Mahikeng Local Municipality
Financial statements
for the year ended 30 June 2025

General Information

Legal form of entity	Mahikeng Local Municipality
	Municipal Finance Management Act No. 56 of 2003
Nature of business and principal activities	Provision of municipal services in terms of Chapter 7 of the Consitution of the Republic of South Africa Act No. 108 of 1996, Municipal System Act No. 32 of 2000
Mayoral committee	
Executive Mayor	T MPHEHLO
Speaker	OGB MATHE
Chief Whip	ME MOETI
MMC Finance	KC SECHOGO
MMC Infrastructure	GU LEGALATLADI
MMC Corporate Sevices	MD JABANYANE
MMC Planning and Development	DK MOLEMA
MMC Special Programmes	NG HLAZO
MMC Community Services	KI MBANA
MMC Socio Economic Development	LR MOTLHABANE
MMC Public Safety	JC DANIELS
MMC Stakeholder Relations	BC MATHE
MMC Monitoring and Evaluation	MP SENOKOANE
Councillors	GE MOSIEDI
	CL MAHLANGU
	TD FEMELE
	LG SEHOLE
	J MEKGWE
	KK KGWADI
	K GAOGANEDIWE
	C MATSHIDISO
	KKG NKO
	DM MOGAKWE
	LR MANGE
	NB MABOTE
	AL ANNANDALE
	KE GAEBEE
	OL MAGOGODI
	DM PHETHA
	ME MSIMANGA
	B MBIZA
	OC KGONARE
	I MALAKAJE
	MJ MORUBANE
	KD SEKETEMA
	KP MOTSUMI
	BS STORAIS
	M MOPAKO
	SK MATSHEKA
	PL PHANTSI
	KD SEGA
	PF NKO
	GD MARUPING

General Information

	KA MONCHUSI
	OE MPHEHLO
	PP MOLALE
	RG MOLOSIOA
	MA SETSHEDI
	LJ MOTJALE
	C MOHELEKETE
	LMO MOKGOSI
	ME KHATHAZO
	LA KGENGWE
	AE RAKWENA
	MD RAMATAE
	TC MAIBI
	PM SAUL
	NJ MANGAYI
	TC MATSHEKA
	MC SEGOE
	OE SELEKE
	WN BOHMER
	MJ NKOMO
	ME DINGILE
	T SELEPE
	T MOTSHABI
	NW MAPHAZI
	MD MOROE
	SJ VAN ROOYEN
	MD PHUTHEGO
Grading of local authority	CATEGORY B

General Information

Chief Finance Officer	IE KHESA - CA (SA), CIA, ACCA, MBA
Accounting Officer	ADV D I MONGWAKETSE
Registered office	Cnr University Drive & Hector Peterson Road Mmabatho 2735
Business address	Cnr University Drive & Hector Peterson Road Mmabatho 2735
Postal address	Private Bag X63 Mmabatho 2735
Bankers	Standard Bank of South Africa Business Centre, Nelson Mandela Drive, Mahikeng, 2745
Auditors	Auditor General of South Africa
Preparer	The financial statements were internally compiled by: Pule Letshaba - AGA (SA)

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

Abbreviations used:

AGSA	Auditor-General of South Africa
DBSA	Development Bank of South Africa
DORA	Division of Revenue Act
GRAP	Generally Recognised Accounting Practice
EPWP	Expanded Public Works Programme
FMG	Financial Management Grant
SALGA	South African Local Government Association
MFMA	Municipal Finance Management Act
mSCOA	Municipal Standard Chart of Accounts
SCM	Supply Chain Management
SDL	Skills Development Levy
UIF	Unemployment Insurance Fund
VAT	Value Added Tax
MIG	Municipal Infrastructure Grant
WIP	Work in Progress
PAYE	Pay As You Earn
EEDMS	Energy Efficiency and Demand Side Management Grant

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 financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the 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 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 financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

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

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the 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 and, in the light of this review and the current financial position, she is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The accounting officer certifies that the salaries, allowances, and benefits of councillors as disclosed in Note 27 of these financial statements are within the upper limits of the frame work envisaged in section 219 of the Consitution, read with the Remuneration of Public Office Bearers Act (Act 20 of 1998) and the Minister of Provincial and Local Government's determination in accordance with this Act..6.

The annual financial statements set out on page 7 to 14 have been prepared on the going concern basis, and were approved by the accounting officer on 31 August 2025 and were signed on its behalf by:

ADV D I MONGWAKETSE
Accounting Officer

Accounting Officer's Report

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

The financial statements set out on page 7 to 12, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2025 and were signed on its behalf by:

ADV D I MONGWAKETSE
Accounting Officer

Statement of Financial Position as at 30 June 2025

Figures in Rand	Note(s)	2025	2024 Restated*
Assets			
Non-Current Assets			
Investment property	3	440,822,100	314,546,000
Property, plant and equipment	4	1,925,980,331	1,878,529,123
Intangible assets	5	2,433,408	2,804,990
		2,369,235,839	**2,195,880,113**
Current Assets			
Prepayments	10	3,127,994	5,639,073
Inventories	11	5,816,772	8,992,816
Receivables from exchange transactions	13	19,918,668	12,941,152
Receivables from non-exchange transactions	14&45	29,009,899	17,700,341
Cash and cash equivalents	15	92,391,451	133,010,533
Inter-governmental receivables	44	21,296,259	14,905,618
		171,561,043	**193,189,533**
Total Assets		**2,540,796,882**	**2,389,069,646**
Liabilities			
Non-Current Liabilities			
Employee benefit obligation	9	68,116,000	138,008,000
Provisions	17	192,277,834	179,658,742
		260,393,834	**317,666,742**
Current Liabilities			
Payables from exchange transactions	6	334,474,480	289,563,045
VAT payable	7	12,617,884	47,179,439
Consumer deposits	8	15,247,753	14,535,388
Employee benefit obligation	9	71,337,000	64,537,000
Unspent conditional grants and receipts	16	22,305,911	34,441,058
		455,983,028	**450,255,930**
Total Liabilities		**716,376,862**	**767,922,672**
Net Assets		**1,824,420,020**	**1,621,146,974**
Accumulated surplus		1,824,420,020	1,621,146,974
Total Net Assets		**1,824,420,020**	**1,621,146,974**

* See Note 53

Statement of Financial Performance

Figures in Rand	Note(s)	2025	2024 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	20	255,691,039	240,338,323
Rental of facilities and equipment	21	10,278,734	9,316,799
Interest received		60,623,047	106,587,554
Licences and permits	47	4,216,126	4,222,015
Fees earned		4,649,134	4,373,637
Debt write-off		-	125,059,538
Other income		10,259,988	1,852,190
Interest received - investment	24	18,905,632	23,865,980
Total revenue from exchange transactions		**364,623,700**	**515,616,036**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	25	256,911,481	416,626,857
Interest on property rates	23	80,216,303	72,828,601
Transfer revenue			
Government grants & subsidies	27	483,457,348	483,458,305
Fines, Penalties and Forfeits	46	426,663	841,832
Total revenue from non-exchange transactions		**821,011,795**	**973,755,595**
Total revenue	19	**1,185,635,495**	**1,489,371,631**
Expenditure			
Employee related costs	28	(392,977,701)	(378,777,674)
Remuneration of councillors	29	(33,648,406)	(33,145,736)
Remuneration of ward committee members	48	(8,364,500)	(8,337,500)
Expanded Public Works Programme Stipend		(2,117,639)	(7,741,973)
Repairs and maintenance	4	(35,372,098)	(48,227,533)
Lease rentals on operating lease	22	(5,097,151)	(4,127,134)
Transfers and Subsidies	26	-	(100,000)
Depreciation and amortisation	30	(89,678,466)	(67,617,781)
Finance costs	31	(171,322)	(790,951)
Debt Impairment	33	-	(373,472,542)
Bad debts written off		(629,396,572)	-
Bulk purchases	35	(170,552,928)	(81,703,653)
Contracted services	36	(91,571,790)	(97,152,639)
General Expenses	34	(138,275,181)	(131,506,574)
Total expenditure		**(1,597,223,754)**	**(1,232,701,690)**
Operating (deficit) surplus	38	**(411,588,259)**	**256,669,941**
Gain (loss) on disposal of assets and liabilities		9,537	(23,419,370)
Fair value adjustments	39	126,276,100	73,902,000
Actuarial gains/losses	9	15,503,000	(4,759,000)
Reversal of Impairments - VBS Impairment		15,805,442	-
Reversal of Impairments		458,866,242	(2,924,945)
Inventories losses/write-downs		(1,599,018)	3,221,161
		614,861,303	**46,019,846**
Surplus for the year		**203,273,044**	**302,689,787**

* See Note 53

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus / deficit	Total net assets
Balance at 01 July 2023	**1,318,457,187**	**1,318,457,187**
Changes in net assets		
Surplus for the year	302,689,787	302,689,787
Total changes	302,689,787	302,689,787
Restated* Balance at 01 July 2024	**1,621,146,976**	**1,621,146,976**
Changes in net assets		
Surplus for the year	203,273,044	203,273,044
Total changes	203,273,044	203,273,044
Balance at 30 June 2025	**1,824,420,020**	**1,824,420,020**

Note(s)

* See Note 53

Cash Flow Statement

Figures in Rand	Note(s)	2025	2024 Restated*
Cash flows from operating activities			
Receipts			
Taxation and Levies		247,147,250	40,025,515
Cash received from customers		104,349,534	290,125,329
Grants		471,322,201	486,999,706
Interest income		18,905,632	23,865,980
Interest received from customers		140,161,429	179,416,155
		981,886,046	1,020,432,685
Payments			
Employee costs		(439,996,116)	(435,350,620)
Cash paid to Suppliers		(412,991,030)	(357,453,044)
Finance costs		(171,322)	(790,951)
Remuneration of Councillors and ward committee members		(42,012,906)	(41,483,236)
Other cash item		(6,390,641)	(1,293,817)
		(901,562,015)	(836,371,668)
Net cash flows from operating activities	37	**80,324,031**	**184,061,017**
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(136,718,575)	(168,163,775)
Purchase of other intangible assets	5	(29,980)	(395,917)
Proceeds from financial assets		15,805,442	-
Net cash flows from investing activities		**(120,943,113)**	**(168,559,692)**
Cash flows from financing activities			
Net increase/(decrease) in cash and cash equivalents		**(40,619,082)**	**15,501,323**
Cash and cash equivalents at the beginning of the year		133,010,533	117,509,210
Cash and cash equivalents at the end of the year	15	**92,391,451**	**133,010,533**

The accounting policies on pages 15 to 44 and the notes on pages 45 to 115 form an integral part of the financial statements.

* See Note 53

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	318,765,732	1,754,268	**320,520,000**	255,691,039	**(64,828,961)**	60
Rental of facilities and equipment	14,579,340	-	**14,579,340**	10,278,734	**(4,300,606)**	60
Interest income - debtors	97,695,756	(706,756)	**96,989,000**	60,623,047	**(36,365,953)**	60
Licences and permits	6,477,840	-	**6,477,840**	4,216,126	**(2,261,714)**	60
Fees earned	-	-	**-**	4,649,134	**4,649,134**	60
Other income	9,949,188	(900,000)	**9,049,188**	10,259,988	**1,210,800**	60
Interest received - investment	4,458,540	-	**4,458,540**	18,905,632	**14,447,092**	60
Total revenue from exchange transactions	**451,926,396**	**147,512**	**452,073,908**	**364,623,700**	**(87,450,208)**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	436,561,524	(100,000,000)	**336,561,524**	256,911,481	**(79,650,043)**	60
Interest on property rates	64,643,724	-	**64,643,724**	80,216,303	**15,572,579**	60
Transfer revenue						
Government grants & subsidies	521,302,608	1,200,000	**522,502,608**	483,457,348	**(39,045,260)**	60
Fines, Penalties and Forfeits	2,595,408	-	**2,595,408**	426,663	**(2,168,745)**	60
Total revenue from non-exchange transactions	**1,025,103,264**	**(98,800,000)**	**926,303,264**	**821,011,795**	**(105,291,469)**	
Total revenue	**1,477,029,660**	**(98,652,488)**	**1,378,377,172**	**1,185,635,495**	**(192,741,677)**	
Expenditure						
Personnel	(423,313,212)	(51,316,788)	**(474,630,000)**	(392,977,701)	**81,652,299**	60
Remuneration of councillors	(33,206,376)	-	**(33,206,376)**	(33,648,406)	**(442,030)**	60
Remuneration of ward committee members	-	-	**-**	(8,364,500)	**(8,364,500)**	60
Repairs and maintenance	-	-	**-**	(35,372,098)	**(35,372,098)**	60
Depreciation and amortisation	(71,315,776)	-	**(71,315,776)**	(89,678,466)	**(18,362,690)**	60
Expanded Public Works Programme Stipend	-	-	**-**	(2,117,639)	**(2,117,639)**	60
Finance costs	(450,000)	(250,000)	**(700,000)**	(171,322)	**528,678**	60
Lease rentals on operating lease	(4,275,000)	-	**(4,275,000)**	(5,097,151)	**(822,151)**	60
Debt Impairment	(275,714,388)	-	**(275,714,388)**	-	**275,714,388**	60
Bad debts written off	-	(690,870,080)	**(690,870,080)**	(629,396,572)	**61,473,508**	
Bulk purchases	(80,749,992)	59,249,992	**(21,500,000)**	(170,552,928)	**(149,052,928)**	60
Contracted Services	(84,221,036)	(117,512,964)	**(201,734,000)**	(91,571,790)	**110,162,210**	60
General Expenses	(193,039,008)	(76,410,432)	**(269,449,440)**	(138,275,181)	**131,174,259**	60
Total expenditure	**(1,166,284,788)**	**(877,110,272)**	**(2,043,395,060)**	**(1,597,223,754)**	**446,171,306**	
Operating deficit	**310,744,872**	**(975,762,760)**	**(665,017,888)**	**(411,588,259)**	**253,429,629**	
Gain on disposal of assets and liabilities	1,400,520	-	**1,400,520**	9,537	**(1,390,983)**	60
Fair value adjustments	-	-	**-**	126,276,100	**126,276,100**	60

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
Actuarial gains/losses	-	-	-	15,503,000	**15,503,000**	60
Reversal of Impairments - VBS Impairment	-	-	-	15,805,442	**15,805,442**	
Reversal of impairment	-	721,409,328	**721,409,328**	458,866,242	**(262,543,086)**	60
Inventories losses/write-downs	-	-	-	(1,599,018)	**(1,599,018)**	60
	1,400,520	**721,409,328**	**722,809,848**	**614,861,303**	**(107,948,545)**	
Surplus before taxation	**312,145,392**	**(254,353,432)**	**57,791,960**	**203,273,044**	**145,481,084**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**312,145,392**	**(254,353,432)**	**57,791,960**	**203,273,044**	**145,481,084**	

Refer to Note 58 for explanations on budget vs actuals variances.

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	15,376,855	(4,710,704)	**10,666,151**	5,816,772	**(4,849,379)**	60
Receivables from non-exchange transactions	804,545,574	(25,079,032)	**779,466,542**	29,009,899	**(750,456,643)**	60
VAT receivable	(50,234,117)	-	**(50,234,117)**	(12,617,884)	**37,616,233**	60
Prepayments	18,354,995	-	**18,354,995**	3,127,994	**(15,227,001)**	60
Consumer debtors	(669,475,932)	646,488,320	**(22,987,612)**	19,918,668	**42,906,280**	60
Inter-governmental receivables	13,711,801	-	**13,711,801**	21,296,259	**7,584,458**	60
Insurance receivable	82,470	-	**82,470**	-	**(82,470)**	
Cash and cash equivalents	245,253,541	73,472,459	**318,726,000**	92,391,451	**(226,334,549)**	60
	377,615,187	**690,171,043**	**1,067,786,230**	**158,943,159**	**(908,843,071)**	
Non-Current Assets						
Investment property	240,644,000	-	**240,644,000**	440,822,100	**200,178,100**	60
Property, plant and equipment	1,894,627,886	27,064,114	**1,921,692,000**	1,925,980,331	**4,288,331**	60
Intangible assets	4,864,247	(14,000)	**4,850,247**	2,433,408	**(2,416,839)**	60
	2,140,136,133	**27,050,114**	**2,167,186,247**	**2,369,235,839**	**202,049,592**	
Total Assets	**2,517,751,320**	**717,221,157**	**3,234,972,477**	**2,528,178,998**	**(706,793,479)**	
Liabilities						
Current Liabilities						
Payables from exchange transactions	352,436,887	790,162,113	**1,142,599,000**	334,474,482	**(808,124,518)**	60
Consumer deposits	13,624,954	-	**13,624,954**	15,247,753	**1,622,799**	60
Employee benefit obligation	55,667,000	-	**55,667,000**	71,337,000	**15,670,000**	60
Unspent conditional grants and receipts	30,899,657	1,279,996	**32,179,653**	22,305,911	**(9,873,742)**	60
	452,628,498	**791,442,109**	**1,244,070,607**	**443,365,146**	**(800,705,461)**	
Non-Current Liabilities						
Employee benefit obligation	194,380,000	-	**194,380,000**	68,116,000	**(126,264,000)**	60
Provisions	174,145,264	(124,790,264)	**49,355,000**	192,277,834	**142,922,834**	60
	368,525,264	**(124,790,264)**	**243,735,000**	**260,393,834**	**16,658,834**	
Total Liabilities	**821,153,762**	**666,651,845**	**1,487,805,607**	**703,758,980**	**(784,046,627)**	
Net Assets	**1,696,597,558**	**50,569,312**	**1,747,166,870**	**1,824,420,018**	**77,253,148**	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	1,696,597,558	50,569,312	**1,747,166,870**	1,824,420,018	**77,253,148**	60

Refer to Note 60 for explanations on budget vs actuals variances.

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						
Sale of goods and services	556,172,000	-	**556,172,000**	494,169,290	**(62,002,710)**	60
Grants	521,302,000	-	**521,302,000**	471,322,201	**(49,979,799)**	60
Interest income	3,317,000	-	**3,317,000**	18,905,632	**15,588,632**	60
Other receipts	34,706,000	-	**34,706,000**	-	**(34,706,000)**	60
	1,115,497,000	**-**	**1,115,497,000**	**984,397,123**	**(131,099,877)**	
Payments						
Employee costs	(915,658,000)	-	**(915,658,000)**	(439,996,116)	**475,661,884**	60
Suppliers	-	-	**-**	(415,502,107)	**(415,502,107)**	
Finance costs	-	-	**-**	(171,322)	**(171,322)**	60
Remuneration of councillors	-	-	**-**	(42,012,906)	**(42,012,906)**	60
Other cash item	-	-	**-**	(6,390,641)	**(6,390,641)**	60
	(915,658,000)	**-**	**(915,658,000)**	**(904,073,092)**	**11,584,908**	
Net cash flows from operating activities	**199,839,000**	**-**	**199,839,000**	**80,324,031**	**(119,514,969)**	
Cash flows from investing activities						
Purchase of property, plant and equipment	(175,973,000)	131,198,000	**(44,775,000)**	(136,718,575)	**(91,943,575)**	60
Purchase of other intangible assets	-	-	**-**	(29,980)	**(29,980)**	60
Proceeds from sale of financial assets	-	-	**-**	15,805,442	**15,805,442**	
Net cash flows from investing activities	**(175,973,000)**	**131,198,000**	**(44,775,000)**	**(120,943,113)**	**(76,168,113)**	
Net increase/(decrease) in cash and cash equivalents	23,866,000	131,198,000	**155,064,000**	(40,619,082)	**(195,683,082)**	
Cash and cash equivalents at the beginning of the year	195,001,000	-	**195,001,000**	133,010,533	**(61,990,467)**	60
Cash and cash equivalents at the end of the year	**218,867,000**	**131,198,000**	**350,065,000**	**92,391,451**	**(257,673,549)**	

Refer to Note 60 for explanations on budget vs actuals variances.

1. Presentation of Financial Statements

The 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).

The municipality's principal accounting policies, which are in all material aspects consistent with those applied in the previous year, are set out below. The details of any changes in accounting policies are explained in the note thereto. The historical cost convention has been used, except where indicated otherwise. Management has used assessments and estimates in preparing the annual financial statements which are based on the best information at the time of prepartion.

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

1.1 Presentation currency

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

1.2 Going concern assumption

These 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.

1.3 Comparative figures

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed.

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

Refer to the prior period note:

1.4 Significant judgements and sources of estimation uncertainty

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

Allowance for slow moving, damaged and obsolete stock

An allowance/ provision to write stock down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the statement of financial performance.

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 assumptions may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

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

1.4 Significant judgements and sources of estimation uncertainty (continued)

Provisions

Provisions were raised and management determined an estimate based on the information available. Provisions are discounted when the time value of money is material. Additional disclosure of these estimates of provisions are included in the provision note to the financial statement.

Management's judgement is required when recognising and measuring provisions, contingent liabilities, contingent assets and
debt impairment.

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

Useful lives

The municipality's management annually determines the estimated useful lives and related depreciation charges for the infrastructure and other assets. This estimate is based on industry norms or technical advice. Management will amend the depreciation charge where there is a change in the estimated useful lives.

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.

Effective interest rate

The municipality used the most relevant contractual risk rate applicable where relevant to each category of assets and liabilities to discount future cash flows. Where none exists the prime interest rate is used to discount future cash flows.

Allowance for doubtful debts

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

The impairment for trade receivables is calculated based on an assessment of the extent to which trade receivables have defaulted on payments already due, and an assessment of their ability to make payments based on the history of payments made for municipal services over the last twelve months. This was performed per significant trade receivables first and then for all classes of trade receivables

1.4 Significant judgements and sources of estimation uncertainty (continued)

Impairment of statutory receivables

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

In estimating the future cash flows, the municipality considers both the amount and timing of the cash flows that it will receive in future. Consequently, where the effect of the time value of money is material, the municipality 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 are revised if there has been a change in the estimates used since the last impairment loss was recognised, or to reflect the effect of discounting the estimated cash flows.

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

Investment property is held at fair value.

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 whilst provisional amounts reflect the amounts determined using a reasonable basis such as the valuation roll.

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.

The fair value of investment property under construction is not determinable, it is measured at cost until the earlier of the date
it becomes determinable or construction is complete.

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.

1.6 Property, plant and equipment (continued)

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.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property,
plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

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

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses or fair value where assets have been acquired by grant or donation. Similarly, land is not depreciated as it is deemed to have an indifinite life.

Where items of Property, plant and equipment have been impaired, the carrying value is adjusted by the impairment loss,which is recognised as an expense in the Statement of Financial Performance in the period that the impairment is identified.

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

The municipality maintains and acquires assets to provide a social service to the community, with no intention of disposing of the assets for any economic gain, and thus no residual values are determined other than for motor vehicles.

The gain or loss arising from the disposal or retirement of an item of Property, plant and equipment is determined as the difference between the sales proceeds and the carrying value, and is recognised in the Statement of Financial Performance.

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

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

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

Item	Depreciation method	Average useful life
Buildings	Straight-line	5 - 100
Community facilities	Straight-line	5 - 100
Roads Network	Straight-line	5 - 100
Furniture and fixtures	Straight-line	7
Motor vehicles	Straight-line	7
Office equipment	Straight-line	7
IT equipment	Straight-line	5
Capital Assets	Straight-line	45
Electrical Network	Straight-line	45
Other assets	Straight-line	3 -20

1.6 Property, plant and equipment (continued)

Stormwater network	Straight-line	5 - 80

Property, plant and equipment are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment charged to the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

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

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 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 or disposal 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.

1.7 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.

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.

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

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

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

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.

1.7 Intangible assets (continued)

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
Licenses and franchises	Straight-line	1-10
Computer software	Straight-line	10

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).

The computer software is externally acquired and not internally generated.

1.8 Conditional grants

Revenue from conditional grants is recognised when it is probable that the economic benefits or service potential will flow to the municipality the amount of the revenue can be measured reliably and to the extent that there has been compliance with any restrictions associated with the grant.

Interest earned on investments is treated in accordance with grant conditions. If interest is payable to the grantor, it is recognised as a liability and if not, it is recognised as interest earned in the statement of financial performance.

Government grants are recognised as income over the periods necessary to match them with the related costs that they are intended to compensate.

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 nonexchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

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

1.9 Financial instruments

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

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

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

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

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

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

1.9 Financial instruments (continued)

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

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

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

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

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

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.

1.9 Financial instruments (continued)

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;
- 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.

1.9 Financial instruments (continued)

Classification

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

Class	Category
Cash and Cash Equivalents	Financial asset measured at cost
Receivables from non-exchange transactions	Financial asset measured at amortised cost
Receivables from exchange transactions	Financial asset measured at amortised cost
Inter-governmental receivables	Financial asset measured at cost

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

Class	Category
Payables from exchange transactions	Financial liability measured at amortised cost

Initial recognition

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

The entity recognizes financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

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

Subsequent measurement of financial assets and financial liabilities

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

Financial instruments at cost.

Financial instruments at amortized cost.

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

Impairment and un-collectability of financial assets

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

Financial assets measured at amortized cost:

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

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

1.9 Financial instruments (continued)

Derecognition

Financial assets

The entity derecognizes financial assets using trade date accounting.

The entity derecognizes a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;

- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or

- the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity:

  - derecognize the asset; and

  - recognize separately any rights and obligations created or retained in the transfer.

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

If the entity transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognize either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognized at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognized for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

If, as a result of a transfer, a financial asset is derecognized in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognize the new financial asset, financial liability or servicing liability at fair value.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognized in surplus or deficit.

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognized and the part that is derecognized, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognized. The difference between the carrying amount allocated to the part derecognized and the sum of the consideration received for the part derecognized is recognized in surplus or deficit.

If a transfer does not result in derecognition because the entity has retained substantially all the risks and rewards of ownership of the transferred asset, the entity continues to recognize the transferred asset in its entirety and recognize a financial liability for the consideration received. In subsequent periods, the entity recognizes any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

Financial liabilities

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

Accounting Policies

1.9 Financial instruments (continued)

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognized. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognized a new financial liability.

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

Then we add the following

Unallocated deposits at cost

Consumer deposits at cost

Unspent conditional grant at cost

Presentation

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

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

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

1.10 Prepayments

Recognition:

A prepayment is recognized as an asset when:

- It is probable that the future economic benefits or service potential associated with the payment will flow to the entity.

- The cost or value of the payment can be reliably measured.

Measurement:

On initial recognition, prepayments are measured at the amount paid.

Subsequent measurement depends on the consumption of the benefit:

- As the benefit is consumed, the asset is reduced, and the related expense is recognized in the statement of financial performance.

Disclosure:

The financial statements should disclose the nature and carrying amount of prepayments.

Significant prepayments should be explained in the notes, including the timing of benefits expected to be realized.

1.11 Leases

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

1.11 Leases (continued)

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

Finance leases - lessee

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

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

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

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

Operating leases - lessee

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

1.12 Inventories

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. Where inventories are acquired at no cost, or for nominal consideration, the cost is deemed to be the fair value as at date of acquisition. Cost is generally using the first-in-first-out principle except where stated otherwise.

Unsold properties are measured at the lower of cost and net realisable value. Cost is primarily determined by reference to the valuation roll values as at the date of initial recognition or total cost of servicing the land. Net realisable values are based on the latest valuation roll values less estimated cost to sell.

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

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

1.13 Cash and cash equivalents

Cash comprises cash on hand and demand deposits.

1.13 Cash and cash equivalents (continued)

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

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

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

1.14 Impairment of cash-generating assets

Cash-generating assets are assets managed with the objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented entity.

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 tax expense.

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.

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.

1.14 Impairment of cash-generating assets (continued)

Basis for estimates of future cash flows

In measuring value in use the municipality:

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

Composition of estimates of future cash flows

Estimates of future cash flows include:

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

Estimates of future cash flows exclude:

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

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

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.

1.14 Impairment of cash-generating assets (continued)

Cash-generating units

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

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

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

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

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

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

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

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

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

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

1.14 Impairment of cash-generating assets (continued)

Reversal of impairment loss

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

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

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

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

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

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

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

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

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

Redesignation

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

1.15 Impairment of non-cash-generating assets

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 cashgenerating 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.

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

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.

Reversal of an impairment loss

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

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

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

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

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

Redesignation

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

1.16 Employee benefits

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

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:
- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:
- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

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

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

1.16 Employee benefits (continued)

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

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

Short-term employee benefits

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

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

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

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

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

Post-employment benefits

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

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

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

1.16 Employee benefits (continued)

Post-employment benefits: Defined contribution plans

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

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

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

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

1.16 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1.16 Employee benefits (continued)

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

The entity recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:
- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

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

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

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

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

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

1.17 Provisions and contingencies

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

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

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

1.17 Provisions and contingencies (continued)

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. The unwinding of the disount is recognised as a finance cost.

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.

Provisions are not recognised for future operating surplus.

Contingent Assets

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

Contingent assets are not recognized in the financial statements, however they are disclosed when an inflow of economic benefits or service potential is probable**.**

Contingent liability

Contingent liability is a possible obligation arising from past events, whose existence will only be confirmed by future events beyond the entity's control; or

A present obligation arising from past events, but:

- It is not probable that an outflow of resources will be required to settle the obligation; or

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

Contingent liabilities are not recognized in the financial statements. Instead, they are disclosed in the notes, unless the possibility of an outflow of resources is remote.

Decommissioning, restoration and similar liability

Site Restoration

In accordance with applicable legal requirements, a provision for site restoration in respect of landfill sites is recognised when the land is contaminated. The related expense is capitalised against the cost of the landfill sites.

Restructuring

A provision for restructuring is recognised when the municipality has approved a detailed and formal restructuring plan and the restructuring either has commenced or has been announced as publicly.

Long Service Award

In terms of the Collective Bargaining Agreement, employees who achieve a certain predetermined milestone of service within the municipality are entitled to leave days or cash equivalent. A provision is made at the end of each balance sheet date based on the estimated number of employees who are likely to achieve the milestones in the future .The provision is discounted using a reasonable discounting rate.

Accounting Policies

1.18 Commitments

Capital commitments disclosed in the financial statements represents the balance committed to capital projects on reporting date that will be incurred in the period subsequent to the specific reporting date.

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. Capital commitments disclosed in the financial statements represents the balance committed to capital projects on reporting date that will be incurred in the period subsequent to the specific reporting date.

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.

1.19 Revenue from exchange transactions

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

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

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

Measurement

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

Sale of goods

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

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

1.19 Revenue from exchange transactions (continued)

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.

Service Charges

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

Service charges relating to refuse removal are recognised on a monthly basis by applying the approved tariff to each property receiving services. Tariffs are determined per category of property and are levied monthly based on the type of property not taking into consideration the number of refuse containers.

Service charges from sewerage and sanitation services are based on the type of service not taking into consideration the number of sewer connections on all developed property, using the tariffs approved by Council. Revenue is recognised on a monthly basis.

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 earned and rentals received

Interest income is recognised in surplus or deficit as it accrues, using the effective interest method. Interest earned on unutilised conditional grants is recognised as an unspent conditional grants liability if the grant conditions indicate that interest is payable to the grantor.

Rental income from operating leases is recognised on a straight line basis over the lease term.

Tariff charges

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

1.20 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.

1.20 Revenue from non-exchange transactions (continued)

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.

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.

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

Recognition

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

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

Measurement

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

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.

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.

1.21 Statutory receivables identification

Basis

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.

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

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

The transaction amount (for purposes of the Standard of GRAP on Statutory Receivables) 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:
(a) If the transaction is an exchange transaction, using the accounting policy on revenue from exchange transactions;
(b) If the transaction is a non-exchange transaction, using the accounting policy on revenue from non-exchange transactions (Taxes and transfers); or
(c) If the transaction is not within the scope of the accounting 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 municipality and the transaction amount can be measured reliably

Initial measurement

The Municipality initially measures statutory receivables at their transaction amount.

Subsequent measurement

The Municipality measures statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:
(a) Interest or other charges that may have accrued on the receivable (where applicable);
(b) Impairment losses; and
(c) Amounts derecognise

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 prime lending rates plus one percent per annual.

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

Other charges

Where the municipality is required or entitled to levy additional charges in terms of legislation, supporting regulations, by-laws or similar means on overdue or unpaid amounts, these charges are accounted for in terms of the municipality's accounting 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:
(a) Significant financial difficulty of the receivable, which may be evidenced by an

1.21 Statutory receivables identification (continued)

(b) Application for debt counselling, business rescue or an equivalent.
(c) It is probable that the receivable will enter sequestration, liquidation or other financial re-organisation.
(d) A breach of the terms of the transaction, such as default or delinquency in principal or interest payments (where levied).
(e) 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 through the use of an allowance account. The amount of the losses is recognised in surplus or deficit.

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

Any previously recognised impairment loss is adjusted 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:
(a) The rights to the cash flows from the receivable are settled, expire or are waived;
(b) The Municipality transfers to another party substantially all of the risks and rewards of ownership of the receivable; or
(c) 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 Municipality:
(a) Derecognises the receivable; and
(b) Recognises separately any rights and obligations created or retained in the transfer.

The carrying amounts of any statutory receivables transferred are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. The municipality 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.

1.22 Investment income

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

Finance income comprises interest income on funds invested, dividend income, gains on the disposal of financial assets and changes in the fair value of financial assets at fair value through profit or loss. Interest income is recognised as it accrues in surplus or deficit, using the effective interest method. Dividend income is recognised in surplus or deficit on the date that the municipality’s right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

Finance expenses comprise interest expense on borrowings, unwinding of the discount on provisions, changes in the fair value of financial assets through profit or loss and impairment losses recognised on financial assets.

Borrowing costs are recognised in surplus or deficit 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 Segment information

Segment information

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

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

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

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

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

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

1.26 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the statement of financial performance and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.27 Irregular expenditure

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

All the expenditure relating to irregular expenditure is recognised in the statement of financial performance in the period 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.

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

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

Where the irregularr expenditure was incurred in the prior financial periods and only condoned in the following financial period, the irregular expenditure register and the note to the financial statements must be updated with the amounts condoned.

Irregular expenditure that was incurred and identified during the current financial period and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If the 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 amoount from the concerned person. If recovery is not possible, the accounting officer or accounting authority may write off the irregular expenditure as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must be updated accordingly. If the irregular expenditure has not been condoned no person is liable in law, the expenditure related thereto must remain against the relevant programme/ expenditure line item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register 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 legislation. The iregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.28 Accumulated surplus

Accumulated surplus is a residual interest in the assets of an municipality after deducting all of its liabilities from the total municipal assets.

1.29 Tax

Value Added Tax (VAT)

The municipality accounts for VAT on the cash basis. The municipality is liable to account for VAT at the standard rate 15% (14% until 31 March 2018) in terms of section 7 (1) (a) of the VAT Act in respect of the supply of goods or services, except where the supplies are specifically zero-rated in terms of section 11, exempted in terms of section 12 of the VAT Act or are scoped out for VAT purposes. The municipality accounts for VAT on a monthly basis.

1.30 Budget information

The Municipality is 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..

Accounting Policies

1.30 Budget information (continued)

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

The 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.

Comparative information is not required.

1.31 Related parties

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the local sphere of government are considered to be related parties.

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

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

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

1.32 Events after reporting date

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

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

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

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

1.33 Consumer deposits

Consumer deposits are charged when new water and/or electricity accounts are opened except for owner occupied proportions. The amounts vary per type of consumer and are approved by Council as part of the tariff structure.

1.34 Other financial liabilities

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

Notes to the Financial Statements

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

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

GRAP 104 (as revised): Financial Instruments

The most significant changes to the Standard affect:
- Financial guarantee contracts issued
- Loan commitments issued
- Classification of financial assets
- Amortised cost of financial assets
- Impairment of financial assets
- Disclosures

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

2.2 Standards and interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the municipality’s accounting periods beginning on or after 01 July 2025 or later periods but are not relevant to its operations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 25 (as revised): Employee Benefits	01 April 2099	Unlikely there will be a material impact
• iGRAP 7 (as revised): Limit on defined benefit asset, minimum funding requirements and their interaction	01 April 2099	Unlikely there will be a material impact
• Guideline: Guideline on the Application of Materiality to Financial Statements	01 April 2099	Unlikely there will be a material impact

3. Investment property

	2025			2024		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	440,822,100	-	440,822,100	314,546,000	-	314,546,000

Reconciliation of investment property - 2025

	Opening balance	Fair value adjustments	Total
Investment property	314,546,000	126,276,100	440,822,100

Reconciliation of investment property - 2024

	Opening balance	Fair value adjustments	Total
Investment property	240,644,000	73,902,000	314,546,000

Pledged as security

The municipality has not pledged any Investment property as security as at 30 June 2025.

3. Investment property (continued)

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.

The Investment property is measured using the fair value model in accordance with GRAP 16.

The following valuation approaches are applied in combination depending on the category of investment property as follows:

1. Comparison sales/price method. Comparable valid sales in a specific area are used, subject property is compared to the sales and market valuations are derived. This is mostly used for residential properties.

2. Capitalization of income approach. A future income stream is capitalized to determine a value of property. This valuation method is mostly used for commercial properties.

3. Replacement cost minus depreciation valuation. Valuation method for specialized property where there is no comparable properties sales, no income stream, properties like schools, churches, etc.

There are no restrictions on the realizability of investment property or the remittance of revenue and proceeds of disposal and no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements for the financial year ended 30 June 2025.

Notes to the Financial Statements

Figures in Rand

4. 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	242,851,977	-	242,851,977	242,851,977	-	242,851,977
Buildings	194,360,000	(133,104,047)	61,255,953	183,996,249	(128,986,353)	55,009,896
Furniture and fixtures	15,997,801	(10,176,980)	5,820,821	15,254,425	(8,987,711)	6,266,714
Motor vehicles	104,824,411	(41,391,186)	63,433,225	98,802,026	(32,367,180)	66,434,846
Machiney and equipment	20,840,323	(5,783,886)	15,056,437	18,053,370	(2,771,394)	15,281,976
IT equipment	18,209,474	(11,561,613)	6,647,861	18,003,142	(8,630,494)	9,372,648
Community facilities	202,958,130	(120,123,878)	82,834,252	202,958,130	(115,760,532)	87,197,598
Other property, plant and equipment	6,310,986	(4,692,665)	1,618,321	6,310,986	(3,701,486)	2,609,500
Roads Network Infrastructure	2,484,151,986	(1,397,725,071)	1,086,426,915	2,430,926,678	(1,351,611,736)	1,079,314,942
Capital assets	2,809,006	(1,866,428)	942,578	2,809,006	(1,804,006)	1,005,000
Work-In-Progress	155,807,216	-	155,807,216	133,183,261	-	133,183,261
Electrical Network Infrastructure	198,497,789	(77,176,639)	121,321,150	165,890,929	(62,159,998)	103,730,931
Landfill site	25,306,592	-	25,306,592	25,306,592	-	25,306,592
Wastewater network	84,180,396	(27,523,363)	56,657,033	76,060,963	(25,097,721)	50,963,242
Total	**3,757,106,087**	**(1,831,125,756)**	**1,925,980,331**	**3,620,407,734**	**(1,741,878,611)**	**1,878,529,123**

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2025

	Opening balance	Additions	Disposals	Transfers	Other changes, movements	Depreciation	Impairment loss	Total
Landfill site	25,306,592	-	-	-	-	-	-	25,306,592
Land	242,851,977	-	-	-	-	-	-	242,851,977
Buildings	55,009,896	10,363,752	-	-	-	(4,117,695)	-	61,255,953
Community facilities	87,197,598	-	-	-	-	(4,363,346)	-	82,834,252
Roads Network Infrastructure	1,079,314,942	28,136,481	-	25,088,827	-	(46,113,335)	-	1,086,426,915
Wastewater network	50,963,242	8,119,434	-	-	-	(2,425,643)	-	56,657,033
Electrical Network Infrastructure	103,730,931	-	-	32,606,860	-	(15,016,641)	-	121,321,150
Capital assets	1,005,000	-	-	-	-	(62,422)	-	942,578
Work-In-Progress	133,183,261	80,319,642	-	(57,695,687)	-	-	-	155,807,216
Furniture and fixtures	6,266,714	743,376	-	-	-	(1,189,269)	-	5,820,821
Motor vehicles	66,434,846	6,022,385	-	-	-	(9,024,006)	-	63,433,225
IT equipment	9,372,648	594,761	(305,828)	-	2,178	(2,960,874)	(55,024)	6,647,861
Other property, plant and equipment	2,609,500	-	-	-	-	(991,179)	-	1,618,321
Machinery and equipment	15,281,976	2,786,953	-	-	-	(3,012,492)	-	15,056,437
	1,878,529,123	**137,086,784**	**(305,828)**	**-**	**2,178**	**(89,276,902)**	**(55,024)**	**1,925,980,331**

Notes to the Financial Statements

Figures in Rand

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2024

	Opening balance	Additions	Prior Year Corrections	Disposals	Transfers	Other changes, movements	Depreciation	Impairment loss	Total
Landfill site	25,306,592	-	-	-	-	-	-	-	25,306,592
Land	242,851,977	-	-	-	-	-	-	-	242,851,977
Buildings	54,016,078	3,456,431	-	-	989,146	-	(3,451,759)	-	55,009,896
Community facilities	90,135,040	1,031,636	-	-	351,800	-	(4,320,878)	-	87,197,598
Roads Network Infrastructure	1,006,092,663	-	-	-	114,217,419	-	(40,995,140)	-	1,079,314,942
Wastewater network	45,534,155	-	-	-	7,545,829	-	(2,116,742)	-	50,963,242
Electrical Network Infrastructure	107,481,892	-	-	-	-	-	(3,750,961)	-	103,730,931
Capital assets	1,067,423	-	-	-	-	-	(62,423)	-	1,005,000
Work-In-Progress	169,475,865	113,287,497	-	-	(123,104,194)	(23,550,962)	-	(2,924,945)	133,183,261
Furniture and fixtures	5,269,379	1,952,698	-	-	-	-	(955,363)	-	6,266,714
Motor vehicles	36,735,069	36,579,071	-	(563,740)	-	-	(6,315,554)	-	66,434,846
IT equipment	7,503,110	4,688,718	-	(46,784)	-	-	(2,417,133)	(355,263)	9,372,648
Other property, plant and equipment	3,011,113	526,734	-	-	-	-	(928,347)	-	2,609,500
Machinery and equipment	6,285,867	10,468,922	(59,000)	-	-	-	(1,413,813)	-	15,281,976
	1,800,766,223	**171,991,707**	**(59,000)**	**(610,524)**	**-**	**(23,550,962)**	**(66,728,113)**	**(3,280,208)**	**1,878,529,123**

Pledged as security

No assets have been pledged as security as at 30 June 2025 year end.

Notes to the Financial Statements

Figures in Rand

4. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2025

	Electrical Network	Roads Network	Storm Water Assets	Sports and Recreation Facilities	Included within Community	Included within Buildings	Total
Opening balance	32,014,061	25,511,400	-	70,410,415	1,672,823	3,574,563	133,183,262
Additions/ capital expenditure	592,800	69,122,890	7,447,055	-	-	3,156,899	80,319,644
Transferred to completed items	(32,606,861)	(25,088,829)	-	-	-	-	(57,695,690)
	-	**69,545,461**	**7,447,055**	**70,410,415**	**1,672,823**	**6,731,462**	**155,807,216**

4. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2024

	Electrical Network	Roads Network	Sanitation Network	Sports and Recreation Facilities	Included within Community	Included within Buildings	Total
Opening balance	27,736,628	65,849,658	23,550,962	50,662,338	1,372,294	346,987	169,518,867
Additions/ capital expenditure	4,277,433	84,364,194	-	19,748,077	681,069	4,216,722	113,287,495
Other movements	-	(2,924,945)	-	-	-	-	(2,924,945)
Transferred to completed items	-	(121,777,507)	(23,550,962)	-	(380,540)	(989,146)	(146,698,155)
	32,014,061	**25,511,400**	**-**	**70,410,415**	**1,672,823**	**3,574,563**	**133,183,262**

Slow moving projects:

MIG/NW/2627/R,ST/20/21 - Upgrading of road from Tloung Village to Bokone Village
Project value to date : R4 221 503
Reason : The main scope of work of 700m road was performed.
However, due to community strikes, there were defects on the project, thus increasing the snag lisT. Discussions with the contractor to repair damages caused by strikes took longer than expected. The snag list was only completed after the 2023/24 financial year end.

MIG/NW/2746/SP/19/20 - Construction of Tennis courts at Mmabatho stadium (3 years)- multiyear projects
Project value to date : R42 798 042
Reason : This is a multi-year project was initially for tennis courts only, but has been revised in the phase 2 & 3 to the other aspects of the stadium such as the netball courts and paving. There have also been internal.

MIG/NW/2745/CL/21/22 - Provision of high mast lights in all 35 wards
Project value to date : R32 014 060
Reason : The contractor was delayed by 2 factors:
Locations of some of the lights in some wards had to be changed due to inability for Eskom to connect
Eskom has limited technicians for new installations for high mast lights. Thus, the municipality is fully dependent on their schedule for all new installations.

Notes to the Financial Statements

Figures in Rand	2025	2024

4. Property, plant and equipment (continued)

Expenditure incurred to repair and maintain property, plant and equipment

Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance		
Maintenance of building and facilities	9,243,075	4,507,468
Maintenance of equipment	398,879	27,110
Maintenance of infrastructure	19,858,879	37,570,265
Maintenance of motor vehicles	4,730,007	4,838,456
Maintenance of community facilities	973,338	1,187,052
Maintenance of IT equipment	167,920	97,179
	35,372,098	**48,227,530**

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 Financial Statements

Figures in Rand	2025	2024

5. Intangible assets

	2025			2024		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	6,402,144	(3,968,736)	2,433,408	6,372,164	(3,567,174)	2,804,990

Reconciliation of intangible assets - 2025

	Opening balance	Additions	Amortisation	Total
Computer software	2,804,990	29,980	(401,562)	2,433,408

Reconciliation of intangible assets - 2024

	Opening balance	Additions	Amortisation	Total
Computer software	2,781,289	395,917	(372,216)	2,804,990

Other information

All computer software classified as intangible assets have useful lives of 10 years based on future expected usage. The armotisation for the year is included under depreciation and armotisation in the statement of financial performance. The entity does not have any internally generated intangible assets and no indications of impairment were identified during the financial year.

6. Payables from exchange transactions

	2025	2024
Trade payables	188,852,463	143,058,590
Accrued leave pay	37,934,275	35,749,729
Thirteenth cheque accrual	7,852,376	7,348,698
Retentions	15,009,543	15,070,940
Unallocated deposits	16,313,002	16,450,290
Advance receipts	68,512,821	71,884,798
	334,474,480	**289,563,045**

7. VAT payable

	2025	2024
VAT payable	12,617,884	47,179,439

8. Consumer deposits

	2025	2024
Other deposits	8,907,158	8,514,162
Water	6,340,595	6,021,226
	15,247,753	**14,535,388**

Figures in Rand	2025	2024

9. Employee benefit obligations

Defined benefit plan

Post retirement medical aid plan

The municipality provides certain post-retirement health care benefits by funding the medical aid contributions of qualifying retired members of the municipality. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service) is entitled to remain a continued member of such medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee. The municipality operates an unfunded defined benefit plan for these qualifying employees. No other post-retirement benefits are provided to these employees.

The most recent actuarial valuations of the present value of the defined benefit obligation were carried out at 30 June 2025 by S Basadien, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method

Pension benefits

The Mafikeng City Council Pension Fund (“the Fund”) is a defined benefit pension fund that commenced on 1 March 1983. It provides, amongst other benefits, a pension that is defined as a percentage of pensionable salary at the retirement date.

The most recent actuarial valuations of the present value of the defined benefit obligation were carried out at 30 June 2025 by S Basadien, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Method.

Long service awards

In-Service Members	653	663

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

Carrying value		
Present value of the defined benefit obligation of medical aid	(40,749,000)	(30,512,000)
Present value of the defined benefit obligation of pension fund - partly or wholly funded	(83,226,000)	(155,655,000)
Present value of defined obligation of long service awards	(15,478,000)	(16,378,000)
	(139,453,000)	**(202,545,000)**
Non-current liabilities	(68,116,000)	(138,008,000)
Current liabilities	(71,337,000)	(64,537,000)
	(139,453,000)	**(202,545,000)**

The members of the plans are made up as follows:

Medical aid fund		
Total active members	427	437
Continuation members	34	20
Long service benefit	-	-
In-service memebers	653	663
Pension fund		
Total active members	313	345
Total pensioners	12	15

Notes to the Financial Statements

Figures in Rand	2025	2024

9. Employee benefit obligations (continued)

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

Opening balance	696,151,000	677,302,000
Benefits paid	(33,697,000)	(58,467,000)
Interest cost	76,290,000	66,760,000
Current service cost	12,467,000	12,192,000
Acturial (gains) / losses	1,980,000	(10,475,000)
Member contributions	8,499,000	8,839,000
	761,690,000	**696,151,000**

Net expense recognised in the statement of financial performance

Current service cost	12,467,000	12,192,000
Benefit payments	(2,358,000)	(2,450,000)
Interest cost	19,103,000	16,325,000
Actuarial (gains) losses	15,503,000	(4,759,000)
Movement in contributions	(28,801,000)	(30,322,000)
	15,914,000	**(9,014,000)**

Changes in the fair value of plan assets are as follows:

Opening balance	493,606,000	427,256,000
Expected return	57,187,000	50,435,000
Actuarial gains (losses)	17,483,000	(15,229,000)
Contributions by employer	76,801,000	78,322,000
Contributions by plan participants	8,499,000	8,839,000
Benefits paid	(31,339,000)	(56,017,000)
	622,237,000	**493,606,000**

Figures in Rand	2025	2024

9. Employee benefit obligations (continued)

Key assumptions used

Assumptions used at reporting date:

Pension fund assumptions		
Discount rates used	12.00 %	11.00 %
Inflation rate	5.90 %	5.60 %
Pension increase allowance (Pensioners)	5.90 %	5.60 %
Post retirement discount rate (Pensioners)	6.10 %	5.10 %
Expected rate of return on plan assets	12.00 %	11.00 %
Medical aid inflation - in-service members	8.60 %	8.20 %
Medical aid inflation - Continuation members	6.10 %	7.20 %
Discount rate - In service members	12.90 %	12.50 %
Discount rate - Continuation members	10.40 %	11.00 %
Salary inflation	7.80 %	7.40 %
Retirement age	65	65
Proportion continuing membership at retirement	40.00 %	40.00 %
Proportion of retiring members who are married	90.00 %	90.00 %

The number of leave days payable for each milestone (number of years served) are detailed in the table below:

• After 10 years of service - 10 working days
• After 15 years of service - 20 working days
• After 20 years of service - 30 working days
• After 25 years of service - 30 working days
• After 30 years of service - 30 working days
• After 35 years of service - 30 working days
• After 40 years of service - 30 working days
• After 45 years of service - 30 working days

Historical analysis	**2025**	**2024**	**2023**	**2022**	**2021**
Defined Benefit Obligation	139,453,000	202,545,000	250,047,000	282,663,000	341,109,000

10. Prepayments

Nature		
Insurance	-	2,306,929
SALGA	3,127,994	3,332,144
	3,127,994	**5,639,073**

Notes to the Financial Statements

Figures in Rand	2025	2024

11. Inventories

Land	491,698	491,698
Consumable stores	6,924,092	5,279,957
	7,415,790	5,771,655
Inventories (write-downs)	(1,599,018)	3,221,161
	5,816,772	**8,992,816**

11.1 Inventory movement reconciliation

Opening balance	8,992,816	7,970,286
Purchases	37,267,482	39,351,962
Issues	(38,844,509)	(41,550,593)
Write (down)/ up	(1,599,018)	3,221,161
	5,816,771	**8,992,816**
Inventories recognised as an expense during the year	28,777,310	41,550,593

Inventory pledged as security

No inventory was pledged as security as at 30 June 2025.

12. VAT receivable

13. Receivables from exchange transactions

Gross balances		
Water	754,491,720	1,109,344,100
Sewerage	247,424,202	260,744,151
Refuse	220,745,814	257,122,521
Other	131,332,513	178,231,462
	1,353,994,249	**1,805,442,234**
Less: Allowance for impairment		
Water	(743,334,322)	(1,102,585,899)
Sewerage	(244,279,234)	(257,939,716)
Refuse	(217,478,704)	(254,878,857)
Other	(128,983,321)	(177,096,610)
	(1,334,075,581)	**(1,792,501,082)**
Net balance		
Water	11,157,398	6,758,201
Sewerage	3,144,968	2,804,435
Refuse	3,267,110	2,243,664
Other	2,349,192	1,134,852
	19,918,668	**12,941,152**
Water		
Current (0 -30 days)	336,446	132,514
31 - 60 days	233,269	104,709
61 - 90 days	769,065	112,030
91 - 120 days	245,644	102,816
121 - 365 days	9,572,974	6,306,132
	11,157,398	**6,758,201**

Figures in Rand	2025	2024

13. Receivables from exchange transactions (continued)

	2025	2024
Sewerage		
Current (0 -30 days)	124,682	63,379
31 - 60 days	50,876	49,235
61 - 90 days	107,275	48,778
91 - 120 days	54,247	46,250
121 - 365 days	2,807,888	2,596,793
	3,144,968	**2,804,435**
Refuse		
Current (0 -30 days)	138,134	44,764
31 - 60 days	59,529	40,087
61 - 90 days	160,730	40,573
91 - 120 days	62,583	38,479
121 - 365 days	2,846,134	2,079,761
	3,267,110	**2,243,664**
Other		
Current (0 -30 days)	23,440	8,282
31 - 60 days	3,995	1,537
61 - 90 days	64,697	2,176
91 - 120 days	6,209	1,009
121 - 365 days	2,250,851	1,121,848
	2,349,192	**1,134,852**

Figures in Rand	2025	2024

13. Receivables from exchange transactions (continued)

Summary of debtors by customer classification

Residential		
Current (0 -30 days)	25,462,678	23,562,439
31 - 60 days	17,824,917	20,414,624
61 - 90 days	68,128,347	22,770,205
91 - 120 days	18,479,616	21,136,945
121 - 365 days	693,914,643	1,237,718,956
	823,810,201	1,325,603,169
Less: Allowance for impairment	(814,533,133)	(1,324,413,450)
	9,277,068	**1,189,719**
Industrial/ commercial		
Current (0 -30 days)	10,629,033	6,487,485
31 - 60 days	3,493,662	4,475,351
61 - 90 days	3,836,692	4,098,608
91 - 120 days	4,196,611	3,873,130
121 - 365 days	226,754,116	189,942,719
	248,910,114	208,877,293
Less: Allowance for impairment	(244,390,730)	(204,028,244)
	4,519,384	**4,849,049**
National and provincial government		
Current (0 -30 days)	8,398,697	7,242,629
31 - 60 days	2,689,699	4,248,285
61 - 90 days	2,729,188	3,847,943
91 - 120 days	2,751,108	3,385,143
121 - 365 days	264,866,628	253,099,778
	281,435,320	271,823,778
Less: Allowance for impairment	(275,151,718)	(264,928,329)
	6,283,602	**6,895,449**
Total		
Current (0 -30 days)	44,490,408	37,292,554
31 - 60 days	24,008,278	29,138,261
61 - 90 days	74,694,227	30,716,756
91 - 120 days	25,427,335	28,395,218
121 - 365 days	1,185,374,001	1,680,761,453
	1,353,994,249	1,806,304,242
Less: Allowance for impairment	(1,334,075,581)	(1,793,363,090)
	19,918,668	**12,941,152**

Reconciliation of allowance for impairment

Balance at beginning of the year	(1,792,501,082)	(1,560,638,076)
Contributions to allowance	458,425,501	(231,863,006)
	(1,334,075,581)	**(1,792,501,082)**

Receivables from exchange transactions which are less than 1 months past due are not considered to be impaired. At 30 June 2025, R44 490 408 (2024: R37 292 554) were past due but not impaired.

Figures in Rand	2025	2024

14. Receivables from non-exchange transactions

Gross balances		
Property rates	1,132,057,657	1,121,534,433
Fines	3,874,134	4,206,464
	1,135,931,791	**1,125,740,897**
Less: Allowance for impairment		
Property rates	(1,103,428,948)	(1,104,043,252)
Fines	(3,492,944)	(3,997,304)
	(1,106,921,892)	**(1,108,040,556)**
Net balance		
Property rates	28,628,709	17,491,181
Fines	381,190	209,160
	29,009,899	**17,700,341**
Property Rates		
Current (0 -30 days)	13,728,781	397,638
31 - 60 days	1,895,181	321,095
61 - 90 days	8,074,889	307,800
91 - 120 days	822,695	300,732
121 - 365 days	4,107,163	14,288,855
	28,628,709	**15,616,120**
Fines		
Current (0 -30 days)	7,748	8,822
31 - 60 days	1,968	5,499
61 - 90 days	1,181	3,673
91 - 120 days	2,086	3,059
121 - 365 days	368,174	188,108
	381,157	**209,161**
Business & Commercial		
Current (0 -30 days)	13,985,781	8,325,807
31 - 60 days	4,242,562	5,236,149
61 - 90 days	4,270,213	4,967,657
91 - 120 days	4,030,855	4,757,861
121 - 365 days	195,238,798	174,702,239
Less: Allowance for impairment	(214,039,493)	(195,693,184)
	7,728,716	**2,296,529**
Residential		
Current (0 -30 days)	14,576,746	8,295,219
31 - 60 days	6,608,453	7,644,743
61 - 90 days	14,605,859	7,437,264
91 - 120 days	6,790,711	7,040,532
121 - 365 days	278,944,658	299,235,050
Less: Allowance for impairment	(308,230,557)	(328,362,913)
	13,295,870	**1,289,895**

Figures in Rand	2025	2024

14. Receivables from non-exchange transactions (continued)

National and provincial gorvenment		
Current (0 -30 days)	15,188,797	14,114,081
31 - 60 days	6,078,292	12,117,887
61 - 90 days	6,554,518	11,622,895
91 - 120 days	6,471,778	11,453,025
121 - 365 days	558,343,771	548,790,488
Less: Allowance for impairment	(584,651,842)	(585,859,520)
	7,985,314	**12,238,856**

Total		
Current (0 -30 days)	43,751,323	30,735,107
31 - 60 days	16,929,308	24,998,780
61 - 90 days	25,430,589	24,027,816
91 - 120 days	17,293,344	23,251,418
121 - 365 days	1,032,527,227	1,022,727,776
Less: Allowance for impairment	(1,106,921,892)	(1,108,040,556)
	29,009,899	**17,700,341**

The allowance for impairment relating to fines was derived after taking into account the recovery rate of fines for the current and past two year.

The average recovery rate for the 2025 period was estimated at 9.84%, the allowance being at 90.16%

Notes to the Financial Statements

Figures in Rand	2025	2024

14. Receivables from non-exchange transactions (continued)

Statutory receivables general information

Transaction(s) arising from statute

14. Receivables from non-exchange transactions (continued)

Statutory Receivables

Property rates and traffic fines disclosed under Receivables from non-exchanges transactions are Statutory Receivables in context of GRAP 108. 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. The transaction amount (for purposes of this Standard) for a statutory receivable means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means.

The Municipality has recognised property rates and traffic fines as statutory receivable using the Standard of GRAP 108 on Revenue from Non-exchange Transactions (Taxes and Transfers) as required by the paragraph .06 of the GRAP 23 on Statutory Receivables the transaction is a non-exchange transaction.

Property rates related transactions arise in terms of the Municpal Property Rates Act, 6 of 2004, Municipal Finance Management Act, 56 of 2003, as well as the Property Rates Policy of the Municipality approved by Council.

Traffic fines arise from the National Road Traffic Act 93 of 1996, National Road Traffic Regulations 2000, National

Land Transport Act 5 of 2009 and Criminal Procedure Act 51 of 1971. Prosecutor performs prosecutorial functions in terms of a general delegation awarded by the National Prosecuting Authority and is subject to the control of the Magistrate's Court in the City of Mahikeng. Subsequent measurement of traffic fines is primarily through guidance provided by National Legislation.

Property rates accrue interest at a rate approved annually by the Municipal Council through the budget process. The prevailing interest rate charged by the Municipality is incorporated within the Municipal Tariff Schedule gazette.

For significant impairment losses recognised the Municipality is required by GRAP 10 paragraph 8 to disclose the main events and circumstances that led to the recognition of impairment losses. The Municipality’s statutory receivables from receivables from non-exchange transactions property rates constitutes a signification proportion of the impairment loss allocation. As at 30 June 2025 more than 75% of Receivables from non-exchange transactions – Property rates were being owed for over a year which means they were on 2023/06+ (Over 1 Year) on the age analysis. This was identified as one of the indicators of the poor performance of the debtors’ book as payment profiles of consumers deteriorated through increasing defaults.

The Municipality considered the payment profile of consumers with reference to latest payment date as one of the key indicators and assumptions used to assess and calculate whether statutory receivables were impaired during the reporting period. The following were also taken into account:

- Nature of the consumer with regards to whether accounts were active or inactive
- For residential properties whether accounts were designated indigent or not
- Categorisation of non-indigent households, businesses, and government

The Municipality held no collateral, which may include financial assets, non-financial assets and other forms of collateral such as guarantees or encumbrances over Statutory Receivables from non-exchange transactions.

The allowance for impairment relating to fines was derived after considering the recovery rate of fines for the current and past two year. The average recovery rate for the 2025 period was estimated at 9.84%, the allowance being at 90.16%.

Receivables from non-exchange transactions constituting statutory receivables that are past due at the reporting, and which have been impaired are those excluding those noted below as past due but not impaired.

Reason for the material increase on the statutory receivables (receivables from non-exchange transactions) is as a result of the application of GRAP 108 which requires the identification of individually significant debtors and assessing impairment based on the individual debtor’s expected cashflow. As a result of assessing impairment based on the individual debtor’s expected cashflow which mainly related to government accounts, the impairment was less than the previous period resulting in a much higher carrying amount.

Receivables from non-exchange transactions past due but not impaired

Notes to the Financial Statements

Figures in Rand	2025	2024

14. Receivables from non-exchange transactions (continued)

Receivables from non-exchange transactions which are less than 30 days past due are not considered to be impaired. At 30 June 2025: R43 751 323 (30 June 2024: R30 735 107) were past due but not impaired.

15. Cash and cash equivalents

Cash and cash equivalents consist of:

	2025	2024
Cash on hand	17	17
Bank balances	5,889,989	4,222,573
Short-term deposits	86,501,445	128,787,943
	92,391,451	**133,010,533**

15. 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
Standard Bank - Current Account - Account number 30852595	5,889,969	4,246,815	1,007,686	5,889,969	4,222,573	9,753,373
Standard Bank - Call Account - 238650863/025	1,311	1,311	1,311	1,311	1,311	1,311
Standard Bank - Call Account - 238650863/036	4,754,046	9,803,673	17,545,814	4,754,046	9,803,673	17,545,814
Standard Bank - Call Account - 238650863/037	6,669,010	7,614,237	8,701	6,669,010	7,614,237	8,701
Standard Bank - Call Account - 238650863/038	7,238,141	13,539,456	135	7,238,141	13,539,456	135
Standard Bank - Call Account - 238650863/039	2,007,247	1,457,489	11,626,664	2,007,247	1,457,489	11,626,665
Standard Bank - Call Account - 238650863/040	34,488,933	33,712,319	59,346,397	34,488,933	33,712,319	59,346,397
Standard Bank - Call Account - 238650863/073	30,207,065	-	-	30,207,065	-	-
Nedbank - Call Account - 03/7881120835/000001	185,173	172,851	158,613	186,230	172,851	159,650
ABSA - 90-6461-7006	47,401	45,134	42,803	47,401	45,134	42,803
ABSA - 20-4915-1018	-	81,869	76,370	-	81,869	76,133
ABSA - 20-5333-3573	13,969	12,723	11,852	13,969	12,723	11,852
ABSA - 20-5333-4163	13,969	12,723	11,852	13,969	12,723	11,852
ABSA - 20-5324-6724	72,870	66,439	61,861	72,870	66,439	61,861
ABSA - 20-5622-0905	17,655	16,196	14,907	17,655	16,196	14,907
ABSA - 20-8001-7453	-	5,982	5,580	-	5,982	5,580
ABSA - 20-8150-7370	-	61,466,958	-	-	61,466,959	-
First National Bank 710390511164	120,742	120,742	120,742	120,742	120,742	120,742
ABSA account	-	-	-	662,851	662,851	662,851
Total	**91,727,501**	**132,376,917**	**90,041,288**	**92,391,409**	**133,015,527**	**99,450,627**

An amount of R662 851 in the cash book relates to a legacy investment account from 2018 due to the migration of the system from Venus to Munsoft. The muncipality is currently engaging Council on the possiblt write-off of the amount..

The short term investment with VBS Mutual Bank of R83 440 312.06 had been impaired due to recoverability of the amount being put in doubt. The bank has been put under curatorship and the deposits by municipalities held by the bank were not honoured as only natural people were to receive their deposits.

During the 2021-22 financial years the curators refunded R5 948 284.51 of the amount invested to the municipality. The short-term investment as adjusted for this refund is now R77 492 027.50. The uncertainty relating to the recoverability of the balance of the deposit remains. The municipality therefore reduced the impairment and investment of the VBS bank deposit by R5 948 284.51 to R77 492 027.50.

An additional amount of R15 805 441.70 has subsequently been received in 2024/25 financial year. Impairment reversal of same amount was processed.

VBS reconciliation	Amount as per bank statement - 30 June 2018	Amount recovered	Amount impaired	Total
VBS Mutual Bank	83,440,312	(21,753,727)	(61,686,585)	-

Notes to the Financial Statements

Figures in Rand	2025	2024

16. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Sector Education and Training Authority	1,606,615	787,539
Financial Management Grant	1,151,725	-
Energy Efficiency and Demand Side Management Grant	1,822,824	1,539,805
Infrastructure Skills Development Grant	49,843	-
Water Indigent Support - NMDM	17,674,904	17,731,714
Municipal Disaster Recovery Grant	-	14,382,000
	22,305,911	**34,441,058**

Movement during the year

Balance at the beginning of the year	34,441,058	30,899,657
Additions during the year	92,073,201	129,358,707
Income recognition during the year	(104,208,348)	(125,817,306)
	22,305,911	**34,441,058**

The nature and extent of government grants recognised in the 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.

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

Notes to the Financial Statements

Figures in Rand	2025	2024

17. Provisions

Reconciliation of provisions - 2025

	Opening Balance	Additions	Total
Environmental rehabilitation - Landfill site	179,658,742	12,619,092	192,277,834

Reconciliation of provisions - 2024

	Opening Balance	Additions	Total
Environmental rehabilitation - Landfill site	174,145,264	5,513,478	179,658,742

Environmental rehabilitation - Landfill Site

The provision was raised in order to determine the closure and rehabilitation costs for the waste disposal site in accordance with the Minimum Requirements (Second Edition, 1998) from the Department of Water Affairs and Forestry (DWAF).

The following assumptions were made to provide an estimation of the rehabilitation site:

- Minimal shaping of the existing waste body.

- The rate for the 300mm confining layer and 100mm topsoil layer is based on the assumption that all the material can be sourced free of charge on-site sources.

- The rate for the 100mm levelling layer is based on the assumption that all the material can be sourced from commercial sources.

- It is assumed that the footprint that requires rehabilitation as described and indicated above is correct as verified by the local authority.

- It was assumed that insufficient volumes of the required quality clayey material would be available for the capping layers. As a result, it was replaced with Geosynthetic Clay Liner in the estimate.

- It was assumed that insufficient gas will be generated to warrant the installation of a gas management system and the cost thereof is not included in this estimate.

- Escalation for post-closure cost used: 4.85%, which is the average CPI May to May (latest available rates at report date) over the past 10 years.

- Discount rates for post-closure costs based on Government Bond Yield Rates as at 30 June 2025:
  (Refer https://za.investing.com/rates-bonds/south-africa-government-bonds for rates)

20 years - 11.160%
25 years - 11.145%
30 years - 11.045%

The report was compiled by Mamadi & Company SA specialists consulting engineers. The consultants have qualifications in engineering and are members of Engineering Council of South Africa.

The monitoring cost for 2025 are as presented on the table below;

17. Provisions (continued)

SIte	Year of closure as per report	2025 cost for water and gas monitoring	2025 cost for water monitoring	Total post-closure discounted costs
Mafikeng	2046	41,874	37,041	155,614

Calculations for the Post-Closure Discounted Costs are shown below;

Monitoring	Escalated monitoring costs (Gas included for only 2 years after closure)	Years until	Current value
2047	118,700	22	11,590
2048	124,457	23	10,940
2049	115,431	24	9,134
2050	121,029	25	8,623
2051	126,899	26	8,172
2052	133,054	27	7,749
2053	139,507	28	7,349
2054	146,273	29	6,973
2055	153,367	30	6,619
2056	160,806	31	6,249
2057	168,605	32	5,901
2058	176,782	33	5,571
2059	185,356	34	5,261
2060	194,346	35	4,967
2061	203,772	36	4,690
2062	213,655	37	4,428
2063	224,017	38	4,181
2064	234,882	39	3,948
2065	246,273	40	3,728
2066	258,218	41	3,520
2067	270,741	42	3,324
2068	283,872	43	3,138
2069	297,640	44	2,963
2070	312,075	45	2,798
2071	327,211	46	2,642
2072	343,081	47	2,494
2073	359,720	48	2,355
2074	377,167	49	2,224
2075	395,459	50	2,100
2076	414,639	51	1,983
	6,827,034	**-**	**155,614**

Notes to the Financial Statements

Figures in Rand	2025	2024

18. Other liability 2

19. Revenue

Service charges	255,691,039	240,338,323
Rental of facilities and equipment	10,278,734	9,316,799
Interest received (trading)	60,623,047	106,587,554
Licences and permits	4,216,126	4,222,015
Fees earned	4,649,134	4,373,637
Discount received	-	125,059,538
Other income	10,259,988	1,852,190
Interest received - investment	18,905,632	23,865,980
Property rates	256,911,481	416,626,857
Interest - property rates	80,216,303	72,828,601
Government grants & subsidies	483,457,348	483,458,305
Fines, Penalties and Forfeits	426,663	841,832
	1,185,635,495	**1,489,371,631**

The amount included in revenue arising from exchanges of goods or services are as follows:

Service charges	255,691,039	240,338,323
Rental of facilities and equipment	10,278,734	9,316,799
Interest received (trading)	60,623,047	106,587,554
Licences and permits	4,216,126	4,222,015
Fees earned	4,649,134	4,373,637
Discount received	-	125,059,538
Other income	10,259,988	1,852,190
Interest received - investment	18,905,632	23,865,980
	364,623,700	**515,616,036**

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

Taxation revenue		
Property rates	256,911,481	416,626,857
Interest - property rates	80,216,303	72,828,601
Transfer revenue		
Government grants & subsidies	483,457,348	483,458,305
Fines, Penalties and Forfeits	426,663	841,832
	821,011,795	**973,755,595**

20. Service charges

Sale of water	157,497,172	139,511,905
Sewerage and sanitation charges	52,493,683	53,078,615
Refuse removal	45,700,184	47,747,803
	255,691,039	**240,338,323**

21. Rental of facilities and equipment

Premises		
Facilities and equipment	10,278,734	9,316,799

Notes to the Financial Statements

Figures in Rand	2025	2024

22. Lease rentals on operating lease

Lease rentals on operating lease - Other		
Contractual amounts	5,097,151	4,127,134

23. Interest, dividends and Rent on Land

Interest - property rates	80,216,303	72,828,601

24. Investment revenue

Interest revenue		
Interest earned (bank and investments)	18,905,632	23,865,980

25. Property rates

Rates received

Residential, Business and Government	256,911,481	416,626,857

All tariffs applied by the Municipality have been approved by the Council for implementation in the 2024-25 Medium-Term Revenue and Expenditure Framework (MTREF). Rates tariffs are exclusive of value-added tax (VAT) as they are an exempt supply.

Valuations on land and buildings are performed every four years, with the last general valuation having taken effect on 1 July 2025. Interim valuations are processed annually to account for changes in individual property values resulting from alterations and subdivisions.

Property valuation adjustments, including supplementary valuations, objection valuations, and Valuation Appeal Board decisions, are processed on a continuous basis. Municipal rates are levied monthly in accordance with the provisions of the rates policy, which provides for rebates and exemptions.

The valuation roll was prepared by a registered valuer, Hendrik Coenraad Botha, who, in their capacity as municipal valuer, has complied with Sections 43 and 44 of the Local Government: Municipal Property Rates Act, 2004.

26. Transfer and subsidies

Other subsidies		
Donations made to SPCA	-	100,000

Figures in Rand	2025	2024

27. Government grants & subsidies

Operating grants		
Equitable share	379,249,000	357,641,000
Expanded Public Works Programme Grant (EPWP)	1,550,000	2,943,999
Energy Efficiency and Demand Side Management Grant (EEDMG)	4,716,981	2,752,195
SETA	1,680,375	2,517,111
Library Grant (LG)	1,855,000	1,775,000
Infrastructure Skills Development Grant	1,950,157	-
Finance Management Grant (FMG)	1,848,275	3,299,197
	392,849,788	**370,928,502**
Capital grants		
Municipal Infrastructure Grant (MIG)	71,906,000	97,099,001
Neighbourhood Development Partnership Grant	1,200,000	-
Municipal Disaster Relief Grant	9,776,000	-
NMMDM Grant	7,725,560	12,677,418
COGTA - Bray Road Assistance	-	2,753,384
	90,607,560	**112,529,803**
	483,457,348	**483,458,305**

Conditional Grants

Opening balance	34,441,058	3,541,401
Current-year receipts	92,073,201	163,772,381
Conditions met - transferred to revenue	(104,208,348)	(132,872,724)
	22,305,911	**34,441,058**

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members and for the running of the municipality's operations.

Sector Education and Training Authority

Balance unspent at beginning of year	787,539	291,326
Current-year receipts	2,499,451	3,012,324
Conditions met - transferred to revenue	(1,680,375)	(2,516,111)
	1,606,615	**787,539**

The grant is meant to assist the municipality in the improvement of system related transactions.

Conditions still to be met - remain liabilities (see note 15).

Figures in Rand	2025	2024

27. Government grants & subsidies (continued)

Municipal Infrastructure Grant

Current-year receipts	71,906,000	97,099,000
Conditions met - transferred to revenue	(71,906,000)	(97,099,000)
	-	-

The grant was used to fund infrastructure related projects (mainly as part of the service delivery). Capitalised projects funded by this grant are included in property, plant and equipment whilst the unspent portion of the grant is included in current liabilities.

Conditions still to be met - remain liabilities (see note 15).

Expanded Public Works Program (EPWP)

Current-year receipts	1,550,000	2,944,000
Conditions met - transferred to revenue	(1,550,000)	(2,944,000)
	-	-

The grant is used to incentivise municipalities to expand work creation efforts through the use of labour intensive delivery methods in the following identified focus areas, in compliance with the Expanded Public Works Programme guidelines:

- Road maintenance and the maintenance of buildings;
- Low traffic volume roads and rural roads;
- Basic services infrastructure, including water and sewer reticulation,sanitation, pipelines (excluding bulk infrastructure);
- Other economic and social infrastructure; tourism and cultural industries; waste management; parks and beautification;
- Sustainable land-based livelihoods; social services programmes;
- Health service programmes; and community safety programmes.

Conditions still to be met - remain liabilities (see note 15).

Financial Management Grant

Balance unspent at beginning of year	-	199,198
Current-year receipts	3,000,000	3,100,000
Conditions met - transferred to revenue	(1,848,275)	(3,299,198)
	1,151,725	-

The grant is mainly used for promoting and supporting reforms in financial management by building capacity in the municipality to implement the Municipal Finance Management Act and progressive financial reporting.

Conditions still to be met - remain liabilities (see note 15).

Library Grant

Current-year receipts	1,855,000	1,775,000
Conditions met - transferred to revenue	(1,855,000)	(1,775,000)
	-	-

The grant is used to transform urban and rural community library infrastructure, facilities and services (primarily targeting previously disadvantaged communities).

Conditions still to be met - remain liabilities (see note 15).

Figures in Rand	2025	2024

27. Government grants & subsidies (continued)

Energy Efficiency and Demand Side Management Grant

Balance unspent at beginning of year	1,539,805	-
Current-year receipts	5,000,000	4,292,000
Conditions met - transferred to revenue	(4,716,981)	(2,752,195)
	1,822,824	**1,539,805**

To provide subsidies to municipalities to implement energy efficiency and demand-side management initiatives within municipal infrastructure in order to reduce electricity consumption and improve energy efficiency.

Conditions still to be met - remain liabilities (see note 15).

Infrastructure Skills Development Grant

Current-year receipts	2,000,000	-
Conditions met - transferred to revenue	(1,950,157)	-
	49,843	**-**

To improve infrastructure delivery management capacity within municipalities by developing a long-term and sustainable pool of registered professionals with built environment and related technical skills in engineering, town and regional planning, quantity surveying, geographic information systems and project management.

Conditions still to be met - remain liabilities (see note 15).

NMDM - Water Laboratory Grant

Balance unspent at beginning of year	17,731,714	30,409,133
Current-year receipts	7,668,750	-
Conditions met - transferred to revenue	(7,725,560)	(12,677,419)
	17,674,904	**17,731,714**

To build a water laboratory on behalf of NMMDM as the custodian of water services.

Conditions still to be met - remain liabilities (see note 16).

Municipal Disaster Recovery Grant

Balance unspent at beginning of year	14,382,000	14,382,000
Conditions met - transferred to revenue	(9,776,000)	-
Transfers to Equitable share	(4,606,000)	-
	-	**14,382,000**

To rehabilitate and reconstruct municipal infrastructure damaged by a disaster.

Conditions still to be met - remain liabilities (see note 16).

Neighbourhood Development Partnership Grant

Current-year receipts	1,200,000	-
Conditions met - transferred to revenue	(1,200,000)	-
	-	**-**

27. Government grants & subsidies (continued)

To plan, catalyse, and invest in targeted locations in order to attract and sustain third party capital investments aimed at spatial transformation, that will improve the quality of life, and access to opportunities for residents in South Africa’s targeted locations, under-served neighbourhoods, townships and rural towns.

Conditions still to be met - remain liabilities (see note 16).

Notes to the Financial Statements

Figures in Rand	2025	2024

28. Employee related costs

Basic	219,793,045	213,142,012
Bonus	17,928,464	18,002,302
Medical aid - company contributions	19,157,453	17,719,164
UIF - company contributions	1,591,294	1,615,686
SDL - company contributions	3,043,767	2,952,338
Leave pay provision charge	11,606,428	11,563,803
Post retirement benefit	411,000	(4,255,000)
Overtime payments	25,971,151	23,270,030
Travel Allowance	14,797,779	15,488,450
13th Cheques	503,678	111,660
Housing benefits and allowances	3,184,151	1,076,093
Pension fund - company contributions	54,093,668	54,409,070
Other	20,895,823	23,682,066
	392,977,701	**378,777,674**

Remuneration of municipal manager (ADV DI Mongwaketse)

Annual Remuneration	901,841	875,362
Car Allowance	298,540	291,787
Contributions to UIF, Medical and Pension Funds	2,125	2,125
Other	496,951	362,865
	1,699,457	**1,532,139**

Remuneration of chief financial officer (Mr. RA Morris)

Annual Remuneration	-	206,631
Car Allowance	-	16,724
Contributions to UIF, Medical and Pension Funds	-	531
Other	-	244,802
	-	**468,688**

Remuneration of the chief financial officer (IE Khesa)

Annual Remuneration	313,784	-
Car Allowance	104,078	-
Contributions to UIF, Medical and Pension Funds	886	-
Other	129,018	-
	547,766	**-**

Remuneration of the planning and development serives director (Mr. T Masia)

Acting allowance	-	519,074
Car Allowance	-	171,517
Contributions to UIF, Medical and Pension Funds	-	1,594
Other	-	213,254
	-	**905,439**

Remuneration of the soicio-economic development director (Mrs N Phamodi)

Annual Remuneration	335,127	-
Car Allowance	111,709	-
Contributions to UIF, Medical and Pension Funds	886	-
Other	136,377	-
	584,099	**-**

Figures in Rand	2025	2024

28. Employee related costs (continued)

Remuneration of corporate service director (Mrs. ZK Masuku)

Other	-	10,998

Remuneration of planning and decelopment services director (Acting Director: Mr TV Mushadu)

Acting allowance	253,958	-

Remuneration of the public safety director (Acting Dir: Mr MJ Ramaoka)

Acting allowance	253,958	838,167

Remuneration of the infrastructure service director (Mrs. M Moloi-Tsae

Annual Remuneration	740,459	718,718
Car Allowance	246,820	239,537
Contributions to UIF, Medical and Pension Funds	2,125	2,125
Other	450,197	299,499
	1,439,601	**1,259,879**

Remuneration of corporate service director (Mr LH Mahole)

Annual Remuneration	335,127	-
Car Allowance	111,709	-
Contributions to UIF, Medical and Pension Funds	886	-
Other	135,693	-
	583,415	**-**

Remuneration of the public safety director (Mr OS Masibi)

Annual Remuneration	335,127	-
Car Allowance	111,709	-
Contributions to UIF, Medical and Pension Funds	886	-
Other	136,377	-
	584,099	**-**

Remuneration of the community service director (Mr T Seleka)

Annual Remuneration	335,127	-
Car Allowance	111,709	-
Contributions to UIF, Medical and Pension Funds	886	-
Other	135,472	-
	583,194	**-**

Remuneration of the community service director (Mrs. KO Lefenya)

Annual remuneration	198,935	778,611
Car Allowance	66,312	259,537
Contributions to UIF, Medical and Pension Funds	531	2,125
Other	82,993	83,014
	348,771	**1,123,287**

Remuneration of corporate service director (Acting Dir: Mrs ME Mmoola)

Figures in Rand	2025	2024

28. Employee related costs (continued)

Acting allowance	-	69,202

Remuneration of corporate service director (Acting Dir: Mr MJ Molamu)

Acting allowance	44,417	419,084

Remuneration of the chief financial officer (Acting CFO: Mr D Thulo)

Acting allowance	-	279,389

Remuneration of the public safety director (Acting Dir: Mr HM Matshe)

Acting allowance	-	144,686

Remuneration of the chief financial officer (Acting CFO: Ms. NR Gaeepe)

Acting allowance	323,162	349,236

Remuneration of corporate service director (Acting Dir: Mr MJ Molamu)

Acting allowance	-	419,084

Remuneration of the chief financial officer (Acting CFO: Mr D Thulo)

Acting allowance	-	279,389

Remuneration of the community service director (Acting Director: Mr NL Malefo)

Acting allowance	44,417	-

Remuneration of corporate service director (Acting Dir: Mr SB Pelele)

Acting allowance	209,542	419,084

29. Remuneration of councillors

Executive Major	1,081,991	1,051,440
Mayoral Committee Members	8,023,765	8,241,715
Speaker	871,607	851,836
Councillors	22,847,196	22,199,116
Chief Whip	823,847	801,629
	33,648,406	**33,145,736**

In-kind benefits

The Executive Mayor, Deputy Executive Mayor, Speaker and Mayoral Committee Members are full-time and are provided with office space at the cost of the Council. In addition, they are paid travelling allowances for the trips outside Mahikeng. The Executive Mayor, Speaker, Chief Whip of Council are also provided with secretarial support at the cost of the Council.

The Executive Mayor has use of a Council owned vehicle for official duties. The Mayor's driver also acts as a bodyguard.

The Executive Mayor is entitled to stay at the mayoral residence owned by Council at no cost.

Notes to the Financial Statements

Figures in Rand	2025	2024

29. Remuneration of councillors (continued)

Additional information

The salaries, allowance and benefits of councillors are within the upper limits of the framework envisaged in section 219 of the Constitution of South Africa.

30. Depreciation and amortisation

Property, plant and equipment	89,276,904	67,093,010
Intangible assets	401,562	524,771
	89,678,466	**67,617,781**

31. Finance costs

Interest incurred	171,322	790,951

32. Auditors' remuneration

Fees	7,300,588	6,114,365

33. Debt impairment

Contributions to debt impairment provision	-	373,472,542

34. General expenses

Advertising	4,427,033	3,233,518
Assets less than the capitalisation threshold	1,122,813	293,360
Auditors remuneration	7,300,588	6,114,365
Bank charges	554,147	584,067
Catering Services	3,988,951	3,854,520
Computer expenses	8,151,755	6,210,227
Drivers' licence cards	858,098	769,381
Electricity	23,885,439	25,566,579
Entertainment	20,520	46,023
Hire	4,116,469	3,547,313
Housing Assistance	4,818,200	6,830,250
Indigent relief	72,500	1,009,000
Insurance	5,841,000	6,837,914
Inventory expenditure	34,562,455	28,591,784
Motor vehicle expenses	882,571	584,405
Other expenses	5,649,317	10,157,552
Postage and courier	472,204	596,955
Printing and publications	1,416,317	1,178,605
Protective clothing	4,159,646	7,214,079
Provisions - Landfill site	12,619,091	5,513,479
Subscriptions and membership fees	4,454,136	4,334,189
Telephone and fax	2,385,119	1,662,452
Title deed search fees	112,870	161,963
Transport and freight	701,942	370,100
Travel and subsistence	5,702,000	5,364,888
Workmen's compensation fund	-	879,606
	138,275,181	**131,506,574**

Figures in Rand	2025	2024

35. Bulk purchases

Water	170,552,928	81,703,653

Water losses

Units purchased	13,666,100	7,975,758
Units sold	(7,703,921)	(7,975,758)
Total	**5,962,179**	**-**
Comprising of:		
Non-technical losses	5,962,179	-
Percentage Loss:		
Non-technical losses	100 %	- %
Unit lost in distribution	5,962,179	-
Average Cost per KL	12	-
	74,407,997	**-**

The Municipality purchases water from the Water Services Authority, Ngaka Modiri Molema District Municipality, through a Water Services Delivery Agreement. Ngaka Modiri Molema District Municipality is a assigned the responsibilities of a Water Services Authority in terms of Schedule 4 part 8 of the Constitution of the Republic of South Africa, as read together with and defined by Section 22 pf the Water Services Act 108 of 1997 and Section 84 and 85 of the Municipal Structures Act.

Section 84 of the Municipal Structures Act provides for the division of powers and functions between Ngaka Modiri Molema District Municipality and Mahikeng Local Municipality (a Water Services Provider) subject to Section 85 of the same Act.

Mahikeng Local Municipality acts in terms of section 61 of the Municipal Systems Act No. 32 of 2000 read together with Section 22(1) of the Water Services Act 108 of 1997. These losses are predominantly due to metering inefficiencies from both the side of the Water Services Authority, Water Services Provider and final consumers, unmetered connections, aging pipeline infrastructure, burst pipes, old reticulation networks and other leakages which are by nature regarded as normal production losses.

36. Contracted services

Outsourced Services		
Animal Care	1,176,000	1,176,000
Business and Advisory	2,241,609	2,434,213
Call Centre	29,005	-
Internal Auditors	372,599	2,117,370
Meter Management	3,388,426	3,370,238
Medical Services [Medical Health Services & Suppor	88,765	55
Refuse Removal	314,300	907,370
Security Services	45,705,159	38,059,946
Transport Services	-	144,483
	53,315,863	**48,209,675**

Consultants and Professional Services		
Business and Advisory	2,002,196	5,317,198
Infrastructure and Planning	4,819,314	18,552,584
Other Services	6,110,364	5,686,650
Legal Cost	16,386,220	16,883,739
	29,318,094	**46,440,171**

Notes to the Financial Statements

Figures in Rand	2025	2024

36. Contracted services (continued)

Contractors		
Electrical	3,702,520	2,347,831
Traffic and Street Lights	5,160,513	49,800
Safeguard and Security	29,800	28,000
Sports and Recreation	45,000	77,162
	8,937,833	**2,502,793**
	91,571,790	**97,152,639**

37. Cash generated from operations

Surplus	203,273,044	302,689,787
Adjustments for:		
Depreciation and amortisation	89,678,466	67,617,781
Gain on sale of assets and liabilities	9,537	23,419,370
Reversal of Impairments	(458,866,242)	2,924,945
Fair value adjustments	(126,276,100)	(73,902,000)
Finance costs - Finance leases	171,322	790,951
Debt impairment	-	373,472,542
Bad debts written off	629,396,572	-
Movements in retirement benefit assets and liabilities	(59,165,789)	(358,387,005)
Movements in provisions	12,619,092	5,513,478
Debt write-off allowed	(10,583,493)	(125,059,538)
Inventory losses or write-downs	(1,599,018)	(3,221,161)
VBS impairment reversal	(15,805,442)	-
Acturial gains or losses	(15,503,000)	4,759,000
Donations income	-	(841,832)
Changes in working capital:		
Inventories	3,176,044	5,894,721
Consumer debtors	(6,977,516)	4,486,652
Other receivables from non-exchange transactions	(11,309,558)	(3,970,632)
Prepayments	2,511,079	12,715,922
Inter-governmental receivables	(6,390,641)	(1,193,817)
Payables from exchange transactions	44,911,438	(69,285,897)
VAT	(34,561,555)	2,153,275
Unspent conditional grants and receipts	(12,135,147)	3,541,401
Consumer deposits	712,365	910,434
Employee benefit obligation	(6,800,000)	8,870,000
Insurance receivable	-	162,640
Interest received from customers	(140,161,427)	-
	80,324,031	**184,061,017**

38. Operating (deficit) surplus

Operating (deficit) surplus for the year is stated after accounting for the following:

Operating lease charges		
Lease rentals on operating lease - Other		
• Contractual amounts	5,097,151	4,127,134

Gain (loss) on sale of property, plant and equipment	9,537	(23,419,370)
Loss on biological assets and agricultural produce	(15,805,442)	-
Amortisation on intangible assets	401,562	524,771
Depreciation on property, plant and equipment	89,276,904	67,093,010
Employee costs	426,626,107	411,923,410

Figures in Rand	2025	2024

39. Fair value adjustments

Investment property (Fair value model)	126,276,100	73,902,000

40. Unauthorised expenditure

Opening balance as previously reported	1,054,373,091	913,435,518
Add: Unauthorised expenditure - current	185,192,146	140,937,573
Closing balance	**1,239,565,237**	**1,054,373,091**

Unauthorised expenditure for the current year and prior year relates to the following expenditure votes to over spending on operational expenditure votes. For detail overspending on votes the reader is referred to the Budget and Comparison Statement together with Note 58 .

Analysed as follows: non-cash

Finance Services	63,371,142	93,454,057

Analysed as follows: cash

Finance Services	121,821,003	47,483,516

Recoverability steps taken/criminal proceedings

The following processes were planned and implemented in detail regarding unauthorised expenditure as prescribed by section 32 of the MFMA incurred during 2015-16 and previous financial years:

Submitted the unauthorised expenditure registers to Council for tabling and further decision making.

Council assigned the Municipal Public Accounts Committee (MPAC) to investigate the unauthorised expenditure in accordance with the MFMA section 32 (2) (a) (ii).

41. Fruitless and wasteful expenditure

Opening balance as previously reported	21,940,932	35,214,841
Add: Fruitless and wasteful expenditure identified - current	171,322	789,872
Add: Fruitless and wasteful expenditure identified - prior period	1,079	-
Kwena Fruitless and Wasteful Expenditure already included in opening balance	-	(14,063,781)
Closing balance	**22,113,333**	**21,940,932**

Details of fruitless and wasteful expenditure

	Disciplinary steps taken/criminal proceedings		
Interest charged on overdue account	As at 30 June 2023, no MFMA section 32 processes have been instituted for fruitless and wasteful expenditure arising from 2016-17 to 2021-22.	789,872	232,948

The following processes were planned and implemented in detail regarding fruitless and wasteful expenditure as prescribed by section 32 of the MFMA for the 2015-16 and prior financial years:

1) Submitted the fruitless and wasteful expenditure registers to Council for tabling and further decision making.
2) Council assigned the Municipal Public Accounts Committee (MPAC) to investigate the fruitless and wasteful expenditure in accordance with the MFMA section 32 (2) (b).
3) MPAC requested the Audit Committee for assistance resulting in the Internal Audit unit being assigned the task of investigating the incurred expenditure.
4) No investigation has been performed as yet by the internal audit unit.

42. Irregular expenditure

Opening balance as previously reported	2,162,212,285	1,848,264,657
Add: Irregular expenditure - current	328,436,983	312,202,443
Add: Irregular expenditure - prior period	-	1,745,185
Closing balance	**2,490,649,268**	**2,162,212,285**

42. Irregular expenditure (continued)

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

	Disciplinary steps taken/criminal proceedings		
Competitive bidding process not followed		145,641,051	87,790,108
Three written quotations not invited		116,379	772,379
Declaration of interest not submitted		4,986,333	6,357,684
Tax status not compliant		4,013,183	34,815,076
Director interest		-	2,835,123
Quotation not economical		290,066	700,805
Split quotations		3,492,264	2,740,029
Cover quoting		318,517	42,789
Committees not composed as per SCM regulations		10,829,290	18,442,129
Incomplete bid documents		9,119,036	73,888,327
Deviations not inline with SCM regulations		15,230,744	8,931,139
PPPF Act not followed		32,137,781	20,613,028
Bid advertised for less period		74,447,585	28,830,012
CIDB requirements		-	9,188,683
Other		27,814,754	16,255,132
		328,436,983	**312,202,443**

Cases under investigation

Municipal Supply Chain Management Policies or By-laws	186,240,477	186,240,477

43. Other financial assets

At amortised cost		
VBS investment	61,686,585	77,492,027
	61,686,585	77,492,027
Accumulated Impairment	(61,686,585)	(77,492,027)
	-	-

Figures in Rand	2025	2024

43. Other financial assets (continued)

VBS Reconciliation		
Opening balance	77,492,027	77,492,027
Receipts	(15,805,442)	-
Accumulated Impairment	(61,686,585)	(77,492,027)
	-	-

The short term investment with VBS Mutual Bank of R83 440 312.06 had been impaired due to recoverability of the amount being put in doubt. The bank has been put under curatorship and the deposits by municipalities held by the bank were not honoured as only natural people were to receive their deposits.

During the 2021-22 financial years the curators refunded R5 948 284.51 of the amount invested to the municipality. The short-term investment as adjusted for this refund is now R77 492 027.50. The uncertainty relating to the recoverability of the balance of the deposit remains. The municipality therefore reduced the accumulated impairment and investment of the VBS bank deposit by R5 948 284.51 to R77 492 027.50.

An additional amount of R15 805 441.70 has subsequently been received in 2024/25 financial year. Impairment reversal of same amount was processed.

44. Inter-governmental receivables

NMMDM Debt	21,296,259	14,905,618

Mahikeng Local Municipality has carried repairs and maintenance on Pump Station 4, 12, and 13. These pump stations belong to Ngaka Modiri Molema District Municipality and the agreement is that MLM will be reimbursed for any work carried out on these pump stations.

In addition to the above, Mahikeng Local Municipality has an agreement with Ngaka Modiri Molema District Municipality for the repair and maintenance of Bray Road. MLM carried out the work on behalf of NMMDM and will be reimbursed for the work by NMMDM.

45. Receivables from non-exchange transactions

Fines	381,190	209,160
Consumer debtors - Rates	28,628,709	17,491,181
	29,009,899	**17,700,341**
Statutory receivables included in receivables from non-exchange transactions above are as follows:		
Fines	3,874,134	4,206,464
Property rates	1,132,057,657	1,121,534,433
	1,135,931,791	**1,125,740,897**
Impairment provided for non-exchange receivables above	**(1,106,921,892)**	**(1,108,040,556)**
Total receivables from non-exchange transactions	29,009,899	17,700,341

46. Fines, Penalties and Forfeits

Fines, Penalties and Forfeits	426,663	841,832

47. Licences and permits

Business registration, road and transport certification	4,216,126	4,222,015

Notes to the Financial Statements

Figures in Rand	2025	2024

48. Remuneration of ward committee members

Remuneration of ward committee members	8,364,500	8,337,500

49. Financial instruments disclosure

Categories of financial instruments

2025

Financial assets

	At amortised cost	At cost	Total
Receivables from exchange transactions	19,918,668	-	19,918,668
Receivables from non-exchange transactions	29,009,899	-	29,009,899
Cash and cash equivalents	-	92,391,451	92,391,451
Intergovenmental receivable	-	21,296,259	21,296,259
	48,928,567	**113,687,710**	**162,616,277**

Financial liabilities

	At cost	Total
Trade and other payables from exchange transactions	334,474,480	334,474,480
Consumer deposits	15,247,753	15,247,753
Unspent conditional grants	22,305,911	22,305,911
	372,028,144	**372,028,144**

2024

Financial assets

	At amortised cost	At cost	Total
Receivables from exchange transactions	12,941,152	-	12,941,152
Receivables from non-exchange transactions	17,700,341	-	17,700,341
Cash and cash equivalents	-	133,010,533	133,010,533
Inter-governmental receivables	-	14,905,618	14,905,618
	30,641,493	**147,916,151**	**178,557,644**

Financial liabilities

	At cost	Total
Payables from exchange transactions	289,563,045	289,563,045
Consumer deposits	14,535,388	14,535,388
Unspent conditional grants	21,296,259	21,296,259
	325,394,692	**325,394,692**

Figures in Rand	2025	2024

50. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Roads	339,591,476	5,166,191
• Recreational Facilities	19,742,461	19,742,461
• Storm water assets	12,500,836	-
• Community Buildings	-	3,114,778
	371,834,773	**28,023,430**

Total capital commitments		
Already contracted for but not provided for	371,834,773	28,023,430

Total commitments

Total commitments		
Authorised capital expenditure	371,834,773	28,023,430

This committed expenditure relates to property and will be financed by externally generated funds being the Municipal Infrastructure Grant and the Electricity Demand Management Grant as per DORA allocations.

Operating leases - as lessee (expense)

Operating lease payments represent rentals payable by the municipality for certain of its office properties. Leases are negotiated for an average term of seven years and rentals are fixed for an average of three years. No contingent rent is payable.

51. Contingencies

Current year cases.

The below estimated fees were not included as part of the contingent amount, Best estimate of expenditure required to settle the obligation (Par 43 - 48 GRAP 19)

Figures in Rand	2025	2024

51. Contingencies (continued)

Contingent Liabilities		
Service provider cases	500,000,000	500,000,000
Property losses/ damage cases	16,261,035	13,521,277
Labour cases	1,703,000	-
Others	3,093,558,804	1,016,757,558
	3,611,522,839	**1,530,278,835**

PARTIES	NATURE OF CLAIM	STATUS QUO OF THE MATTER	Contingent liability
Sebego Lavious Moralo and 108 othersCase No :LCC215/2016Ref:Mr Kgomo/M1183/CIV	Land claim: Barolong Boo Ra Tshidi land claim restitution	Matter transferred to land claims court, served with notice of withdrawal of application by Jerry Sithole Attonerys	1
Dikelellong Engineers & Project (High Court,Mahikeng)Case No: 2258/2023	Action for damages	Pleading closed and matter is at pre-trial stage	9,990,783
Dineo Tshepiso Rufus (Labour Court,Mahikeng)Case No: JR1190/2023	Application for condonation and review award.	Matter ripe for hearing and presently awaiting allocation of opposed hearing date.	1
SAMWU obo LEGABE	The Employee is claiming travel allowance. The Municipality paid the Employee but she issued certified the award. The Municipality has applied to rescind the decision of CGMA to certify the award on the basis that the Employee has been paid.	The Municipality has good prospects of success because it has dulypaid the Employee after receiving tax directive from SARS	103,000
MICHEAL MATONG	The Plaintiff has instituted a claim against the municipality for injuries sustained after his collided with a hip of sand on N18 near Military Base. The Municipality deny liability because SANRAL is responsible for maintaing the N18 especially where the accident occured. The Plaintiff has applied to join SANRAL as third defendant.	The Municipality has a good defence because it is not responsible for maintain the N18.	2,172,977
NYITISO CONSULTING	The Plantiff claimed for payment at AFSA. The claim was dismissed. The Municipality is not enforcing the Arbitration Award at Johannesburg High Court	The Municipality successfully defended the claim and enjoys the good prospects of having Arbitration award made an order court.	1

51. Contingencies (continued)

DABULA	Former Employee was dismissed for misconduct and referred dispute to bargaining council for unfair dismissal and reinstated. The Municipality has applied to review the reinstatement Award.	Good prospects of success because the Arbitrator made errors in the analysis of the evidence.	100,000
RADIKGOJANE & OTHERS	The Municipality Has instituted a review to set aside the appointment of 79 General Workers because their appointment did not comply with the recruitment policy.	Good the General Worker's posts was never advertised before appointment was made.	1,500,000
JOSE SERRAO DE GOUVEIA			302,265
HUNDRED PERCENT BLACK STON SUPPLY	Hundred percent is suing the Municipality for R500 million for alleged breach of contract.	The Municipality raised serveral special pleas against the plaintiff's particulars of claims	500,000,000
K V MONGALA	Claims for damages of R 695 000.	Awaiting judgement.	695,000
OB MOGALE	Claims for damages for R3 100 002	Awaiting trial date allocation.	3,100,002
SNPRP SECURITY SERVICES	Claim for allegedly outsanding invoices	Matter postponed. Awaiting application for hearing date from plaintiff.	1
Makwetla & others CASE NO: M389/18	Application to set aside appointment of Director Corporate Services – brought by Makwetla	Pleadings in review have not closed. Applicants failed to comply with rules relating to filing of record. Notice ito Rule 30A brought, to dismiss application for lack of compliance. Finalizing Rule 30A application to bring the matter to finality.	1
SALGBC & Others CASE NO: JR1302/2020	Review application brought by Mr Mokwena i.r.o Arbitration Award	Mr Mokwena's Reinstatement Application and the Municipality's Application to dismiss the Review was heard on 5 June 2025, judgement was reserved on that day. Parties are awaiting judgement.	1
SB PeleleCASE NO:JR1317/19	Application to review and set aside Disciplinary finding.	Application awaiting allocation of hearing date.	1

Figures in Rand			2025	2024

51. Contingencies (continued)

Miagra Property Development (Pty) Ltd Case No:M523/2023 Ref:MAH1/0018	Pursuant to an alleged contract of " sales of land Agreement" concluded with the defendant on 08/01/200/. Miagra purchased immovable property known as Portion 55 of the farm Mmabatho Town and Township301, Registration Division of North West Province in extent 311.3086 hectares for purchase price of 6 million inclusive of vat.	Miagra initiated Arbitration proceeding with the arbitration foundation of south (AFSA) ON 08/07/2021 and instituted a claim for damages in respect the said "Sale of the Land Agreement"	3,093,558,804
COMISSION ON LAND RIGHTS & OTHERS Case No:Lanc27/2025 Ref:M0032/CIV	Declaratory Oder to declare portion of land unrestorable to the Respondents		1
			3,611,522,839

Figures in Rand	2025	2024

51. Contingencies (continued)

Contingent assets

	2025	2024
Contingent Assets		
Indebted to the municipality	5,711,340	945,000
Other	1,000,000	7,609,381
	6,711,340	**8,554,381**

PARTIES	NATURE OF CLAIM	STATUS QUO OF THE MATTER	CONTINGENT ASSET AMOUNT
Michael Ncebo Gomono Case No: NW/MMB.RC 413/19 Ref:Mr Kgomo/KA.M0024/CIV	Monitory claim: "Ncebo Michael Gomono is indebted to municipality	Awaiting to enforce warrant of execution.	382,529
TedcorCase No: 1161/2017Ref:Ms Molefe/KG.M0129/CIV	Domestic waste collection service for and on behalf of Municipalitywithin its area of jurisdiction.	Matter pending: awaiting judgement.	2,312,393
Ke A Dira ConstructionCase No: M1774/2016Ref:Mr Kgomo/KG.M0096/CIV	Upgrading of Danville Stadium tender was awarded to applicant but failed to execute its responsebilities with expected time frame	Received notice of withdrawal as attorneys of record.	1
Kena MediaCase No: No case as yetRef: mr kgomo/KA.M0027/CIV	Monitory claim: "kena Media is indebted to municipality"	Matter pending.	2,028,416
Makwetla & others CASE NO: M389/18	Application to set aside appointment of Director Corporate Services – brought by Makwetla	Pleadings in review have not closed. Applicants failed to comply with rules relating to filing of record. Notice ito Rule 30A brought, to dismiss application for lack of compliance. Finalizing Rule 30A application to bring the matter to finality.	1
KEDIBONE PRETTY DIBAKWANE	Postponed in the High Court to NOV 2025	Postponed in the High Court to NOV 2025	288,000
TSHEPO BOYSA & 8 OTHERS		Interim interdict was issued and final order outstanding	350,000
V.C NDABENI & 3 OTHERS VS TSHEPISO MPHEHLO,EXECUTIVE MAYOR & 3 OTHERS		Final order was obtained however, respondent adandoned his intention to appeal the outcome	350,000
MIG PROJECTS		Investigations are underway at an early stage	1,000,000
			6,711,340

52. Related parties

Relationships	
Accounting Officer	ADV DI Mongwaketse
Chief Financial Officer	Mr IE Khesa - - CA (SA), CIA, ACCA, MBA
Councillors	Refer to the general information page
Members of key management	ADV DI Mongwaketse
	Mr RA Morris
	MR IE Khesa
	Ms. NR Gaeepe
	Mr D Thulo
	Mr TJ Marumo
	Mr T Masia
	Ms M Moloi-Tsae
	Mrs ZK Masuku
	Mr MJ Molamu
	Ms KJ Lekoma
	Mr TV Mushadu
	Mr LH Mahole
	Mr SB Pelele
	Mr OS Masibi
	Mr MJ Ramaoka
	Mr TM Seleka
	Mrs KO Lefenya
	Mr NL Malefo
	Mrs N Phamudi

Related party transactions

Remuneration of key management
Remuneration of key management has been disclosed in Note 27 of the Annual Financial Statements.

Awards to close family members of persons in service of the state

The details listed below is disclosed in terms of Regulation 45 of the Municipal Supply Chain Regulation 2005 that determines that the municipality must disclose particulars of any award of more than R2,000 to a person who is a spouse, child or parent of a person in service of the stste or has been in service of the stste in the previous twelve months.

52. Related parties (continued)

Remuneration of councilors

Councillors

2025

Name	Councillors allowance	Other Allowances	Municipal Contributions	Total
T Mphehlo	653,847	303,414	124,730	1,081,991
OGB Mathe	523,081	252,134	96,392	871,607
ME Moeti	490,729	239,447	93,671	823,847
MP Senokwane	490,729	259,611	93,471	843,811
GU Legalatladi	490,729	280,487	93,671	864,887
MD Jabanyane	490,729	253,645	93,671	838,045
DK Molema	490,729	239,446	93,671	823,846
JC Daniels	490,729	255,828	93,971	840,528
LR Motlhabane	276,687	155,508	52,013	484,208
NG Hlazo	490,729	239,447	93,583	823,759
BC Mathe	490,729	254,790	93,555	839,074
KC Sechogo	490,729	251,309	93,536	835,574
KI Mbana	490,729	245,933	93,671	830,333
T Motshabi	476,004	233,672	90,676	800,352
MD Phuthego	476,004	233,672	90,868	800,544
GE Mosiedi	206,921	128,149	38,666	373,736
CL Mahlangu	206,921	128,149	38,666	373,736
TD Femele	206,921	128,149	38,666	373,736
LG Sehole	206,921	128,149	38,666	373,736
DL Monaledi	206,921	128,149	37,002	372,072
K Gaoganediwe	206,921	128,149	38,666	373,736
C Matshidiso	206,921	128,149	38,570	373,640
KK G Nko	206,921	128,149	38,666	373,736
LR Mange	206,921	128,149	38,666	373,736
NB Mabote	206,921	128,149	38,666	373,736
AL Annandale	206,921	128,149	38,666	373,736
KE Gaebee	206,921	128,149	38,666	373,736
OL Magogodi	206,921	128,149	38,666	373,736
ME Msimanga	206,921	128,149	38,666	373,736
B Mbiza	206,921	128,149	38,666	373,736
OC Kgonare	206,921	128,149	38,593	373,663
I Malakaje	206,921	128,149	38,666	373,736
MJ Morubane	206,921	128,149	38,666	373,736
KD Seketema	206,921	128,149	38,666	373,736
BS Storais	206,921	128,149	38,666	373,736
M Mopako	206,921	128,149	38,666	373,736
SK Matsheka	206,921	128,149	38,666	373,736
PL Phantsi	206,921	128,149	38,666	373,736
KD Sega	206,921	128,149	38,666	373,736
PF Nko	420,963	214,824	80,346	716,133
GD Maruping	206,921	128,149	38,666	373,736
KA Monchusi	206,921	128,149	38,666	373,736
OE Mphehlo	206,921	134,617	38,654	380,192
PP Molale	206,921	128,149	38,666	373,736
RG Molosioa	206,921	128,149	38,666	373,736
MA Setshedi	206,921	128,149	38,666	373,736
LJ Motjale	206,921	128,149	38,666	373,736
C Mohelekete	206,921	128,149	38,666	373,736
LMO Mokgosi	206,921	128,149	38,666	373,736
ME Khathazo	206,921	128,149	38,666	373,736

52. Related parties (continued)

LA Kgengwe	206,921	128,149	38,666	373,736
AE Rakwena	206,921	128,149	38,666	373,736
MD Ramatae	206,921	128,149	38,666	373,736
TC Maibi	206,921	128,149	38,666	373,736
HP Kgasi	32,133	20,435	7,818	60,386
NJ Mangayi	206,921	128,149	38,666	373,736
TC Matsheka	206,921	128,149	38,666	373,736
MC Segoe	206,921	128,149	38,666	373,736
WN Bohmer	206,921	128,149	38,666	373,736
MJ Nkomo (Monere)	206,921	128,149	38,666	373,736
ME Dingile	206,921	156,433	38,609	401,963
T Selepe	206,921	128,149	38,666	373,736
KP Motsumi	206,921	128,149	38,666	373,736
SJ Van Rooyen	206,921	128,149	38,666	373,736
DM Phetha	206,921	128,149	38,666	373,736
EO Seleke	206,921	128,149	38,572	373,642
J Mekgwe	206,765	127,439	38,246	372,450
KK Kgwadi	205,974	127,015	38,129	371,118
PM Saul	204,029	127,015	38,120	369,164
MD Moroe	204,029	127,015	37,803	368,847
NW Maphazi	204,029	127,015	37,723	368,767
DM Mogakwe	151,696	94,742	27,295	273,733
	19,081,660	**10,977,896**	**3,589,268**	**33,648,824**

2024

Name	Councillors Allowance	Other Allowances	Municipal Contributions	Total
T Mphehlo	631,537	300,870	119,034	1,051,441
OGB Mathe	505,223	251,335	95,279	851,837
ME Moeti	473,451	238,875	89,304	801,630
MP Senokwane	473,451	271,486	89,144	834,081
GU Legalatladi	473,451	245,547	89,304	808,302
MD Jabanyane	473,451	238,875	89,304	801,630
DK Molema	473,451	264,672	89,304	827,427
JC Daniels	473,451	275,846	89,304	838,601
PF Nko	473,451	254,459	89,304	817,214
NG Hlazo	473,451	267,290	89,293	830,034
BC Mathe	473,451	263,388	89,033	825,872
KC Sechogo	473,451	267,475	89,181	830,107
KI Mbana	473,451	265,695	89,304	828,450
T Motshabi	459,753	253,318	86,567	799,638
MD Phuthego	459,753	239,149	86,728	785,630
GE Mosiedi	199,856	131,583	36,897	368,336
CL Mahlangu	199,856	131,583	36,897	368,336
TD Femele	199,856	131,583	36,897	368,336
LG Sehole	199,856	131,583	36,897	368,336
DL Monaledi	199,856	131,583	35,269	366,708
K Gaoganediwe	199,856	131,583	36,897	368,336
C Matshidiso	199,856	131,583	36,807	368,246
KK G Nko	199,856	131,583	36,897	368,336
TO Mogoiwa	103,457	70,278	19,117	192,852
LR Mange	199,856	131,583	36,903	368,342
NB Mabote	199,856	131,583	36,897	368,336
AL Annandale	199,856	131,583	36,897	368,336
KE Gabee	199,856	131,583	36,897	368,336
OL Magogodi	199,856	131,583	36,897	368,336
ME Msimanga	199,856	131,583	36,897	368,336

52. Related parties (continued)

B Mbiza	199,856	131,583	36,891	368,330
OC Kgonare	199,856	131,583	36,823	368,262
I Majakaje	199,856	131,583	36,897	368,336
MJ Morubane	199,856	134,827	36,895	371,578
KD Seketema	199,856	134,505	36,895	371,256
MG Billiot	103,457	70,278	19,117	192,852
BS Storais	199,856	131,583	36,897	368,336
M Mopako	199,856	131,583	36,897	368,336
SK Matsheka	199,856	131,583	36,897	368,336
PL Phantsi	199,856	133,798	36,891	370,545
KD Sega	199,856	131,583	36,897	368,336
LR Motlhabane	199,856	134,997	36,893	371,746
GD Maruping	199,856	131,583	36,897	368,336
KA Monchusi	199,856	135,226	36,893	371,975
OE Mphehlo	199,856	133,921	36,890	370,667
PP Molale	199,856	131,583	36,890	368,329
RG Molosioa	199,856	131,583	36,897	368,336
MA Setshedi	199,856	131,583	36,897	368,336
LJ Motjale	199,856	133,461	36,893	370,210
C Mohelekete	199,856	131,583	36,897	368,336
LMO Mokgosi	199,856	131,583	36,897	368,336
ME Khathazo	199,856	131,583	36,897	368,336
LA Kgengwe	199,856	136,408	36,886	373,150
AE Rakwena	199,856	131,583	36,814	368,253
MD Ramatae	199,856	131,583	36,897	368,336
TC Maibi	199,856	131,583	36,897	368,336
HP Kgasi	199,856	131,583	36,897	368,336
NJ Mangayi	199,856	131,583	36,897	368,336
TC Matsheka	199,856	131,583	36,897	368,336
MC Segoe	199,856	131,583	36,897	368,336
WN Bohmer	199,856	131,583	36,897	368,336
MJ Nkomo (Monere)	199,856	131,583	36,897	368,336
ME Dingile	199,856	137,263	36,884	374,003
T Selepe	199,856	131,583	36,897	368,336
KP Motsumi	199,856	131,583	36,897	368,336
LS Mogotlha	103,457	70,278	19,117	192,852
SJ Van Rooyen	199,856	131,583	36,897	368,336
DM Phetha	199,856	131,583	36,897	368,336
SJ Tauyagae	103,135	69,867	19,056	192,058
EO Seleke	194,308	124,530	35,803	354,641
J Mekgwe	187,615	119,315	34,580	341,510
KK Kgwadi	96,399	61,305	17,758	175,462
PM Saul	96,399	61,305	17,758	175,462
MD Moroe	96,399	61,305	17,957	175,661
NW Maphaze	96,399	61,305	17,758	175,462
	18,438,052	**11,277,355**	**3,430,323**	**33,145,730**

53. Prior-year adjustments

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

Statement of financial position

2024

	Note	As previously reported	Correction of error	Restated
Trade payables		117,388,029	25,670,561	143,058,590
Prepayments		8,270,972	(2,631,899)	5,639,073
Provisions		216,198,891	(36,540,149)	179,658,742
VAT		47,895,772	(716,333)	47,179,439
Property, plant and equipment - Land		242,022,612	829,365	242,851,977
Property, plant and equipment - Buildings		51,563,224	3,446,672	55,009,896
Property, plant and equipment - Motor vehicles		66,498,794	(63,948)	66,434,846
Property, plant and equipment - Machinery and equipment		14,880,976	401,000	15,281,976
Property, plant and equipment - IT equipment		9,040,183	332,465	9,372,648
Property, plant and equipment - Community facilities		86,165,963	1,031,635	87,197,598
Investment property		240,644,000	73,902,000	314,546,000
Inventory		18,136,434	(9,143,618)	8,992,816
Cash and cash equivalents		150,390,058	(17,379,525)	133,010,533
Accumulated surplus		1,558,839,907	62,307,067	1,621,146,974
		2,827,935,815	**101,445,293**	**2,929,381,108**

Statement of financial performance

2024

	Note	As previously reported	Correction of error	Restated
General expenditure - Landfill site expense		42,053,627	(36,540,149)	5,513,478
Repairs and maintenance		52,689,021	(4,461,488)	48,227,533
Depreciation and amortisation		68,279,592	(661,811)	67,617,781
Contracted services - Security services		38,057,273	2,673	38,059,946
General expenditure - Inventory expenditure		25,218,552	3,373,232	28,591,784
General expenditure - Other expenses		10,192,923	(35,371)	10,157,552
General expenditure - Motor vehicle expenses		549,034	35,371	584,405
General Expenditure - Electricity		22,298,082	3,268,497	25,566,579
Contracted services - Legal costs		15,179,875	1,703,864	16,883,739
Loss on disposal of assets and liability		24,203,066	(783,696)	23,419,370
Fair value adjustment		-	73,902,000	73,902,000
Inventory (write-downs)/ write-ups		122,571	(3,343,732)	(3,221,161)
Finance costs		789,872	1,079	790,951
Surplus for the year		**299,633,488**	**36,460,469**	**336,093,957**

Figures in Rand	2025	2024

53. Prior-year adjustments (continued)

Cash flow statement

2024

	Note	As previously reported	Correction of error	Restated
Cash flow from operating activities				
Cash received from customers	534,485,040	(14,834,018)	(485,484,826)	34,166,196
Taxation and levies	1	-	485,484,826	485,484,827
Cash paid to suppliers	(366,599,375)	(937,692)	-	(367,537,067)
Finance costs	(789,872)	(1,079)	-	(790,951)
Other cash payments	(100,000)	(1,193,817)	-	(1,293,817)
	166,995,794	**(16,966,606)**	**-**	**150,029,188**
Cash flow from investing activities				
Purchase of property, plant and equipment		(167,460,681)	(703,094)	(168,163,775)
Proceeds from sale of property, plant and equipment		741,001	(741,001)	-
Purchase of inter-governmental receivables		(1,193,817)	1,193,817	-
Proceeds from sale of insurance receivable		162,640	(162,640)	-
		(167,750,857)	**(412,918)**	**(168,163,775)**

Errors

The following prior period errors adjustments occurred:

Prepayments

Prepayments were adjusted as a refund/ payment made to COGTA was incorrectly added as prepayment.

General Expenditure

- Landfill Site Expense

Landfill site expense was incorrectly calculated by newly appointed consultant in the 2024 financial year. Reappointed consultants have recalculated the expense and provision.

- Inventory expenditure

Misclassification of assets occured in 2024 and a duplicate journal was reversed to try and correct the error. Restatement is the reversal of one of the duplicate journals processed.

Invetory write-up was incorrectly journalised to inventory consumables.

- Motor vehicle expense

Re-mapping of motor vechile expense account from other expenses.

- Other expense

Re-mapping of motor vechile expense account from other expenses.

Electricity

Amount restated due invoices not recorded in the correct financial period.

Notes to the Financial Statements

Figures in Rand	2025	2024

53. Prior-year adjustments (continued)

Repairs and maintenance

Repairs and maintenance was restated due to capitalization of some invoices to property, plant and equipment.

Trade payables

Trade payables was restated due to expenditure recognised in the incorrect financial period.

Irregular expenditure

Opening balance	-	2,159,443,731
Adjustments made	-	2,768,554
Restated opening balance	**-**	**2,162,212,285**

Adjustment made to opening balance of irregular expenditure is due to an omission of irregular expenditure from Meko Brothers and issues identified by the AGSA in the 2023/24 financial year.

Fruitless and wasteful expenditure

Opening balance	-	36,004,713
Adjustments made	-	(14,063,781)
Restated opening balance	**-**	**21,940,932**

Kwane Capital amount was double counted into the opening balance of Fruitless and Wsteful Expenditure, correction has subsequently been made.

Commitments

Roads	-	5,166,191
Recreational facilities	-	19,742,461
Community buildings	-	3,114,778
Restated commitments	**-**	**28,023,430**

Commitments were restated to the omission of some contract values for THAVHANI TRADING JV.

Figures in Rand	2025	2024

53. Prior-year adjustments (continued)

Property, Plant & Equipment

- Land

Acquisition of land was previosuly incorrectly accounted for as a disposal which has been reversed, as it incorrectly reduced the land value.

- Buildings

Repairs and maintenance incorrectly expensed was corrected and capitalised to buildings.

- Motor vehicles

Duplicate transaction reversal and correction of accumulated depreciation.

- Machinery and equipment

Correction of accumulated depreciation due to incorrect acquisition date and reversal of duplicate journal.

- IT equipment

Derecognition of laptops stolen in 2023/24 financial year and updating accumulated depreciation.

- Community facilities

Repairs and maintenance incorrectly expensed was corrected and capitalised to community facilities.

Intangible assets

Intangible assets was restated due to the incorrect calculation of amortisation in the 2022/23 financial year. This had a knock-on effect on amortisation and accumulated amortisation.

Depreciation and Ammortisation

PPE was restated due to the reclassification of expenditure from contracted services which was previously misclassified, and assets lost to write-offs. This had a knock-on effect on depreciation and accumulated depreciation.

Intangible assets was restated due to the incorrect calculation of amortisation in the 2022/23 financial year. This had a knock-on effect on amortisation and accumulated amortisation.

Debt impairment

Service charges was restated after meter readings were done and there was realisation of overestimation in the prior year. This affected debt impairment also.

Insurance receivable

Insurance receivable relates to a claim made in 2020 and was only settled in the 2023/24 financial year.

Loss on disposal of assets and liability

Restatement of land previously recorded as a disposal and derecognition of stolen laptops but discovered in 2024/25 financial year.

VAT

VAT was restated due to expenditure recognised in the incorrect financial period. See Trade payables.

53. Prior-year adjustments (continued)

Provisions

Landfill site provision was incorrectly calculated by newly appointed consultant. Reappointed consultants have recalculated the expense and provision.

Contracted services

- Security services

Security services expenditure incorrectly recognised in 2024/25 financial year.

- Legal cost

Legal cost expenditure recognised in the incorrect financial year.

Depreciation

Depreciation was restated due to restament of assets in PPE and some miscalculations of depreciation of some assets due to incorrect acquisition date.

Investment property

Investment property was not revalued in the 2023/24 financial year. Subsequently, a valuator was appointed to revalue the 2023/24 and 2024/25 financial years.

Fair value adjustment

Investment property was not revalued in the 2023/24 financial year. Subsequently, a valuator was appointed to revalue the 2023/24 and 2024/25 financial years. This resulted in the fair value adjustment.

Accumulated surplus

Accumulated surplus has been restated due to prior year restatements affecting the statement of financial performance and opening balances of statement of financial position.

Finance costs

Finance costs was restated due to electricity expenditure being reclassified to correct financial period.

Inventory (write-downs)/ write-ups

Invetory write-up was incorrectly journalised to inventory consumables.

Inventory

Inventory was restated due to land inventory that does not belong to the municipality.

54. Comparative figures

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

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated.

The nature and reason of reclassification is disclosed. Where material prior period errors have been identified in the current year, the correction is made retrospectively as far as is practicable and the prior year comparatives are restated accordingly.

See note 53 for reasons of reclassifications and the effect thereof in the comparative figures.

55. Risk management

Financial risk management

The municipality’s activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk.

Financial Risk Management Objectives

The Accounting Officer has overall responsibility for the establishment and oversight of he municipality's risk management framework. The municipality's risk management policies are established to identify and analyse the risks faced by the municipality, to set appropriate risk limits and controls and to monitor risks and adherence to limits.

The municipality's Finance department provides services to the business, co-ordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the municipality through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk.

Due to the largely non-trading nature of activities and the way in which they are financed, municipalities are not exposed to the degree of financial risk faced by business entities. Financial Instruments play a much more limited role in creating or changing risks that would be typical of listed companies to which the IAS's mainly apply. Generally, Financial Assets and Liabilities are generated by day-to-day operational activities and are not held to manage the risks facing the municipality in undertaking its activities.

The Department of Finance monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity risk. Risk management policies and systems are reviewed regularly to reflect changes to market conditions and the municipality's activities, and compliance with policies and procedures is reviewed by the internal auditors on a continuous basis, and annually by external auditors. The municipality does not enter into or trade financial instruments for speculative purposes.

Internal audit, responsible for initiating a control framework and monitoring and responding to potential risk, reports periodically to the municipality’s audit committee, an independent body that monitors the effectiveness of the internal audit function.

Significant Risks

It is the policy of the municipality to disclose information that enables the user of its Annual Financial Statements to evaluate the nature and extent of risks arising from Financial Instruments to which the municipality is exposed on the reporting date.

The municipality has exposure to the following risks from its operations in Financial Instruments:

Credit Risk;
Liquidity Risk; and
Market Risk

55. Risk management (continued)

Liquidity risk

Liquidity Risk is the risk that the municipality will encounter difficulty in meeting the obligations associated with its Financial Liabilities that are settled by delivering cash or another financial asset. The municipality’s approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the municipality’s reputation.

Liquidity Risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.

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 into relevant maturity groupings based on the remaining period at the financial position to the contractual maturity date. The amounts disclosed 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
Payables from exchange transactions	334,474,480	-	-	-
Unspent conditional grants	22,305,911	-	-	-
Consumer deposits	15,247,753	-	-	-
	372,028,144	**-**	**-**	**-**

55. Risk management (continued)

Credit risk

Notes to the Financial Statements

55. Risk management (continued)

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 counterparty.

Credit Risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the municipality. The municipality has a sound credit control and debt collection policy. The municipality uses its own trading records to assess its major customers. The municipality’s exposure of its counterparties are monitored regularly.

Trade receivables

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors.

Individual risk limits are set based on internal or external ratings in accordance with limits set by management.

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 counterparty

Investments/Bank, Cash and Cash Equivalents

The municipality limits its counterparty exposures from its short-term investments (financial assets that are neither past due nor impaired) by only dealing with well-established financial institutions short term credit rating of BBB and long-term credit rating of

AA- and higher at an International accredited credit rating agency. The municipality's exposure is continuously monitored and the aggregate value of transactions concluded is spread amongst different types of approved investments and institutions, in accordance with it's investment policy. Consequently, the municipality is not exposure to any significant credit risk.

The municipality limits its counterparty exposures from its money market investment operations (financial assets that are neither past due nor impaired) by only dealing with well-established financial institutions of high credit standing. The credit exposure to any single counterparty is managed by setting transaction / exposure limits, which are included in the municipality's Investment Policy. These limits are reviewed annually by the Chief Financial Officer and authorised by the Council.

The municipality limits its counterparty exposures from its money market investment operations (financial assets that are neither past due nor impaired) by only dealing with Absa Bank, Nedbank and Standard Bank. No investments with a tenure exceeding twelve months are made.

Trade and Other Receivables

Trade and Other Receivables are amounts owed by consumers and are presented net of impairment losses. The municipality has a credit risk policy in place and the exposure to credit risk is monitored on an on-going basis. The municipality is compelled in terms of its constitutional mandate to provide all its residents with basic minimum services without recourse to an assessment of creditworthiness. Subsequently, the municipality has no control over the approval of new customers who acquire properties in the designated municipal area and consequently incur debt for rates, water services rendered to them.

Trade Receivables consist of a large number of customers. Periodic credit evaluation is performed on the financial condition of accounts receivable. Consumer debtors are presented net of a provision for impairment.

In the case of debtors whose accounts become in arrears, it is endeavoured to collect such accounts by "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. At this stage the municipality only partially implement its credit control policy as there is no hand over of debtors.

55. Risk management (continued)

There were no material changes in the exposure to credit risk and its objectives, policies and processes for managing and measuring the risk during the year under review. The municipality's maximum exposure to credit risk is represented by the carrying value of each financial asset in the Statement of Financial Position, without taking into account the value of any collateral obtained.

The municipality establishes an allowance for impairment that represents its estimate of anticipated losses in respect of trade and other receivables.

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

Inter-governmental receivables

Inter-governmental receivables are amounts owed to the Municipality by Ngaka Modiri Molema District Municipality for repairs and maitenance done on their infrastructure which there is an agreement that this monies can be invoiced to them. The receivable is carried at cost and is not impaired.

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

	2025	2024
Receivables from exchange transactions	19,918,668	12,941,152
Cash and Cash Equivalents	92,391,451	133,010,533
Inter-governmantal receivables	21,296,259	14,905,618
Receivables from non-exchange transactions	29,009,899	17,700,341

Market risk

Interest rate risk

Interest Rate Risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest charges.

Financial Assets and Liabilities that are sensitive to interest risk are cash and cash equivalents, investments, and loan payables. The municipality is not exposed to interest rate risk on these financial instruments as the rates applicable are fixed interest rate.

Potential concentration of interest rate risk consist mainly of variable rate deposit investments, long-term receivables, other debtors, bank and cash balances.

The municipality limits its counterparty exposures from its money market investment operations by only dealing with well established financial institutions of high credit standing. No investment with a tenure exceeding twelve months are made.

The municipality limits its counterparty exposures from its money market investment operations by only dealing with ABSA Bank, First National Bank, Nedbank and Standard Bank. No investments with a tenure exceeding twelve months are made>
Receivables comprise a widespread customer base. Consumer debtors are presented net of a provision for impairment.

In the case of debtors whose accounts become in arrears, it is endeavoured to collect such accounts by "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 at this stage the municipality only partially implement its credit control policy as there is no hand over of debtors.

Long-term Receivables and Other Debtors are individually evaluated annually at Balance Sheet date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

The municipality is not exposed to interest rate risk as the municipality borrows funds at fixed interest rates.

Notes to the Financial Statements

Figures in Rand	2025	2024

55. Risk management (continued)

Price risk

The municipality is not exposed to equity price risks arising from equity investments as the municipality does not trade these investments.

56. Going concern

We draw attention to the fact that at 30 June 2025, the municipality had an accumulated surplus of 1,824,420,020 and that the municipality's total assets exceed its liabilities by 1,824,420,020.

The 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.

57. Events after the reporting date

The Accounting Officer is not aware of any significant events that have occured at the reporting date that needs to be disclosed in the Annual Financial Statements.

58. Additional disclosure in terms of Municipal Finance Management Act

Skills Development Levy

Current year subscription / fee	3,245,453	3,206,418
Amount paid - current year	(3,245,453)	(3,206,418)
	-	-

Audit fees

Current year subscription / fee	8,397,809	6,232,177
Amount paid - current year	(8,397,809)	(6,232,177)
	-	-

PAYE and UIF

Current year subscription / fee	60,850,565	60,476,338
Amount paid - current year	(60,850,565)	(60,476,338)
	-	-

Pension and Medical Aid Company Contributions

Current year subscription / fee	76,659,221	75,382,008
Amount paid - current year	(76,659,221)	(75,382,008)
	-	-

VAT

VAT receivable	(12,617,884)	(47,179,439)

VAT 201 is submitted monthly on a cash basis.

Figures in Rand	2025	2024

58. 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	Outstanding more than 90 days	Total
Councillor Daniels JC	9,075	394,547	403,622
Councillor Kgasi HP	5,039	110,400	115,439
Councillor Motshabi T	5,637	97,373	103,010
Councillor Strorais BS	1,746	34,365	36,111
Councillor Van Rooyen SJ	5,586	74,513	80,099
	27,083	**711,198**	**738,281**

30 June 2024	Outstanding less than 90 days	Outstanding more than 90 days	Total
Councillor Daniels JC	9,924	352,292	362,216
Councillor Kgasi HP	5,616	86,788	92,404
Councillor Motshabi T	5,111	85,324	90,435
Councillor Strorais BS	1,216	27,858	29,074
Councillor Van Rooyen SJ	7,789	73,698	81,487
	29,656	**625,960**	**655,616**

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

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.

Procurement transactions		
Emergency procurement	3,289,537	1,421,342
Sole provider	986,325	1,085,219
Impractical or impossible to follow official process	8,838,377	22,600,809
Other	7,181,161	18,077,127
No reason provided	583,835	2,234,986
	20,879,235	**45,419,483**

SALGA subscription

Opening balance	(3,332,145)	(3,159,689)
Current year subscription/fee	4,374,809	4,270,403
Amount paid - current year	(4,170,658)	(4,442,859)
	(3,127,994)	**(3,332,145)**

59. Segment information

General information

Identification of segments

The municipality is organised and reports to management on the basis of three major functional areas: primary, and secondary services. Management uses these same segments for determining strategic objectives. The municipality has 16 segments that were aggregated to nine (9) segments 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

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

Types of goods and/or services by segment

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

Reportable segment	**Goods and/or services**
Finance and Administration	Secondary services
Waste and Waste Water management	Primary services
Housing, Planning and Development	Secondary services
Public Safety and Road Transport	Primary services
Water Management	Primary services
Health, Community and Social Services	Primary services
Energy Sources	Primary services
Environmental protection, Sports and Recreation	Secondary services
Executive and council, Internal Audit and Other	Secondary services

Segment surplus or deficit, assets and liabilities

Segment surplus or deficit

59. Segment information (continued)

2025

	Finance and Administration	Public Safety and Road Transport	Environmental protection, Sports and Recreation	Executive and council, Internal Audit and Other	Housing, Planning and Development	Waste and Waste Water management	Water Management	Health, Community and Social Services	Energy Sources	Total
Revenue										
Revenue from non-exchange transactions	638,008,756	420,979	-	73,586,375	4,700,157	9,776,000	7,725,560	1,860,684	4,716,981	740,795,492
Revenue from exchange transactions	2,077,706	4,524,319	365,022	2,824,378	18,528,233	98,276,302	157,531,434	969,652	-	285,097,046
Interest revenue	159,744,982	-	-	-	-	-	-	-	-	159,744,982
Total Revenue	**799,831,444**	**4,945,298**	**365,022**	**76,410,753**	**23,228,390**	**108,052,302**	**165,256,994**	**2,830,336**	**4,716,981**	**1,185,637,520**
Expenditure										
Salaries and wages	(58,797,230)	(92,433,073)	-	(109,662,152)	(37,335,021)	(26,761,967)	(32,556,332)	(54,675,323)	(22,769,510)	(434,990,608)
Depreciation and amortisation	(3,414,054)	(55,137,342)	-	(4,150,144)	-	(2,425,643)	-	(9,472,221)	(15,079,064)	(89,678,468)
Debt written-off	(59,957,088)	-	-	-	-	(569,433,838)	(5,646)	-	-	(629,396,572)
Bulk purchases	-	-	-	-	-	-	170,552,928)	-	-	(170,552,928)
Repairs and maintenance	-	(6,536,126)	-	(238,098)	(7,476,544)	(6,946,051)	(10,395,848)	(703,598)	(3,075,833)	(35,372,098)
Contracted Services	(5,803,623)	(46,563,257)	-	(5,914,843)	(29,248,824)	(314,300)	(3,388,426)	(1,205,800)	(8,863,033)	(101,302,106)
Other expenses	(35,518,674)	(15,129,810)	-	(22,719,162)	(5,874,801)	(9,091,912)	(8,299,264)	(6,863,420)	(32,433,934)	(135,930,977)
Total Expenditure	(163,490,669)	(215,799,608)	-	(142,684,399)	(79,935,190)	(614,973,711)	225,198,444)	(72,920,362)	(82,221,374)	(1,597,223,757)
Operatibng Surplus										
Fair value adjusments	126,276,100	-	-	-	-	-	-	-	-	126,276,100
Reversal of impairments	458,864,220	-	-	-	-	-	-	-	-	458,864,220
Acturial gains/ (losses)	15,503,000	-	-	-	-	-	-	-	-	15,503,000
Rversal of Impairment - VBS impairment	15,805,442	-	-	-	-	-	-	-	-	15,805,442
Other movements	(1,589,481)	-	-	-	-	-	-	-	-	(1,589,481)
Total operating surplus	614,859,281	-	-	-	-	-	-	-	-	614,859,281
Surplus/ (Deficit)	**1,251,200,056**	**(210,854,310)**	**365,022**	**(66,273,646)**	**(56,706,800)**	**(506,921,409)**	**(59,941,450)**	**(70,090,026)**	**(77,504,393)**	**203,273,044**
Entity's revenue						**(66,273,646)**				

Notes to the Financial Statements

Figures in Rand

59. Segment information (continued)

Entity's Surplus (deficit) for the period	**203,273,044**

59. Segment information (continued)

2024

	Finance and Administration	Public Safety and Road Transport	Environmental protection, Sports and Recreation	Executive and council, Internal Audit and Other	Housing, Planning and Development	Waste and Waste Water management	Water Management	Health, Community and Social Services	Energy Sources	Total segment (deficit) surplus
Revenue										
Revenue from non-exchange transactions	777,567,054	3,582,887	-	99,616,112	2,954,613	-	12,677,418	1,776,714	2,752,195	900,926,993
Revenue from exchange transactions	126,514,244	(525,582)	27,283	2,150,025	10,418,548	100,851,042	144,883,749	843,193	-	385,162,502
Interest revenue	203,383,124	-	-	(4,654)	-	(5,860)	(90,475)	-	-	203,282,135
Total Revenue	1,107,464,422	3,057,305	27,283	101,761,483	13,373,161	100,845,182	157,470,692	2,619,907	2,752,195	1,489,371,630
Expenditure	-	-	-	-	-	-	-	-	-	-
Salaries and wages	(59,823,908)	(100,311,329)	-	(93,344,840)	(31,616,590)	(38,759,077)	(18,978,302)	(61,329,127)	(16,097,735)	(420,260,908)
Depreciation and amortisation	(1,938,624)	(48,230,694)	(1,119,796)	(3,734,433)	-	(2,116,742)	-	(6,664,109)	(3,813,383)	(67,617,781)
Debt impairment	(373,472,542)	-	-	-	-	-	-	-	-	(373,472,542)
Bulk purchases	-	-	-	-	-	-	(81,703,653)	-	-	(81,703,653)
Repairs and maintenance	-	(7,009,476)	-	(144,929)	(30,000)	(6,589,850)	(13,349,124)	(791,833)	(20,312,320)	(48,227,532)
Contracted services	(10,856,310)	(39,022,820)	-	(25,525,788)	(23,907,654)	(907,370)	(3,399,738)	(1,392,049)	(2,397,631)	(107,409,360)
Other expenses	(28,078,632)	(15,413,200)	-	(25,535,554)	(9,394,775)	(10,570,576)	(8,298,611)	(6,449,142)	(26,925,688)	(130,666,178)
Total expenditure	(474,170,016)	(209,987,519)	(1,119,796)	(148,285,544)	(64,949,019)	(58,943,615)	(125,729,428)	(76,626,260)	(69,546,757)	(1,229,357,954)
Operating surplus	-	-	-	-	-	-	-	-	-	-
Fair value adjustments	73,902,000	-	-	-	-	-	-	-	-	73,902,000
Acturial gains/ (losses)	(4,759,000)	-	-	-	-	-	-	-	-	(4,759,000)
Other movements	(23,541,941)	-	-	(2,924,948)	-	-	-	-	-	(26,466,889)
Total operating surplus	45,601,059	-	-	(2,924,948)	-	-	-	-	-	42,676,111
Total	**678,895,465**	**(206,930,214)**	**(1,092,513)**	**(49,449,009)**	**(51,575,858)**	**41,901,567**	**31,741,264**	**(74,006,353)**	**(66,794,562)**	**302,689,787**
Entity's revenue						**(49,449,009)**				
Entity's Surplus (deficit) for the period										**302,689,787**

60. Budget differences

Material differences between budget and actual amounts

STATEMENT OF FINANCIAL PERFOMANCE

Service charges

Detailed considerations on water estimations, reviewing in detail individual accounts during the billing process. Considerations on highly improbable estimates, reviewing exception report data in detail.

Rental of facilities and equipment

High-expectation on the community's need for open space activities, use of Municipal buildings for community leaders did not perform as expected after the COVID period. Communities still desire to have close nit ceremonies.

Interest income - debtors

Council approved the write-off of indigent consumer debts, amounting to around R1 billion, resulting in a lower consumer book coupled with a Council reduction on the rate charged on overdue accounts.

Licenses and permits

Revenues have stabilised around the R4 million mark, there was an expectation that the new empowered Local Economic Directorate would initiate substantive movement in this arena but due to budgetary constraints, limited or micro-movements are what are feasible at current.

Fees earned

Revenues have stabilised around the R4 million mark, there was an expectation that the new empowered Local Economic Directorate would initiate substantive movement in this arena but due to budgetary constraints, limited or micro-movements are what are feasible at current.

Interest received - investment

More investments were made than anticipated for the financial year.

Property rates

Extended reviews of property categorisation, in line with the MPRA, taking into account prescribed categories and rebates resulted in a decline in rate revenues..

Interest on property rates

Mahikeng's assessment rates have been noted as being on the high-end of the spectrum, resulting in a higher debt base which forms the basis of the configuration of the interest revenue notwithstanding the changes made by Council on the rate charged on accounts.

Government grants & subsidies

There was a delay in finsihing up the water laboratory project and thus the Ngaka grant could not be fully utilised. There was also a misalignment between budgeted grants and DoRA allocations.

Fines, Penalties and Forfeits

The prior years the Municipality had experienced increased lawlessness, peaking in 2023, whereby revenues were at R1.3 million coming out of the COVID years. A sense of normality has resulted in limited incidents of lawlessness within the community. Within the district, the Provincial traffic department to an extent competes in this arena resulting in suppressed revenues.

Employee related Costs

60. Budget differences (continued)

Vacant but funded posts. / Hiring employees to fill the funded and vacant posts was expected during the financial period hence an increase.

Repairs and maintenance

Majority of the repairs and maintenance completed qualified for asset capitalization..

Depreciation and amortization

This is due to new addition of assets in the form of completed WIP.

Expanded Public Works Programme Stipend

The amount was not budgeted for separately but was included in the employee related cost budget.

Finance costs

A decrease in finance costs was anticipated as service providers and suppliers were paid on time in order to avoid being charged interest.

Lease rentals on operating lease

Amount was incorrectly budgeted using the expired 2023 SLA.

Bad debts written off

Council approved the write-off of indigent consumers as a support measure per Resolution A.:83/09/2024.

Debt Impairment

Refer to Bad Debts Written off – Downward movement of receivables as a result of the write-off of bad debt written-off.

Bulk purchases

The municipality is in the process of quering the billing of December 2024, May 2025 and June 2025 as the invoices were 10x more than the monthly average individually.

Contracted Services

60. Budget differences (continued)

The municipality used to use one service provider for security but there was a need to appoint another company. So security expenditure has increased.

Gain on disposal of assets and liabilities

Amount was budgeted for as a cautionery due to 2024 financial statements. No assets were approved for disposal, with exception to stolen laptops.

Acturial gains

The amount is provided for by management specialists, the movement differs from positive to negative amount based of calculations. Management did not want to speculate if the amount might be positive or negative.

Reversal of impairment - VBS

Management had not anticipated a receipt from monies owed from VBS liquidation. The impairment reversal was a result of such receipt.

Reversal of impairment

The reversal of of imapirment relates to conssumer debtors and is a result of bad debt written off as per council resolution A:83/09/2024.

Inventories losses/ write-downs

There was an inventory write-up due inventory identified during stock take.

60. Budget differences (continued)

STATEMENT OF FINANCIAL POSITION

Inventories

Management undertook a lot of maintenance and repairs of municpal properties and facilities than anticipated, this resulted in more materials being issued.

Receivables from non-exchange transactions

The budget did not take into account the impairment of receivables. However, with impairment included, receivables would have increased significantly due to a drop in collection rate.

VAT payable

Management has been keeping up with payments of SARS VAT201s to ensure that not interest or penalties is incurred.

Prepayments

Prepayments usually comprise of insurance, SALGA and fire trucks. The municipality changed insurance provider in May 2025 and now pay insurance on a monthly basis as compared to yearly subscription. Fire trucks were subsequently delivered and no other commitment for new traucks was done. Only prepayment for the year was SALGA yearly subscription.

Consumer debtors

Council approved the write-off of indigent consumers as a support measure per Resolution A.:83/09/2024.

Inter-governmental receivables

More work than anticipated was carried out to fix infrastructure that belongs to Ngaka Modiri Molema.

Insurance receivable

See reason provided for "Gain on disposal of assets and liabilities".

Cash and cash equivalents

Management had anticipated to have more money invested but due to the increased unplanned expenditure, the opposite occurred as this money was used to settle liabilities.

Investment property

Management did not include a movement in the budget as AGSA raised issues on the valuation of the 23/24 financial statements and a consultant was to be appointed. Management could not anticipate if the movement would be positive or negative.

Payables from exchange transactions

The municipality has improved their payment turnaorund times to suppliers in order to avoid interests and penalties.

Consumer deposits

The municipality saw an unplanned increase in new water accounts and usage of facilities.

Employee benefit obligation

Calculations for employee benefit obligation are made by a management specialist and thus for is not budgeted as the direction of the movement cannot be anticipated.

60. Budget differences (continued)
Unspent conditional grants and receipts

Refer to reason given for government grants under statement of financial perfomance.

Provisions

Calculations for provisions are made by a management specialist and thus for is not budgeted as the direction of the movement cannot be anticipated.