036	45,470
Councillor TK Mocumi	3,387	83,590	86,977
Councillor SM Mokgobo	5,412	164,757	170,169
Councillor MP Mohale	777	-	777
Councillor E Meyer	189	3,870	4,059
Councillor M Kaars	4,544	43,484	48,028
Councillor LA Le Roux	1,734	-	1,734
Councillor TG Diloke	1,217	298	1,515
	85,926	**1,371,856**	**1,457,782**

30 June 2024	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Councillor TB Afrika	1,408	16,744	18,152
Councillor W Harmse	5,337	138,510	143,847
Councillor E Davies	12,446	-	12,446
Councillor MT van Wyk	5,019	160,779	165,798
Councillor RP Selogilwe	4,897	169,365	174,262
Councillor MA van Wyk	4,750	62,462	67,212
Councillor NS Pitso	4,465	108,814	113,279
Councillor MM Setlhogomi	1,656	48,425	50,081
Councillor GG Halter	1,518	18,024	19,542
Councillor OS Tomudi	1,056	6,283	7,339
Councillor N Peters	2,039	65,520	67,559
Councillor SM Khosa	1,561	30,100	31,661
Councillor TK Mocumi	2,224	65,320	67,544
Councillor SM Mokgobo	3,656	135,253	138,909
Councillor MP Mohale	6,128	107,539	113,667
Councillor E Meyer	154	2,690	2,844
	58,314	**1,135,828**	**1,194,142**

During the year the following Councillors' had arrear accounts outstanding for more than 90 days.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

58. Deviation from supply chain management regulations

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 annual financial statements.

2025	Less than R 30 000	Between R 30 001 and R 100 000	Between R 100 001 and R 2 000 000	Total
Emergency	-	538,543	19,215,197	19,753,740
Sole provider	-	55,000	424,076	479,076
Other	-	374,845	5,639,884	6,014,729
	-	**968,388**	**25,279,157**	**26,247,545**

2024	Less than R 30 000	Between R 30 001 and R 100 000	Between R 100 001 and R 2 000 000	Total
Emergency	218,561	1,655,100	21,362,247	23,235,908
Sole provider	-	99,271	676,764	776,035
Other	40,924	416,153	1,131,461	1,588,538
	259,485	**2,170,524**	**23,170,472**	**25,600,481**

59. Compensation received for agency activities

Agent in arrangement

Phokwane Local Municipality is the Agent in the Principal-Agent arrangement with the Provincial Department of Transport, and collects licencing fees on behalf of the Provincial Department of Transport. The municipality can retain a portion of the fees collected and the net amount is due to the Provincial Department.

The municipality does not incur any expenses on behalf of the Provincial Department. No significant risks are noted to arise from the arrangement as the municipality merely collects monies on behalf of the department as part of its existing service offering at the traffic department and municipal cashier collection points. No resources are held on behalf of the Provincial Department (other than the receipts).

	2025	2024
Commission	388,951	374,105

Reconciliation of Agency Funds and Disbursements - 2025

Principal name	Total agency funds received	Amount remitted to the principal	Variance
Department of transport	3,045,150	(2,656,199)	388,951

The reason for the above variance is due to 12% commission witheld by the municipality.

Reconciliation of Agency Funds and Disbursements - 2024

Principal name	Total agency funds received	Amount remitted to the principal	Variance
Department of transport	4,151,873	(3,777,768)	374,105

The reason for the above variance is due to 12% commission witheld by the municipality

Notes to the Annual Financial Statements

60. Segment information

General information

Identification of segments

The municipality is organised and reports to management on the basis of three major functional areas: primary, secondary and tertiary educational 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.

Aggregated segments

The municipality operates throughout the Gauteng Province in ten cities. Segments were aggregated on the basis of services delivered as management considered that the economic characteristics of the segments throughout Gauteng were sufficiently similar to warrant aggregation.

Types of goods and/or services by segment

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

Reportable segment	**Goods and/or services**
Executive and Council	Governing the municipality
Finance and Administration	Providing support functions to the municipality
Community and Social Services	Providing other services to the community
Public Safety	Ensuring public safety and providing services such as traffic law enforcement.
Planning and Development	Town planning and administration
Road Transport	Economic development and protections services
Environmental Protection	Enviromental protecion services
Energy Sources	Providing basic services to the community such as water, electricity, sewerage and refuse.
Waste Management	Providing basic services to the community such as water, electricity, sewerage and refuse.
Waste Water Management	Providing basic services to the community such as water, electricity, sewerage and refuse.

Notes to the Annual Financial Statements

Figures in Rand

60. Segment information (continued)

Segment surplus or deficit, assets and liabilities

2025

	Executive and Council	Finance and Administration	Community and Social Services	Planning and Development	Public Safety	Environmental Protection	Road Transport	Energy Sources	Water, Waste & Waste water management	Total
Revenue										
Revenue from non-exchange transactions	-	63,687,709	144,290,811	-	300	-	15,148,118	6,700,775	34,609,938	264,437,651
Revenue from exchange transactions	-	2,906,309	-	-	2,480,925	58,675	-	123,963,557	143,160,771	272,570,237
Total segment revenue	**-**	**66,594,018**	**144,290,811**	**-**	**2,481,225**	**58,675**	**15,148,118**	**130,664,332**	**177,770,709**	**537,007,888**
Entity's revenue										**537,007,888**

Notes to the Annual Financial Statements

Figures in Rand

60. **Segment information (continued)**

	Executive and Council	Finance and Administration	Community and Social Services	Planning and Development	Public Safety	Environmental Protection	Road Transport	Energy Sources	Water, Waste & Waste water management	Total
Expenditure										
Remuneration of Councillors	8,168,401	-	-	-	-	-	-	-	-	8,168,401
Employee related costs	84,010,263	9,767,972	606,403	-	-	-	14,683,597	10,958,506	8,458,244	128,484,985
Bulk purchases	-	-	-	-	-	-	-	113,344,062	-	113,344,062
Debt impairment	-	53,466,488	-	-	-	-	-	23,045,284	151,212,743	227,724,515
Depreciation and amortisation	1,149,258	5,482,281	-	-	-	-	1,646,972	-	48,852,832	57,131,343
General expenses	13,881,529	18,517,127	85,603,390	143,916	-	-	4,997,333	1,056,798	56,245,232	180,445,325
Finance costs	-	75,506,867	-	-	-	-	-	-	-	75,506,867
Actuarial gains and losses	-	4,200,131	-	-	-	-	-	-	-	4,200,131
Impairment loss	-	-	-	-	-	-	-	-	10,163,422	10,163,422
Loss on disposal of assets	-	-	62,770	-	-	-	-	-	10,941,537	11,004,307
Fair value adjustments	(382,603)	-	-	-	-	-	-	-	-	(382,603)
Total segment expenditure	**106,826,848**	**166,940,866**	**86,272,563**	**143,916**	**-**	**-**	**21,327,902**	**148,404,650**	**285,874,010**	**815,790,755**
Total segmental surplus/(deficit)	**(106,826,848)**	**(100,346,848)**	**58,018,248**	**(143,916)**	**2,481,225**	**58,675**	**(6,179,784)**	**(17,740,318)**	**(108,103,301)**	**(278,782,867)**
Assets										
Segment assets	27,287,317	148,982,655	226,657,031	-	-	-	-	30,046,605	2,432,745,957	2,865,719,565
Total assets as per Statement of financial Position										**2,865,719,565**

Notes to the Annual Financial Statements

Figures in Rand

60. Segment information (continued)

	Executive and Council	Finance and Administration	Community and Social Services	Planning and Development	Public Safety	Environmental Protection	Road Transport	Energy Sources	Water, Waste & Waste water management	Total
Liabilities										
Segment liabilities	-	(725,007,348)	-	-	-	-	-	(376,276,661)	(23,128,139)	(1,124,412,148)
Total liabilities as per Statement of financial Position										**(1,124,412,148)**

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

2024

	Executive and Council	Finance and Administration	Community and Social Services	Planning and Development	Public Safety	Environmental Protection	Road Transport	Energy Sources	Water, Waste & Waste water management	Total
Revenue										
Revenue from non-exchange transactions	-	140,019,354	136,422,295	-	2,318	-	36,876,991	22,027,993	21,730,735	357,079,686
Revenue from exchange transactions	-	4,405,796	-	-	2,068,140	68,779	-	104,110,765	141,823,275	252,476,755
Total segment revenue	**-**	**144,425,150**	**136,422,295**	**-**	**2,070,458**	**68,779**	**36,876,991**	**126,138,758**	**163,554,010**	**609,556,441**
Municipality's revenue										**609,556,441**

Notes to the Annual Financial Statements

Figures in Rand

60. Segment information (continued)

Expenditure										
Remuneration of Council	8,188,288	-	-	-	-	-	-	-	-	8,188,288
Employee related costs	82,549,934	7,839,446	506,122	-	-	-	14,156,121	9,907,237	8,088,880	123,047,740
Bulk purchases	-	-	-	-	-	-	-	98,131,648	-	98,131,648
Debt impairment	-	-	-	-	-	-	-	-	128,188,333	128,188,333
Depreciation and amortisation	1,811,401	3,395,246	-	-	-	-	2,151,590	-	46,302,746	53,660,983
General expenses	14,622,111	22,457,360	95,208,628	543,513	-	-	3,793,070	818,586	64,212,950	201,656,218
Finance costs	-	73,505,118	-	-	-	-	-	-	-	73,505,118
Actuarial gains and losses	-	(1,810,029)	-	-	-	-	-	-	-	(1,810,029)
Impairment loss	-	2,628,875	-	-	-	-	-	-	1,564,491	4,193,366
Loss on disposal of assets	-	-	1,897,390	-	-	-	-	-	12,601,328	14,498,718
Fair value adjustments	(557,907)	-	-	-	-	-	-	-	-	(557,907)
Total segment expenditure	**106,613,827**	**108,016,016**	**97,612,140**	**543,513**	**-**	**-**	**20,100,781**	**108,857,471**	**260,958,728**	**702,702,476**
Total segmental surplus/(deficit)	**(106,613,827)**	**36,409,134**	**38,810,155**	**(543,513)**	**2,070,458**	**68,779**	**16,776,210**	**17,281,287**	**(97,404,718)**	**(93,146,035)**
Assets										
Segment assets	26,929,373	197,355,307	201,241,826	-	-	-	-	36,225,397	2,494,681,175	2,956,433,078
Total assets as per Statement of financial Position										**2,956,433,078**
Liabilities										
Segment liabilities	-	(660,219,702)	-	-	-	-	-	(248,749,762)	(26,777,819)	(935,747,283)

Notes to the Annual Financial Statements

Figures in Rand

	Executive and Council	Finance and Administration	Community and Social Services	Planning and Development	Public Safety	Environmental Protection	Road Transport	Energy Sources	Water, Waste & Waste water management	Total
60. Segment information (continued)										
Total liabilities as per Statement of financial Position										**(935,747,283)**

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

61. Accounting by principals and agents

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

Principal in other Principal-Agent Arrangements
Phokwane Local Municipality is the Principal in arrangement with EasyPay who sell prepaid electricity on their behalf. Easypay earn commissions on the value of each transaction.

Compensation paid for agency activities		
Commissions	1,056,798	818,585

Details of the arrangement are as follows:

Phokwane Local Municipality paid 2.5% (2024 - 2.5%) commission to EasyPay for acting as an agent on its behalf during the financial year.

Figures in Rand	2025	2024

62. Change in estimate

Property, plant, and equipment

Phokwane Local Municipality performed a condition assessment on all categories of property, plant, and equipment at year-end, which is one of the indicators used to determine the remaining useful life (RUL) of an asset .The useful lives of all asset classes were adjusted during the 2024/2025 financial year to more accurately reflect the period of economic benefits or service potential derived from these assets. Refer to notes 11 and 12. The effect of changing the remaining useful life of the assets is detailed below:

Change in estimate		
Intangible assets	1,222,244	-

Change in estimate		
Other PPE	(1,442,270)	1,808,195
Community assets	4,657	17,112
Infrastructure assets	1,237,787	(3,099,247)
Buildings	(303,820)	147,206
	(503,646)	**(1,126,734)**

63. Prior period errors

Restatement of comparative information

The municipality corrected the following prior period errors retrospectively and restated the comparative amounts in terms of GRAP 3 - Accounting policies, Changes in Estimates and Errors.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

63. Prior period errors (continued)

1.1 Prior period error - Misstatement of consumer deposits

During the period under review, it was found that certain ledger accounts were incorrectly classified in the final Annual Financial Statements for the year ended 30 June 2024. The comparative statements for the 2023/2024 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Statement of Financial Position	
Decrease in other receivables from exchange transactions	-258,984
Decrease in consumer deposits - housing rental	586,942
Increase in other receivables from non-exchange transactions - other sundry receivables	-327,958

1.2 Prior period error - Community asset register misstated due to omission / incorrect inclusion of certain assets

During the period under review, it was noted that the community asset register was misstated due to the incorrect capitalisation of an asset in the 2023 financial year. Furthermore, an asset with an incorrect RUL at 30 June 2024 was also noted. The comparative statements for the 2023/24 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Statement of Financial Position	
Decrease in community assets	-214,498
Decrease in accumulated surplus	241,062
Statement of Financial Performance	
Decrease in depreciation and amortisation	-25,606
Decrease in impairment	-958

1.3 Prior period error - Buildings register misstated due omission of certain assets

During the period under review, it was noted that the buildings asset register was misstated due to the incorrect capitalisation of an asset in the 2023 financial year. Furthermore, an asset with an incorrect RUL and assets that where erroneously impaired at 30 June 2024 were also noted . The comparative statements for the 2023/24 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Statement of Financial Position	
Decrease in property, plant, and equipment - buildings	-210,728
Decrease in accumulated surplus	241,062
Statement of Financial Performance	
Decrease in depreciation and amortisation	-16,290
Decrease in impairment	-14,044

1.4 Prior period error - Heritage assets register misstated due omission of certain assets

During the period under review, it was noted that the heritage asset register was misstated due to the omission of two Mayoral Chains at 30 June 2023. The comparative statements for the 2023/24 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Statement of Financial Position	
Increase in heritage assets - art collections, antiquities, and exhibits	139,489
Increase in accumulated surplus	-139,489

1.5 Prior period error - Infrastructure asset register misstated due to omission / incorrect inclusion of certain assets

During the period under review, it was noted that the infrastructure asset register was misstated due to the omission and incorrect inclusion of certain municipal and non-municipal assets at 30 June 2024. Furthermore, two completed projects that were incorrectly disclosed as capital work-in-progress at 30 June 2023, were retrospectively capitalised. The comparative statements for the 2023/24 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Figures in Rand	2025	2024

63. Prior period errors (continued)

Statement of Financial Position

	2025	2024
Increase in property, plant, and equipment - infrastructure assets		5,082,857
Decrease in accumulated surplus		193,313
Decrease in property, plant, and equipment - work-in-progress		-4,951,263

Statement of Financial Performance

	2025	2024
Decrease in depreciation and amortisation		-34,030
Decrease in impairment		-291,408
Increase in loss on disposal of assets and liabilities		531

1.6 Prior period error - Investment property register misstated due incorrect recognition of land which is not in the name of the muniicipality:

During the period under review, it was noted that the investment property register for the year ended 30 June 2024 was misstated due to the omission of land in the name of the municipality at 30 June 2024. The comparative statements for 2023/24 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Statement of Financial Position

	2025	2024
Increase in investment property		4,395,927
Increase in accumulated surplus		-4,267,890

Statement of Financial Performance

	2025	2024
Increase in fair value adjustments		-128,037

1.7 Prior period error - Land register misstated due to omission of certain assets

During the period under review, it was noted that the land asset register was misstated due to the omission of certain municipal at 30 June 2024. The comparative statements for the 2023/24 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Statement of Financial Position

	2025	2024
Increase in property, plant, and equipment - land		8,235
Increase in accumulated surplus		-8,235

1.8 Prior period error - Movable asset register misstated due to fully depreciated assets still in use

During the period under review, it was noted that the movable asset register was misstated due to the assets in use being fully depreciated at 30 June 2024. The comparative statements for the 2023/24 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Statement of Financial Position

	2025	2024
Increase in other property, plant, and equipment		222,430
Increase in accumulated surplus		-314,134

Statement of Financial Performance

	2025	2024
Increase in depreciation and amortisation		91,705

1.9 Prior period error - Intangible asset register misstated due to fully amortised assets still in use

During the period under review, it was noted that the intangible asset register was misstated due to fully amortised assets being in use at 30 June 2024. The comparative statements for the 2023/24 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Statement of Financial Position

	2025	2024
Increase in intangible assets		216,919
Increase in accumulated surplus		-400,276

Statement of Financial Performance

	2025	2024
Increase in depreciation and amortisation		183,357

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

63. Prior period errors (continued)

1.10 Prior period error - Understatement of land held as inventory
During the period under review it was noted that the land held as inventory register was misstated due to ommission of certain municipal owned land parcels 30 June 2024. The comparative statements for 2023/24 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Statement of Financial Position	
Increase in inventory - land held as inventory	1,556,746,096
Increase in accumulated surplus	-1,556,746,096

1.11 Prior period error - Prepaid sales vendor commission misstated
During the period under review it was noted that the prepaid sales vendor commission paid to EasyPay was not correctly accounted for in the general ledger at 30 June 2024. The comparative statements for 2023/24 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Statement of Financial Position	
Increase in statutory receivables from exchange transactions - VAT	122,788
Statement of Financial Performance	
Increase in service charges - prepaid electricity	-941,373
Increase in general expenses - commission paid	818,586

1.12 Prior period error - SALGA payable misstated
During the period under review it was noted that the SALGA payable was misstated at 30 June 2024. The comparative statements for 2023/24 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Statement of Financial Position	
Decrease in statutory receivables from exchange transactions - VAT	-172,985
Increase in payables from exchange transactions - Trade payables	-15,955
Decrease in accumulated surplus	7,705
Statement of Financial Performance	
Increase in general expenses - Subscriptions and membership	181,235

1.13 Prior period error - Misstatement of other receivables from non-exchange transactions
During the period under review it was noted that the Other receivables from non-exchange was misstated at 30 June 2024 due to closed accounts not being cleared and interest not being recorded. The comparative statements for 2023/24 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Statement of Financial Position	
Decrease in other receivables from non-exchange transactions	-629,840
Decrease in payables from exchange transactions	769,595
Increase in accumulated surplus	-64,182
Statement of Financial Performance	
Increase in revenue from exchange transactions - interest received (investments)	-75,573

1.14 Prior period error - Misstatement of payables from exchange transactions
During the period under review it was noted that payables from exchange was misstated at 30 June 2024 due to an ESKOM account being omitted from the reconciliation. The comparative statements for 2023/24 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Statement of Financial Position	
Increase in payables from exchange transactions	-161,703
Increase in statutory receivables from exchange transactions - VAT	7,437
Decrease in accumulated surplus	34,956

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

63. Prior period errors (continued)

Statement of Financial Performance		
Increase in bulk purchases		103,749
Increase in finance costs		15,562

64. Comparative figures

Certain comparative figures have been reclassified.

During the year under review it was noted that the prior year account balances were misstated due missmapping of various general ledger accounts. That error has since been rectified in the current year.

The effects of the reclassification are as follows:

	2024	Reclassification	2024
Other receivables from non-exchange transactions	29,317,775	6,993,591	22,324,184
Payables from exchange transactions - Unallocated deposits	26,502,573	(6,993,591)	19,508,982
Revenue from exchange transactions - Availability charges	32,843,332	(32,843,332)	-
Revenue from non-exchange transactions - Availability charges	-	32,843,332	32,843,332
	88,663,680	**-**	**74,676,498**