



**Mangaung Metropolitan Municipality Group**  
Consolidated Annual Financial Statements  
for the year ended 30 June 2024

# Mangaung Metropolitan Municipality Group

Consolidated Annual Financial Statements for the year ended 30 June 2024

## General Information

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<b>Nature of business and principal activities</b>	Providing municipal services and maintaining the best interest of the local community, mainly in the Mangaung area.
<b>Mayoral committee</b>	
Executive Mayor	Nthatsi GMS
Mayoral Committee Members	Jonas-Malephane VE Titi-Odili LM Morake MA - Until 17 August 2023 Tladi MM - Until 17 August 2023 Mosala MT Twala PS Soqaga VS Letawana MM Kruger CL Tsoleli SP Qai A - From 18 August 2023 Nhlapo NA - From 18 August 2023
<b>Deputy Executive Mayor</b>	Titi-Odili LM - From 13 October 2023
<b>Speaker</b>	Mathae BL - From 20 September 2023 Davies M - Until 19 September 2023
<b>Accounting Officer</b>	More S - appointed from 1 November 2023 Ntshudisane MJ - Acting from 1 September 2023 until 31 October 2023 Dumalisile NR - Acting from 01 May 2023 until 31 August 2023
<b>Chief Financial Officer</b>	Thekiso Z - Appointed 1 June 2024 Pienaar GH - Acting from 01 April 2024 till 31 May 2024 Sitishi N - Acting from 01 September 2023 until 31 March 2024 Denge LA - Acting until 31 August 2023
<b>National Cabinet Representative</b>	Malaza G - Until 31 August 2023 Kunene V - Until 31 August 2023 Cibane T - Until 31 August 2023 Nkosi M - Until 31 August 2023
<b>Registered office</b>	Bram Fischer Building Cnr Nelson Mandela Drive and Markgraaff Street Bloemfontein 9301
<b>Postal address</b>	PO Box 3704 Bloemfontein 9301
<b>Controlling entity</b>	Mangaung Metropolitan Municipality
<b>Economic entity</b>	Mangaung Metropolitan Municipality Group (Municipal entity Centlec included)
<b>Bankers</b>	ABSA Development Bank of South Africa Nedbank Standard Bank
<b>Auditors</b>	Auditor General of South Africa

# Mangaung Metropolitan Municipality Group

Consolidated Annual Financial Statements for the year ended 30 June 2024

## General Information

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### Enabling legislation

Municipal Finance Management Act, (Act 56 of 2003)  
Municipal Systems Act, (Act 32 of 2000)  
Municipal Structures Act, (Act 117 of 1998)  
Municipal Property Rates Act, (Act 3 of 2017)  
Division of Revenue Act, (Act 16 of 2019)  
Municipal Demarcation Act, (Act 27 of 1998)

# Mangaung Metropolitan Municipality Group

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# Mangaung Metropolitan Municipality Group

Consolidated Annual Financial Statements for the year ended 30 June 2024

## Abbreviations

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### 1. Abbreviations used within the annual financial statements

ACT	Actual
CAPEX	Capital expenditure
CFO	Chief Financial Officer
COID	Compensation for Occupational Injuries and Diseases
CPI	Consumer Price Index
DBSA	Development Bank of South Africa
DOE	Department of Energy
FRESHCO	Free State Social Housing Company
GRAP	Generally Recognised Accounting Practice
HOD	Head of Directorate
IAS	International Accounting Standards
IFRS	International Financial Reporting Standards
IGRAP	Interpretation of the Standards of Generally Recognised Accounting Practice
IPTN	Integrated Public Transport Network
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act, (Act 56 of 2003)
MMM	Mangaung Metro Municipality
mSZOA	Municipal Standard Chart of Accounts
NDR	Non Distributable Reserve
NERSA	National Energy Regulator of South Africa
OPEX	Operational expenditure
PAYE	Pay As You Earn
PPE	Property, Plant and Equipment
SALGA	South African Local Government Association
SARS	South African Revenue Service
SCM	Supply Chain Management
SDL	Skills Development Levy
SOC	State Owned Company
UIF	Unemployment Insurance Fund
VAT	Value Added Tax
WIP	Work-in-Progress

# Mangaung Metropolitan Municipality Group

Consolidated Annual Financial Statements for the year ended 30 June 2024

## Accounting Officer's Responsibilities and Approval

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

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

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

The accounting officer acknowledge that he is ultimately responsible for the system of internal financial control established by the economic entity 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 economic entity and all employees are required to maintain the highest ethical standards in ensuring the economic entity's business is conducted in a manner that in all reasonable circumstances is above reproach.

The focus of risk management in the economic entity is on identifying, assessing, managing and monitoring all known forms of risk across the economic entity. While operating risk cannot be fully eliminated, the economic entity 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 responsible for the preparation of these annual financial statements in terms of Section 126(1) of the Municipal Finance Management Act, (Act 56 of 2003), and has signed on behalf of the municipality.

The accounting officer certifies that the salaries, allowances and benefits of Councillors, loans made to Councillors, if any, and payments made to Councillors for loss of office, if any, as disclosed in note 47 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, 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.

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 consolidated annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the economic entity's cash flow forecast for the year to 30 June 2025 and, in the light of this review and the current financial position, they are satisfied that the economic entity has or has access to adequate resources to continue in operational existence for the foreseeable future.

Although the accounting officer is primarily responsible for the financial affairs of the municipality, he is supported by the municipality's external auditors to express an independent opinion on the fair presentation of the annual financial statements.

The external auditors are responsible for independently auditing and reporting on the economic entity's consolidated annual financial statements.

The consolidated annual financial statements set out on page 291 - 455, which have been prepared on the going concern basis, were approved by the accounting officer on 30 September 2024 and were signed on its behalf by:

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**More S**  
**City Manager**

# Mangaung Metropolitan Municipality Group

Consolidated Annual Financial Statements for the year ended 30 June 2024

## Accounting Officer's Report

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The accounting officer submit his report for the year ended 30 June 2024.

### 1. Review of activities

#### Main business and operations

Net surplus of the economic entity was R 157,577,528 (2023: surplus R 32,344,663).

### 2. Going concern

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

The municipality still has the power to levy rates and taxes and it will continue to receive funding from government as evident from the equitable share allocation in terms of the Division of Revenue Act, (Act 5 of 2023).

Refer to the going concern note 66 for more detail.

### 3. Subsequent events

Management is not aware of any subsequent events.

### 4. Accounting Officers' interest in contracts

None

### 5. Accounting Officer

The accounting officers of the municipality during the year and to the date of this report are as follows:

Name	Nationality	Changes
Dumalisile NR	South African	Acting from 01 May 2023 until 31 August 2023
Ntshudisane MJ	South African	Acting from 1 September 2023 until 31 October 2023
More S	South African	Appointed from 1 November 2023

### 6. Intervention team

The Minister for Finance approved the national intervention in terms of section 139(7) of the Constitution of the Republic of South Africa Act, 1996 ("the Constitution") read with section 150 of the MFMA, on 26 April 2022 and was published on 28 April 2022.

The National Cabinet requested on the 06 April 2022 for National Treasury to intervene in the affairs of Mangaung Metropolitan Municipality. The team was withdrawn on 31 August 2023.

#### The National intervention team placed at Mangaung until 31 August 2023 were as follows:

1. Malaza G - National Cabinet Representative
2. Kunene V - Finance Specialist
3. Cibane T - Governance Specialist
4. Nkosi M - Governance Specialist

### 7. Date of signature

The consolidated annual financial statements set out on pages 291 - 455, which have been prepared on the going concern basis, were approved by the accounting officer on 30 September 2024 and were signed on its behalf by:

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**More S**  
**City Manager**

# Mangaung Metropolitan Municipality Group

Consolidated Annual Financial Statements for the year ended 30 June 2024

## Statement of Financial Position as at 30 June 2024

Figures in Rand	Note(s)	Economic entity		Controlling entity	
		2024	2023 Restated*	2024	2023 Restated*
<b>Assets</b>					
<b>Current Assets</b>					
Inventories	3	647,296,479	528,594,335	425,668,038	401,539,943
Consumer receivables from exchange transactions	5	1,486,258,883	1,301,274,869	1,036,913,368	767,291,782
Consumer receivables from non-exchange transactions	6	449,935,403	418,907,795	449,935,403	418,907,795
Other receivables from exchange transactions	7	311,098,070	269,168,850	115,663,079	121,809,191
Other receivables from non-exchange transactions	4	3,801,564	1,116,700	3,801,564	1,116,700
VAT receivables	8	176,699,187	198,015,216	176,699,187	198,015,216
Centlec intercompany loan	9	-	-	821,949,485	813,925,650
Cash and cash equivalents	10	494,860,924	711,160,916	483,750,375	686,865,832
Centlec receivables	16	-	-	6,554,416	6,554,416
Non-current receivables	17	66,185	191,345	-	-
		<b>3,570,016,695</b>	<b>3,428,430,026</b>	<b>3,520,934,915</b>	<b>3,416,026,525</b>
<b>Non-Current Assets</b>					
Investment property	11	1,590,665,600	1,587,424,015	1,590,665,600	1,587,424,015
Property, plant and equipment	12	17,532,262,587	17,533,588,974	11,533,275,481	11,446,244,185
Intangible assets	13	185,808,198	140,596,134	88,481,114	42,419,016
Heritage assets	14	258,244,752	258,360,340	258,244,752	258,360,340
Investments in controlled entities	15	-	-	100	100
Centlec receivables	16	-	-	838,245,325	844,799,741
Non-current receivables	17	181,690	264,189	181,690	155,777
Living resources	18	3,194,500	3,170,999	3,194,500	3,170,999
Deferred tax	19	1,534,418,783	1,414,854,171	-	-
		<b>21,104,776,110</b>	<b>20,938,258,822</b>	<b>14,312,288,562</b>	<b>14,182,574,173</b>
<b>Total Assets</b>		<b>24,674,792,805</b>	<b>24,366,688,848</b>	<b>17,833,223,477</b>	<b>17,598,600,698</b>
<b>Liabilities</b>					
<b>Current Liabilities</b>					
Payables from exchange transactions	20	2,855,936,349	2,425,359,991	1,726,878,523	1,823,415,482
Payables from non-exchange transactions	21	172,979,509	264,593,416	172,979,509	264,593,416
Consumer deposits	22	192,400,788	194,904,018	33,693,611	34,408,218
Unspent conditional grants and receipts	23	193,594,528	368,393,282	193,594,528	368,393,282
Borrowings	24	156,246,602	162,818,218	156,246,602	162,818,218
Provisions	25	152,602,161	117,539,100	152,602,161	117,539,100
Employee benefit obligations	26	62,083,000	52,414,000	39,381,000	34,593,000
Finance lease obligation	27	-	1,511,179	-	-
VAT payable	8	252,383,356	247,523,390	-	-
		<b>4,038,226,293</b>	<b>3,835,056,594</b>	<b>2,475,375,934</b>	<b>2,805,760,716</b>
<b>Non-Current Liabilities</b>					
Borrowings	24	279,516,756	564,887,630	150,576,463	307,007,045
Provisions	25	933,855,705	691,222,696	933,855,705	691,222,696
Employee benefit obligation	26	674,507,000	626,942,600	563,310,000	526,418,600
FRESHCO	28	121,264,444	135,392,341	121,264,444	135,392,341
Land availability	29	235,886,474	251,723,941	235,886,474	251,723,941
Deferred tax	19	1,311,285,052	1,333,331,491	-	-
		<b>3,556,315,431</b>	<b>3,603,500,699</b>	<b>2,004,893,086</b>	<b>1,911,764,623</b>
<b>Total Liabilities</b>		<b>7,594,541,724</b>	<b>7,438,557,293</b>	<b>4,480,269,020</b>	<b>4,717,525,339</b>
<b>Net Assets</b>		<b>17,080,251,081</b>	<b>16,928,131,555</b>	<b>13,352,954,457</b>	<b>12,881,075,359</b>

\* See Note 75



# Mangaung Metropolitan Municipality Group

Consolidated Annual Financial Statements for the year ended 30 June 2024

## Statement of Financial Position as at 30 June 2024

Figures in Rand	Note(s)	Economic entity		Controlling entity	
		2024	2023 Restated*	2024	2023 Restated*
Reserves					
Revaluation reserve	30	4,992,197,745	5,009,923,531	867,976,243	879,356,708
Self-insurance reserve	31	10,000,000	10,000,000	10,000,000	10,000,000
COVID reserve	32	15,749,079	17,383,704	15,749,079	17,383,704
Other NDR	33	60,000,000	60,000,000	-	-
Accumulated surplus		12,002,304,257	11,830,824,320	12,459,229,135	11,974,334,947
<b>Total Net Assets</b>		<b>17,080,251,081</b>	<b>16,928,131,555</b>	<b>13,352,954,457</b>	<b>12,881,075,359</b>

\* See Note 75

# Mangaung Metropolitan Municipality Group

Consolidated Annual Financial Statements for the year ended 30 June 2024

## Statement of Financial Performance

Figures in Rand	Note(s)	Economic entity		Controlling entity	
		2024	2023 Restated*	2024	2023 Restated*
<b>Revenue</b>					
<b>Revenue from exchange transactions</b>					
Service charges	34	5,025,331,923	4,510,441,400	1,926,678,529	1,782,126,938
Rental of facilities and equipment	35	40,388,217	33,532,092	40,388,217	33,532,092
Other income from exchange transactions	37	50,463,122	58,799,046	35,453,858	31,235,711
Interest received from exchange transactions	38	653,872,857	508,969,309	885,032,125	716,149,236
Dividends received	38	8,036	11,859	8,036	11,859
Agency services	39	7,279,311	6,227,547	-	-
Service concession arrangements	40	29,967,588	29,965,938	29,967,588	29,965,938
Commissions received	41	30,566,927	29,212,348	30,566,927	29,212,348
<b>Total revenue from exchange transactions</b>		<b>5,837,877,981</b>	<b>5,177,159,539</b>	<b>2,948,095,280</b>	<b>2,622,234,122</b>
<b>Revenue from non-exchange transactions</b>					
Living resources	18	630,600	660,800	630,600	660,800
Fines, Penalties and Forfeits	36	96,657,670	40,944,618	92,918,436	14,771,514
Property rates	42	1,448,159,127	1,508,845,345	1,448,159,127	1,508,845,345
Interest received from non-exchange transactions	43	172,226,079	124,636,207	172,226,079	124,636,207
Government grants & subsidies	44	2,191,147,817	2,118,427,431	2,191,147,817	2,118,427,431
Public contributions and donations	45	1,287,837	1,950,000	1,287,837	1,950,000
<b>Total revenue from non-exchange transactions</b>		<b>3,910,109,130</b>	<b>3,795,464,401</b>	<b>3,906,369,896</b>	<b>3,769,291,297</b>
<b>Total revenue</b>		<b>9,747,987,111</b>	<b>8,972,623,940</b>	<b>6,854,465,176</b>	<b>6,391,525,419</b>
<b>Expenditure</b>					
Employee related costs	46	(2,415,959,324)	(2,251,822,199)	(1,904,927,871)	(1,797,854,038)
Remuneration of councillors	47	(74,551,839)	(67,931,253)	(74,551,839)	(67,931,253)
Depreciation and amortisation	48	(809,286,733)	(844,312,498)	(579,973,028)	(612,877,311)
Finance costs	50	(330,589,496)	(332,002,897)	(307,525,018)	(268,328,793)
Debt Impairment	52	(1,595,209,317)	(1,554,701,069)	(1,526,849,080)	(1,611,452,796)
General expenses	53	(466,818,857)	(417,120,286)	(483,021,480)	(443,748,231)
Bulk purchases	54	(3,384,844,887)	(2,955,315,061)	(914,593,751)	(814,638,653)
Contracted services	55	(718,935,204)	(611,307,083)	(585,841,842)	(495,361,252)
Grants, transfers and subsidies	56	-	-	(72,173,913)	(41,109,904)
<b>Total expenditure</b>		<b>(9,796,195,657)</b>	<b>(9,034,512,346)</b>	<b>(6,449,457,822)</b>	<b>(6,153,302,231)</b>
<b>Operating (deficit) surplus</b>		<b>(48,208,546)</b>	<b>(61,888,406)</b>	<b>405,007,354</b>	<b>238,223,188</b>
Inventories losses/write-downs	3	(1,839,938)	2,067,366	(1,995,706)	(1,929,971)
Remeasurement of provision	25	100,360,677	-	100,360,677	-
Remeasurements of the net defined benefit liability	26	16,374,622	105,693,789	11,122,400	84,961,400
Impairment loss	49	(59,181,405)	(58,276,037)	(54,865,657)	(13,505,529)
Fair value adjustments	57	3,264,841	1,832,511	3,264,841	1,832,511
Gain/(loss) on disposal of assets and liabilities	58	5,196,225	(53,901,149)	8,506,636	(25,618,885)
		<b>64,175,022</b>	<b>(2,583,520)</b>	<b>66,393,191</b>	<b>45,739,526</b>
<b>Surplus (deficit) before taxation</b>		<b>15,966,476</b>	<b>(64,471,926)</b>	<b>471,400,545</b>	<b>283,962,714</b>
Taxation	59	141,611,052	96,816,589	-	-
<b>Surplus for the year</b>		<b>157,577,528</b>	<b>32,344,663</b>	<b>471,400,545</b>	<b>283,962,714</b>

\* See Note 75

# Mangaung Metropolitan Municipality Group

Consolidated Annual Financial Statements for the year ended 30 June 2024

## Statement of Changes in Net Assets

Figures in Rand	Revaluation reserve	Other NDR	Insurance reserve	COVID reserve	Total reserves	Accumulated surplus / deficit	Total net assets
<b>Economic entity</b>							
Opening balance as previously reported	5,002,837,309	60,000,000	10,000,000	19,139,985	5,091,977,294	11,973,771,068	17,065,748,362
Adjustments							
Prior year adjustments	3,391,336	-	-	-	3,391,336	(189,279,863)	(185,888,527)
<b>Balance at 1 July 2022 as restated*</b>	<b>5,006,228,645</b>	<b>60,000,000</b>	<b>10,000,000</b>	<b>19,139,985</b>	<b>5,095,368,630</b>	<b>11,784,491,205</b>	<b>16,879,859,835</b>
Changes in net assets							
Surplus for the year	-	-	-	-	-	77,759,465	77,759,465
Realisation of the revaluation reserve through accumulated surplus	(408,768)	-	-	-	(408,768)	408,768	-
Prior period error	394,579	-	-	-	394,579	(45,414,806)	(45,020,227)
Realisation of the revaluation reserve through depreciation	(11,823,407)	-	-	-	(11,823,407)	11,823,407	-
Contribution received	-	-	968,845	-	968,845	(968,845)	-
Disposals	3,594,600	-	-	-	3,594,600	-	3,594,600
Insurance claims processed	-	-	(968,845)	(1,756,281)	(2,725,126)	2,725,126	-
Revaluation of assets	1,921,030	-	-	-	1,921,030	-	1,921,030
Revaluation of servitudes	10,016,852	-	-	-	10,016,852	-	10,016,852
Total changes	3,694,886	-	-	(1,756,281)	1,938,605	46,333,115	48,271,720
<b>Restated* Balance at 1 July 2023</b>	<b>5,009,923,531</b>	<b>60,000,000</b>	<b>10,000,000</b>	<b>17,383,704</b>	<b>5,097,307,235</b>	<b>11,830,824,324</b>	<b>16,928,131,559</b>
Changes in net assets							
Realisation of the revaluation reserve through accumulated surplus	(408,768)	-	-	-	(408,768)	408,768	-
Disposals	(6,210,593)	-	-	-	(6,210,593)	-	(6,210,593)
Contribution received	-	-	1,145,719	-	1,145,719	(1,145,719)	-
Realisation of the revaluation reserve through depreciation	(11,859,012)	-	-	-	(11,859,012)	11,859,012	-
Insurance claims processed	-	-	(1,145,719)	(1,634,625)	(2,780,344)	2,780,344	-
Revaluation of assets	752,587	-	-	-	752,587	-	752,587
Net income (losses) recognised directly in net assets	(17,725,786)	-	-	(1,634,625)	(19,360,411)	13,902,405	(5,458,006)
Surplus for the year	-	-	-	-	-	157,577,528	157,577,528
Total recognised income and expenses for the year	(17,725,786)	-	-	(1,634,625)	(19,360,411)	171,479,933	152,119,522
Total changes	(17,725,786)	-	-	(1,634,625)	(19,360,411)	171,479,933	152,119,522
<b>Balance at 30 June 2024</b>	<b>4,992,197,745</b>	<b>60,000,000</b>	<b>10,000,000</b>	<b>15,749,079</b>	<b>5,077,946,824</b>	<b>12,002,304,257</b>	<b>17,080,251,081</b>
Note(s)	30	33	31	32			

\* See Note 75

# Mangaung Metropolitan Municipality Group

Consolidated Annual Financial Statements for the year ended 30 June 2024

## Statement of Changes in Net Assets

Figures in Rand	Revaluation reserve	Other NDR	Insurance reserve	COVID reserve	Total reserves	Accumulated surplus	Total net assets
<b>Controlling entity</b>							
Opening balance as previously reported	885,473,170	-	10,000,000	19,139,985	914,613,155	11,775,931,415	12,690,544,570
Adjustments							
Prior year adjustments	3,391,336	-	-	-	3,391,336	(99,138,863)	(95,747,527)
<b>Balance at 1 July 2022 as restated*</b>	<b>888,864,506</b>	<b>-</b>	<b>10,000,000</b>	<b>19,139,985</b>	<b>918,004,491</b>	<b>11,676,792,552</b>	<b>12,594,797,043</b>
Changes in net assets							
Surplus for the year	-	-	-	-	-	328,994,945	328,994,945
Prior period error	394,579	-	-	-	394,579	(45,032,238)	(44,637,659)
Contribution received	-	-	968,845	-	968,845	(968,845)	-
Realisation of the revaluation reserve through depreciation	(11,823,407)	-	-	-	(11,823,407)	11,823,407	-
Insurance claims processed	-	-	(968,845)	(1,756,281)	(2,725,126)	2,725,126	-
Revaluation of assets	1,921,030	-	-	-	1,921,030	-	1,921,030
Total changes	(9,507,798)	-	-	(1,756,281)	(11,264,079)	297,542,395	286,278,316
<b>Restated* Balance at 1 July 2023</b>	<b>879,356,708</b>	<b>-</b>	<b>10,000,000</b>	<b>17,383,704</b>	<b>906,740,412</b>	<b>11,974,334,953</b>	<b>12,881,075,365</b>
Changes in net assets							
Disposals	(274,040)	-	-	-	(274,040)	-	(274,040)
Realisation of the revaluation reserve through depreciation	(11,859,012)	-	-	-	(11,859,012)	11,859,012	-
Revaluation of assets	752,587	-	-	-	752,587	-	752,587
Insurance claims processed	-	-	-	(1,634,625)	(1,634,625)	1,634,625	-
Contribution received	-	-	1,145,719	-	1,145,719	(1,145,719)	-
Insurance claims processed	-	-	(1,145,719)	-	(1,145,719)	1,145,719	-
Net income (losses) recognised directly in net assets	(11,380,465)	-	-	(1,634,625)	(13,015,090)	13,493,637	478,547
Surplus for the year	-	-	-	-	-	471,400,545	471,400,545
Total recognised income and expenses for the year	(11,380,465)	-	-	(1,634,625)	(13,015,090)	484,894,182	471,879,092
Total changes	(11,380,465)	-	-	(1,634,625)	(13,015,090)	484,894,182	471,879,092
<b>Balance at 30 June 2024</b>	<b>867,976,243</b>	<b>-</b>	<b>10,000,000</b>	<b>15,749,079</b>	<b>893,725,322</b>	<b>12,459,229,135</b>	<b>13,352,954,457</b>
Notes	30	33	31	32			

\* See Note 75

# Mangaung Metropolitan Municipality Group

Consolidated Annual Financial Statements for the year ended 30 June 2024

## Cash Flow Statement

Figures in Rand	Notes	Economic entity		Controlling entity	
		2024	2023 Restated*	2024	2023 Restated*
<b>Cash flows from operating activities</b>					
<b>Receipts</b>					
Cash receipts from customers		5,527,274,653	5,019,221,000	2,436,150,761	2,179,655,631
Grants		1,932,315,809	1,999,814,925	1,932,315,808	1,999,814,924
Interest income		120,694,785	94,252,001	79,262,783	67,166,630
Dividends received		8,036	11,859	8,036	11,859
		<b>7,580,293,283</b>	<b>7,113,299,785</b>	<b>4,447,737,388</b>	<b>4,246,649,044</b>
<b>Payments</b>					
Employee costs		(2,461,354,297)	(2,310,911,352)	(1,961,649,732)	(1,865,040,607)
Suppliers		(4,403,062,537)	(4,163,308,570)	(2,018,757,988)	(1,681,139,216)
Finance costs		(57,421,191)	(47,223,600)	(6,049,158)	1,920,198
Grants		-	-	(72,173,913)	(41,109,900)
		<b>(6,921,838,025)</b>	<b>(6,521,443,522)</b>	<b>(4,058,630,791)</b>	<b>(3,585,369,525)</b>
<b>Net cash flows from operating activities</b>	60	<b>658,455,258</b>	<b>591,856,263</b>	<b>389,106,597</b>	<b>661,279,519</b>
<b>Cash flows from investing activities</b>					
Purchase of property, plant and equipment	12	(486,302,422)	(581,933,272)	(338,752,896)	(426,814,778)
Proceeds from sale of property, plant and equipment	12	2,809,395	1,034,424	-	-
Purchase of other intangible assets	13	(54,054,623)	(14,886,950)	(46,535,102)	(3,780,204)
Purchases of financial assets		230,915	290,404	(2,657)	16,690
		<b>(537,316,735)</b>	<b>(595,495,394)</b>	<b>(385,290,655)</b>	<b>(430,578,292)</b>
<b>Cash flows from financing activities</b>					
Repayment of borrowings		(291,942,490)	60,209,791	(163,002,198)	(197,670,811)
Repayment of finance leases		(1,566,824)	(14,478,203)	-	(12,219,650)
Finance costs		(43,929,200)	(62,222,466)	(43,929,200)	(62,222,466)
		<b>(337,438,514)</b>	<b>(16,490,878)</b>	<b>(206,931,398)</b>	<b>(272,112,927)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(216,299,991)</b>	<b>(20,130,009)</b>	<b>(203,115,456)</b>	<b>(41,411,700)</b>
Cash and cash equivalents at the beginning of the year		711,160,916	731,290,924	686,865,832	728,277,531
<b>Cash and cash equivalents at the end of the year</b>	10	<b>494,860,925</b>	<b>711,160,915</b>	<b>483,750,376</b>	<b>686,865,831</b>

\* See Note 75

# Mangaung Metropolitan Municipality Group

Consolidated Annual Financial Statements for the year ended 30 June 2024

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Virements	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Economic entity</b>						
<b>Statement of Financial Performance</b>						
<b>Revenue</b>						
<b>Revenue from exchange transactions</b>						
Service charges	5,597,889,147	-	5,597,889,147	5,025,331,922	(572,557,225)	73.1
Rental of facilities and equipment	47,003,795	-	47,003,795	40,388,217	(6,615,578)	73.2
Other income from exchange transactions	73,510,113	-	73,510,113	50,463,122	(23,046,991)	73.3
Interest received from exchange transactions	290,216,875	-	290,216,875	653,872,857	363,655,982	73.4
Agency services	-	-	-	7,279,311	7,279,311	73.5
Dividends received	2,532	-	2,532	8,036	5,504	73.6
Service concession arrangements	-	-	-	29,967,588	29,967,588	73.7
Commissions received	30,998,835	-	30,998,835	30,566,927	(431,908)	73.8
<b>Total revenue from exchange transactions</b>	<b>6,039,621,297</b>	<b>-</b>	<b>6,039,621,297</b>	<b>5,837,877,980</b>	<b>(201,743,317)</b>	
<b>Revenue from non-exchange transactions</b>						
<b>Taxation revenue</b>						
Property rates	1,541,522,093	-	1,541,522,093	1,448,159,127	(93,362,966)	73.9
Interest received from non-exchange transactions	52,801,176	-	52,801,176	172,226,079	119,424,903	73.10
<b>Transfer revenue</b>						
Government grants & subsidies	1,571,705,025	64,171,275	1,635,876,300	1,598,645,345	(37,230,955)	73.11
Public contributions and donations	-	-	-	1,287,837	1,287,837	73.12
Fines, penalties and forfeits	31,434,464	-	31,434,464	96,657,670	65,223,206	73.13
Living resources	-	-	-	630,600	630,600	73.14
<b>Total revenue from non-exchange transactions</b>	<b>3,197,462,758</b>	<b>64,171,275</b>	<b>3,261,634,033</b>	<b>3,317,606,658</b>	<b>55,972,625</b>	
<b>Total revenue (excluding capital transfers and contributions)</b>	<b>9,237,084,055</b>	<b>64,171,275</b>	<b>9,301,255,330</b>	<b>9,155,484,638</b>	<b>(145,770,692)</b>	
<b>Expenditure</b>						
Employee related cost	(2,340,493,375)	2,642,087	(2,337,851,288)	(2,415,959,324)	(78,108,036)	73.15
Remuneration of councillors	(76,456,664)	-	(76,456,664)	(74,551,839)	1,904,825	73.16
Depreciation and amortisation	(382,448,890)	-	(382,448,890)	(809,286,733)	(426,837,843)	73.17
Finance costs	(45,313,978)	-	(45,313,978)	(330,589,497)	(285,275,519)	73.18
Debt Impairment	(1,382,590,352)	-	(1,382,590,352)	(1,595,209,317)	(212,618,965)	73.19
Bulk purchases	(2,866,092,730)	33,631,818	(2,832,460,912)	(3,384,844,887)	(552,383,975)	73.20
Contracted services	(676,629,868)	6,934,130	(669,695,738)	(718,935,204)	(49,239,466)	73.21
Grants, transfers and subsidies	(1,844,500)	1,820,000	(24,500)	-	24,500	73.22
General expenses	(518,260,808)	(204,405)	(518,465,213)	(466,818,855)	51,646,358	73.23
<b>Total expenditure</b>	<b>(8,290,131,165)</b>	<b>44,823,630</b>	<b>(8,245,307,535)</b>	<b>(9,796,195,656)</b>	<b>(1,550,888,121)</b>	
<b>Operating (deficit) surplus</b>	<b>946,952,890</b>	<b>108,994,905</b>	<b>1,055,947,795</b>	<b>(640,711,018)</b>	<b>(1,696,658,813)</b>	
Inventories losses/write-downs	-	-	-	(1,839,938)	(1,839,938)	73.24
Remeasurements of the net defined benefit liability	-	-	-	16,374,622	16,374,622	73.25
Impairment loss	-	-	-	(59,181,406)	(59,181,406)	73.26
Fair value adjustments	-	-	-	3,264,841	3,264,841	73.27
Loss on disposal of assets and liabilities	(372,064,319)	-	(372,064,319)	5,196,225	377,260,544	73.28

# Mangaung Metropolitan Municipality Group

Consolidated Annual Financial Statements for the year ended 30 June 2024

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis						
	Approved budget	Virements	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Remeasurement of provision	-	-	-	100,360,677	<b>100,360,677</b>	73.29
	<b>(372,064,319)</b>	-	<b>(372,064,319)</b>	<b>64,175,021</b>	<b>436,239,340</b>	
<b>Surplus/(Deficit) before capital transfers</b>	<b>574,888,571</b>	<b>108,994,905</b>	<b>683,883,476</b>	<b>(576,535,997)</b>	<b>(1,260,419,473)</b>	
Transfers recognised - Capital	817,679,185	5,000,000	<b>822,679,185</b>	592,502,472	<b>(230,176,713)</b>	73.30
<b>Surplus for the year before taxation</b>	<b>574,888,571</b>	<b>108,994,905</b>	<b>683,883,476</b>	<b>15,966,475</b>	<b>(1,852,921,945)</b>	
Taxation	-	-	-	141,611,052	<b>141,611,052</b>	73.31
<b>Surplus for the year after taxation</b>	<b>1,392,567,756</b>	<b>113,994,905</b>	<b>1,506,562,661</b>	<b>157,577,527</b>	<b>(1,348,985,134)</b>	

# Mangaung Metropolitan Municipality Group

Consolidated Annual Financial Statements for the year ended 30 June 2024

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Virements	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Statement of Financial Position</b>						
<b>Current Assets</b>						
Total current assets	4,299,182,000	-	<b>4,299,182,000</b>	3,393,317,507	<b>(905,864,493)</b>	73.32
<b>Non-Current Assets</b>						
Total non-current assets	23,215,018,000	-	<b>23,215,018,000</b>	21,104,776,110	<b>(2,110,241,890)</b>	73.33
<b>Total Assets</b>	<b>27,514,200,000</b>	-	<b>27,514,200,000</b>	<b>24,498,093,617</b>	<b>(3,016,106,383)</b>	
<b>Current Liabilities</b>						
Total current liabilities	2,507,028,000	-	<b>2,507,028,000</b>	3,861,527,103	<b>1,354,499,103</b>	73.34
<b>Non-Current Liabilities</b>						
Total non-current liabilities	1,781,712,000	-	<b>1,781,712,000</b>	3,556,315,431	<b>1,774,603,431</b>	73.35
<b>Total Liabilities</b>	<b>4,288,740,000</b>	-	<b>4,288,740,000</b>	<b>7,417,842,534</b>	<b>3,129,102,534</b>	
<b>Net Assets</b>	<b>23,225,460,000</b>	-	<b>23,225,460,000</b>	<b>17,080,251,083</b>	<b>(6,145,208,917)</b>	
<b>Reserves</b>						
Total reserves	23,225,460,000	-	<b>23,225,460,000</b>	17,080,251,083	<b>(6,145,208,917)</b>	73.36
<b>Cash Flow Statement</b>						
Net cash flows from operating activities	1,894,871,000	-	<b>1,894,871,000</b>	658,455,258	<b>(1,236,415,742)</b>	73.37
Net cash flows from investing activities	(950,852,000)	-	<b>(950,852,000)</b>	(537,316,735)	<b>413,535,265</b>	73.37
Net cash flows from financing activities	(122,408,000)	-	<b>(122,408,000)</b>	(337,438,514)	<b>(215,030,514)</b>	73.37
<b>Total</b>	<b>821,611,000</b>	-	<b>821,611,000</b>	<b>(216,299,991)</b>	<b>(1,037,910,991)</b>	
Net increase/(decrease) in cash and cash equivalents	821,611,000	-	<b>821,611,000</b>	(216,299,991)	<b>(1,037,910,991)</b>	73.37

Budget variances are disclosed in note 73.



# Mangaung Metropolitan Municipality Group

Consolidated Annual Financial Statements for the year ended 30 June 2024

## Accounting Policies

Figures in Rand	Note(s)	Economic entity		Controlling entity	
		2024	2023	2024	2023

### 1. Presentation of Consolidated Annual Financial Statements

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

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

In the absence of an issued and effective Standard of GRAP, accounting policies for material transactions, events or conditions were developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 as read with Directive 5.

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

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

These accounting policies are consistent with the previous period.

#### 1.1 Going concern assumption

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

#### 1.2 Materiality

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

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

# Mangaung Metropolitan Municipality Group

Consolidated Annual Financial Statements for the year ended 30 June 2024

## Accounting Policies

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### 1.3 Consolidation

#### **Basis for consolidation**

Consolidated annual financial statements are the consolidated annual financial statements of the municipality and its municipal entity presented as those of a single entity.

The consolidated annual financial statements incorporate the consolidated annual financial statements of the controlling entity and all controlled entity, including special purpose entities, which are controlled by the controlling entity.

Consolidated annual financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

Control exists when the controlling entity has the power to govern the financial and operating policies of another entity so as to obtain benefits from its activities.

The revenue and expenses of a controlled entity are included in the consolidated annual financial statements from the transfer date or acquisition date as defined in the Standards of GRAP on Transfer of functions between entities under common control or Transfer of functions between entities not under common control. The revenue and expenses of the controlled entity are based on the values of the assets and liabilities recognised in the controlling entity's consolidated annual financial statements at the acquisition date.

The consolidated annual financial statements of the controlling entity and its controlled entities used in the preparation of the consolidated annual financial statements are prepared as of the same date.

When the end of the reporting dates of the controlling entity is different from that of a controlled entity, the controlled entity prepares, for consolidation purposes, additional consolidated annual financial statements as of the same date as the consolidated annual financial statements of the controlling entity unless it is impracticable to do so. When the consolidated annual financial statements of a controlled entity used in the preparation of consolidated annual financial statements are prepared as of a date different from that of the controlling entity, adjustments are made for the effects of significant transactions or events that occur between that date and the date of the controlling entity's consolidated annual financial statements. In any case, the difference between the end of the reporting date of the controlled entity and that of the controlling entity is no more than three months. The length of the reporting periods and any difference between the ends of the reporting dates is the same from period to period.

Adjustments are made when necessary to the consolidated annual financial statements of the controlled entities to bring their accounting policies in line with those of the controlling entity.

All intra-entity transactions, balances, revenues and expenses are eliminated in full on consolidation. Non-controlling interest in the net assets of the municipality is identified and recognised separately from the controlling entity's interest therein, and are recognised within net assets.

Changes in a controlling entity's ownership interest in a controlled entity that do not result in a loss of control are accounted for as transactions that affect net assets.

A special purpose entity is consolidated when the substance of the relationship between the municipality and the Special purpose entity indicates that the Special purpose entity is controlled by the municipality.

### 1.4 Significant judgements and sources of estimation uncertainty

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

#### **Trade receivables, loans and other receivables**

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

Where the impairment for trade receivables, loans and other receivables is calculated on a portfolio basis, these are based on historical loss ratios. These annual loss ratios are applied to the balances in the portfolio. The impairment is measured as the difference between the receivables' carrying amount and the present value of the estimated future cash flows discounted at the effective interest rate, computed at initial recognition. The impairment loss is recognised in surplus or deficit when there is objective evidence that it is impaired.

#### **Allowance for slow moving, damaged and obsolete stock**

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

# Mangaung Metropolitan Municipality Group

Consolidated Annual Financial Statements for the year ended 30 June 2024

## Accounting Policies

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### 1.4 Significant judgements and sources of estimation uncertainty (continued)

#### Fair value estimation

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

The fair value of investment property is determined on the basis of a valuation by an independent valuer who holds a recognised and relevant professional qualification and has recent experience in the location and category of the investment property being valued.

The fair value of items of land and buildings is determined from market-based evidence by appraisal. An appraisal of the value of the asset is undertaken by a member of the valuation profession, who holds a recognised and relevant professional qualification.

The fair value of heritage assets is the price at which the heritage asset could be exchanged between knowledgeable, willing parties in an arm's length transaction. The fair value of heritage assets is determined from market-based evidence determined by appraisal. An appraisal of the value of the asset is normally undertaken by a member of the valuation profession, who holds a recognised and relevant professional qualification.

#### 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. The recoverable service amount of non-cash-generating assets have been determined on the higher of value-in-use calculations and fair value less cost 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 tangible assets.

The economic entity 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 goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a several factors, including production estimates, supply demand, together with economic factors such as exchange rates, inflation rates and interest rates.

#### Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 25 - Provisions.

#### Taxation

Judgement is required in determining the provision for income taxes due to the complexity of legislation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The economic entity recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

The economic entity recognises the net future tax benefit related to deferred income tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred income tax assets requires the economic entity to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the economic entity to realise the net deferred tax assets recorded at the end of the reporting period could be impacted.

#### Useful lives and residual values

The municipality's management determines the estimated useful lives and related depreciation charges for assets as noted in accounting policies 1.6 and 1.7. These estimates are based on industry norm.

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

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

# Mangaung Metropolitan Municipality Group

Consolidated Annual Financial Statements for the year ended 30 June 2024

## Accounting Policies

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### 1.4 Significant judgements and sources of estimation uncertainty (continued)

#### Employee benefit obligation

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 economic entity 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 economic entity considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 26 - Employee benefit obligation.

### 1.5 Investment properties

Investment properties is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

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

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

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

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

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

Cost is the amount of cash or cash equivalents or the fair value of the consideration given to acquire an asset at the time of its acquisition or construction. 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 properties, the carrying amount of the replaced part is derecognised.

#### Fair value

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

The fair value of investment properties 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.

Although unlikely, if the entity determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably measurable when construction is complete, it measures that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier).

If the entity determines that the fair value of an investment property (other than an investment property under construction) is not reliably determinable on a continuing basis, the entity measures that investment property using the cost model (as per the accounting policy on Property, plant and equipment). The residual value of the investment property is then assumed to be zero. The entity applies the cost model (as per the accounting policy on Property, plant and equipment) until disposal of the investment property.

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

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

# Mangaung Metropolitan Municipality Group

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## Accounting Policies

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### 1.5 Investment properties (continued)

#### Derecognition

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

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

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

The economic entity discloses relevant information relating to assets under construction or development, in the notes to the consolidated annual financial statements (see note 11 - Investment property).

### 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 (other than investment property), or for administrative purposes, and are expected to be used during more than one period.

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

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

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

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

#### Subsequent measurement

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses except for land, buildings, water meters and zoo animals which are carried at revalued amount being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

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## Accounting Policies

### 1.6 Property, plant and equipment (continued)

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to the revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to the revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to accumulated surplus as the asset is used. The amount transferred is equal to the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the asset.

#### Depreciation and impairment

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

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

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

Subsequent to initial recognition, property, plant and equipment on the cost model is carried at cost less accumulated depreciation and any accumulated impairment losses. Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

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

Item	Depreciation method	Average useful life
Land	Indefinite	
Buildings	Straight-line	30 - 60
Landfill sites	Straight-line	10 - 55
Firearms	Straight-line	5 - 40
Environmental facilities	Straight-line	5 - 50
Roads and stormwater	Straight-line	3 - 100
Equipment under finance leases	Straight-line	3 - 5
Community / Recreational	Straight-line	10 - 30
Sewerage and mains	Straight-line	10 - 60
Water network	Straight-line	5 - 100
Security	Straight-line	10
Housing	Straight-line	5 - 30
Other vehicles	Straight-line	5 - 20
Other assets	Straight-line	3 - 20
Zoo animals	Straight-line	4 - 100

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

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately.

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

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

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

# Mangaung Metropolitan Municipality Group

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## Accounting Policies

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### 1.6 Property, plant and equipment (continued)

#### Derecognition

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

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

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

The economic entity separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 12 - Property, plant and equipment).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 12 - Property, plant and equipment).

### 1.7 Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance.

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 economic entity 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 economic entity; and
- the cost or fair value of the asset can be measured reliably.

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

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

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

#### Subsequent measurement

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.

Amortisation begins when intangible assets are in the location and condition necessary for it to be capable of operating in the manner intended by management and ceases at the date that the asset is derecognised.

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

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### 1.7 Intangible assets (continued)

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<b>Item</b>	<b>Amortisation method</b>	<b>Average useful life</b>
Computer software	Straight-line	3 - 30
Servitudes	None	Indefinite

The economic entity discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 13 - Intangible assets).

#### **Derecognition**

Intangible assets are derecognised:

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

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



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### 1.8 Living resources

Zoo animals comprise of animals held at Bloemfontein Zoo, Kwaggafontein and other nature areas.

Zoo animals are accounted for in terms of GRAP 110 as living resources. The majority of animals are received as donations and transfers from other similar institutions for no consideration or from procreation. These assets are recorded at fair value at the time of donation or transfer, and are depreciated accordingly.

Market determined prices or values are not available for certain animals due to lack of market because they are not commodities, as well as restrictions on trade of exotic animals which precludes the determination of a fair value. The fair value of zoo animals is determined based on market prices of zoo animals of similar age, breed and genetic merit.

Zoo animals are also acquired through supply chain process and these newly acquired animals are carried at cost less accumulated depreciation and any impairment losses. The offspring of newly acquired animals shall be recorded at a fair value at the time of birth and will also be depreciated accordingly.

#### Depreciation and impairment

Zoo animals are depreciated on the straight-line basis over their expected useful lives to their estimated residual value.

The useful lives of zoo animals listed below reflect useful lives of the different classes of animals at the various nature areas. Within the different classes of animals are a number of different species whose useful lives differ. Therefore, the useful lives of zoo animals listed below reflect the useful lives of the different species contained within a specific class of animals.

The longevity of zoo animals has been assessed as follows:

Aves	12 - 90 years
Mammalia	9 - 45 years
Reptilia	4 - 100 years

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

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

#### Subsequent measurement

Zoo animals are carried at revalued amount being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

When an item of zoo animals is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

Any increase in a zoo animal's carrying amount, as a result of a revaluation, is credited directly to the revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same zoo animal previously recognised in surplus or deficit.

Any decrease in a zoo animal's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to the revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that zoo animal.

The revaluation surplus in equity related to a specific item of zoo animals is transferred directly to accumulated surplus as the zoo animal is used. The amount transferred is equal to the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the zoo animal.

#### Accounting treatment of other costs

Under the recognition principles in paragraph 1.15, the entity does not recognise in the carrying amount of a living resource the day-to-day costs, or the costs to maintain or to hold the living resource. Day-to-day costs are those costs incurred by an entity to manage the qualitative and quantitative changes of the biological transformation. Depending on its reason for holding the living resource, the entity assesses whether the costs incurred are day-to-day operating costs, or whether the incurred costs will enhance the future economic benefits or service potential of the resource.

# Mangaung Metropolitan Municipality Group

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## Accounting Policies

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Living resources comprise resources that are held for research, for example animals and plants used in testing facilities or laboratory animals. The principles in the Standard of GRAP on Intangible Assets (GRAP 31) indicate that during the research phase of an internal project, expenditure incurred as part of the research project should be recognised as an expense, because the entity cannot demonstrate that an asset exists that will generate future economic benefits or service potential. The principles in GRAP 31 are applied to assess whether costs incurred for research activities should be recognised as research or development costs.

### Transfers of living resources

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

For a transfer from living resources carried at a revalued amount to property, plant and equipment (including bearer plants), inventories or to a biological asset, the living resource's deemed cost for subsequent accounting in accordance with the applicable Standard of GRAP shall be its revalued amount at the date of transfer. The entity shall apply the principles in this Standard up to the date of transfer. The entity treats any difference at that date between the carrying amount of the living resource and its fair value in the same way as a revaluation in accordance with GRAP 110 Living and Non-living Resources (Issued March 2017).

If an item of property, plant and equipment (including bearer plants) carried at a revalued amount, or a biological asset carried at fair value less cost to sell, is reclassified as a living resource carried at a revalued amount, the entity applies the applicable Standard of GRAP to that asset up to the date of change. The entity treats any difference at that date between the carrying amount of the asset and its fair value in accordance with the applicable Standard of GRAP relating to that living resource.

For a transfer from inventories or a biological asset to living resources at a revalued amount, any difference between the fair value of the living resource at that date and its previous carrying amount shall be recognised in surplus or deficit.

### Custodian assets

Where the entity acts as a custodian of a living or non-living resource, or group of living or non-living resources, other than land, the entity shall explain the nature of its custodial responsibility, including the legislation or similar means that establish.

## 1.9 Heritage assets

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

### Recognition

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

### Initial measurement

Heritage assets are measured at cost.

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

### Subsequent measurement

After recognition as an asset, a class of heritage assets, whose fair value can be measured reliably, is carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent impairment losses.

If a heritage asset's carrying amount is increased as a result of a revaluation, the increase is credited directly to the revaluation surplus. However, the increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same heritage asset previously recognised in surplus or deficit.

If a heritage asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in surplus or deficit. However, the decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that heritage asset.

### Impairment

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

Compensation from third parties for items of heritage assets property that were impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

# Mangaung Metropolitan Municipality Group

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## Accounting Policies

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### 1.9 Heritage assets (continued)

#### Transfers

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

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

#### Derecognition

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

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

The entity separately discloses expenditure to repair and maintain heritage assets in the notes to the financial statements (refer to note 14).

The entity discloses relevant information relating to assets under construction or development, in the notes to the financial statements (refer to note 14 - Heritage assets).

### 1.10 Investment in controlled entities

Investments in controlled entities are carried at cost less any accumulated impairment.

The cost of an investment in a controlled entity is the aggregate of:

- a) the fair value, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the entity; plus
- b) any costs directly attributable to the purchase of the controlled entity.

### 1.11 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.

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.

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.

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## Accounting Policies

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### 1.11 Financial instruments (continued)

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 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.

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

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

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

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

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

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

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

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

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

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

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

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

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## Accounting Policies

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### 1.11 Financial instruments (continued)

#### Classification

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

- Financial instruments measured at fair value;
- Financial instruments measured at amortised cost;
- Financial instruments measured at cost.

#### Initial recognition

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

The entity recognises financial assets using trade date accounting.

#### Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus, in the case of a financial instrument not subsequently measured at fair value, 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 fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

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

#### Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the entity establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, a municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

#### Reclassification

The entity does not reclassify a financial instrument while it is issued or held unless it is:

- combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

Where the entity cannot reliably measure the fair value of an embedded derivative that has been separated from a host contract that is a financial instrument at a subsequent reporting date, it measures the combined instrument at fair value. This requires a reclassification of the instrument from amortised cost or cost to fair value.

If fair value can no longer be measured reliably for an investment in a residual interest measured at fair value, the entity reclassifies the investment from fair value to cost. The carrying amount at the date that fair value is no longer available becomes the cost.

If a reliable measure becomes available for an investment in a residual interest for which a measure was previously not available, and the instrument would have been required to be measured at fair value, the entity reclassifies the instrument from cost to fair value.

# Mangaung Metropolitan Municipality Group

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## Accounting Policies

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### 1.11 Financial instruments (continued)

#### Gains and losses

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

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

#### Impairment and uncollectibility 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.

The entity assesses financial assets individually, when assets are individually significant, and individually or collectively for financial assets that are not individually significant. Where no objective evidence of impairment exists for an individually assessed asset (whether individually significant or not), an entity includes the assets in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment.

Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised, are not included in the collective assessment of impairment.

For collective assessments of impairment, assets with similar credit risk characteristics are grouped together. The credit risk characteristics are indicative of the debtors' ability to pay all amounts due according to the contractual terms.

In making this assessment management may consider the following indicators as guidance for possible impairment:

- Significant financial difficulty experienced by the borrower/debtor;
- Delays in payments (including interest payments) or failure to pay/defaults;
- For economic or legal reasons, allowing disadvantaged customers who are experiencing financial difficulties to pay as and when they can. The entity would not otherwise have considered this concession. For example, allowing disadvantaged customers to pay their account when they can due to the fact that the water it supplies to the customer is a basic human right;
- It is probable that the borrower/debtor will enter sequestration (bankruptcy) or other financial reorganisation;
- The disappearance of an active market for the financial asset because of financial difficulties;
- Observable data, for example historical data, indicating that there is a decrease in the estimated future cash flows that will be received (which can be measured reliably), from a group of financial assets (financial assets with similar credit risk characteristics grouped together) since the initial recognition of those assets. The decrease may not yet be identified for the individual financial assets in the group. These can include:
  - the payment status of borrowers/debtors in the group has deteriorated (e.g. an increased number of delayed payments);
  - or
  - national or local economic conditions that are in line with non-payments in the group (e.g. an increase in the unemployment rate in the geographical area of the borrowers/debtors, or adverse changes in market conditions that affect the borrowers/debtors in the group).
- Accounts in arrears for a period longer than the initial estimated repayment period;
- Accounts with arrears of over 90 days showing no repayments in the last financial year;
- Accounts handed over for collection;
- Any negative changes in the ability of debtors and borrowers to repay the amounts due to the entity (e.g. an increased number of late payments);
- A breach in contract, such as a default in interest or capital payments.

Management need not utilize all the indicators given above as guidance but only use the indicators to which management has sufficient information to make the assessment for possible or actual impairment.

#### Financial assets measured at amortised cost:

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

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 recognised, the previously recognised 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 amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

# Mangaung Metropolitan Municipality Group

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### 1.11 Financial instruments (continued)

#### Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

#### Derecognition

##### Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

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

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

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 recognises 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 recognised 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 recognised 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 derecognised 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 recognises 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 recognised 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 recognised and the part that is derecognised, 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 recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised 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 recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the entity recognises 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.

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 recognised. 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 recognised 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 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).

# Mangaung Metropolitan Municipality Group

Consolidated Annual Financial Statements for the year ended 30 June 2024

## Accounting Policies

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### 1.11 Financial instruments (continued)

#### Presentation

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

Dividends or similar distributions relating to a financial instrument or a component that is a financial liability is recognised 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 recognised 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 recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

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

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
Consumer receivables from exchange transactions	Financial asset measured at amortised cost
Other receivables from exchange transactions	Financial asset measured at amortised cost
Centlec intercompany loan	Financial asset measured at amortised cost
Centlec receivables	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost
Non-current receivables	Financial asset measured at amortised cost
Non-current receivables	Financial asset measured at fair value
Investment in controlled entity	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
Finance lease obligation	Financial liability measured at amortised cost
Borrowings	Financial liability measured at amortised cost

### 1.12 Statutory receivables

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.

#### Recognition

The economic entity recognises statutory receivables as follows:

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

#### Initial measurement

The economic entity initially measures statutory receivables at their transaction amount.



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Consolidated Annual Financial Statements for the year ended 30 June 2024

## Accounting Policies

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### 1.12 Statutory receivables (continued)

#### Subsequent measurement

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

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

#### Accrued interest

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

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

#### Other charges

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

#### Impairment losses

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

The entity assesses statutory receivables individually, when assets are individually significant, and individually or collectively for statutory receivables that are not individually significant. Where no objective evidence of impairment exists for an individually assessed debtor (whether individually significant or not), an entity includes the assets in a group of statutory receivables with similar credit risk characteristics and collectively assesses them for impairment.

Statutory receivables that are individually assessed for impairment and for which an impairment loss is or continues to be recognised, are not included in the collective assessment of impairment.

For collective assessments of impairment, statutory receivables with similar credit risk characteristics are grouped together. The credit risk characteristics are indicative of the debtors' ability to pay all amounts due according to the contractual terms.

In making this assessment management may consider the following indicators as guidance for possible impairment:

- Significant financial difficulty experienced by the borrower/debtor;
- Delays in payments (including interest payments) or failure to pay/defaults;
- For economic or legal reasons, allowing disadvantaged customers who are experiencing financial difficulties to pay as and when they can. The entity would not otherwise have considered this concession. For example, allowing disadvantaged customers to pay their account when they can due to the fact that the water it supplies to the customer is a basic human right;
- It is probable that the borrower/debtor will enter sequestration (bankruptcy) or other financial reorganisation;
- Observable data, for example historical data, indicating that there is a decrease in the estimated future cash flows that will be received (which can be measured reliably), from a group of statutory receivables (statutory receivables with similar credit risk characteristics grouped together) since the initial recognition of those receivables. The decrease may not yet be identified for the individual financial receivable in the group.

These can include:

- the payment status of borrowers/debtors in the group has deteriorated (e.g. an increased number of delayed payments);
- or
- national or local economic conditions that are in line with non-payments in the group (e.g. an increase in the unemployment rate in the geographical area of the borrowers/debtors, or adverse changes in market conditions that affect the borrowers/debtors in the group)
- Accounts in arrears for a period longer than the initial estimated repayment period;
- Accounts with arrears of over 90 days showing no repayments in the last financial year;
- Accounts handed over for collection;
- Any negative changes in the ability of debtors and borrowers to repay the amounts due to the entity (e.g. an increased number of late payments);
- A breach in contract, such as a default in interest or capital payments.

Management need not utilize all the indicators given above as guidance but only use the indicators to which management has sufficient information to make the assessment for possible or actual impairment.

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Consolidated Annual Financial Statements for the year ended 30 June 2024

## Accounting Policies

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### 1.12 Statutory receivables (continued)

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

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

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

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

#### Derecognition

The economic entity derecognises a statutory receivable, or a part thereof, when:

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

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

### 1.13 Tax

#### Current tax assets and liabilities

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

# Mangaung Metropolitan Municipality Group

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## Accounting Policies

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### 1.13 Tax (continued)

#### Deferred tax assets and liabilities

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction, affects neither accounting surplus nor taxable profit (tax loss).

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable surplus will be available against which the deductible temporary difference can be utilised. A deferred tax asset is not recognised when it arises from the initial recognition of an asset or liability in a transaction at the time of the transaction, affects neither accounting surplus nor taxable profit (tax loss).

A deferred tax asset is recognised for the carry forward of unused tax losses and unused STC credits to the extent that it is probable that future taxable surplus will be available against which the unused tax losses and unused STC credits can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

#### Tax expenses

Current and deferred taxes are recognised as income or an expense and included in surplus or deficit for the period, except to the extent that the tax arises from:

- a transaction or event which is recognised, in the same or a different period, to net assets; or
- a business combination.

Current tax and deferred taxes are charged or credited to net assets if the tax relates to items that are credited or charged, in the same or a different period, to net assets.

#### VAT

The entity accounts for VAT on the accrual basis, and is liable for VAT on the payment basis. The entity is liable to account for VAT at the standard rate in terms of section 7(1)(a) of the Value Added Tax Act, (Act 89 of 1991) in respect of the supply of goods or services, except where the supplies are specifically zero-rated in terms of section 11 of the VAT Act, exempted in terms of section 12 of the VAT Act or are scoped out for VAT purposes. The entity accounts for VAT on a monthly basis.

### 1.14 Leases

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

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

#### Finance leases - lessee

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

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

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 - lessor

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

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

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

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

# Mangaung Metropolitan Municipality Group

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## Accounting Policies

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### 1.14 Leases (continued)

#### 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.

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

### 1.15 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 or 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 economic entity incurs to acquire the asset on the reporting date.

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

The cost of inventories of items that are interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

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

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

### 1.16 Cash and cash equivalents

Cash comprises cash on hand and demand deposits.

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

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

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

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

### 1.17 Impairment of cash-generating assets

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

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

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

# Mangaung Metropolitan Municipality Group

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## Accounting Policies

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### 1.17 Impairment of cash-generating assets (continued)

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

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

Depreciation and amortisation are the systematic allocation of the depreciable amount of an asset over its useful life.

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

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

Useful life is either:

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

All assets of the entity are accounted for as non-cash generating assets.

#### Identification

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

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

Irrespective of whether there is any indication of impairment, the economic entity 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 economic entity estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the economic entity applies the appropriate discount rate to those future cash flows.

#### Basis for estimates of future cash flows

In measuring value in use, the economic entity:

- 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.

# Mangaung Metropolitan Municipality Group

Consolidated Annual Financial Statements for the year ended 30 June 2024

## Accounting Policies

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### 1.17 Impairment of cash-generating assets (continued)

#### Composition of estimates of future cash flows

Estimates of future cash flows include:

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

Estimates of future cash flows exclude:

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

The estimate of net cash flows to be received (or paid) for the disposal of an asset at the end of its useful life is the amount that the economic entity 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.

#### Recognition and measurement (individual asset)

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

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

Irrespective of whether there is any indication of impairment, the entity 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.

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

# Mangaung Metropolitan Municipality Group

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## Accounting Policies

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### 1.17 Impairment of cash-generating assets (continued)

#### Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the economic entity 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 economic entity 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.

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## Accounting Policies

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### 1.17 Impairment of cash-generating assets (continued)

#### Reversal of impairment loss

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

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

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

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

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

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

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

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

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

#### Redesignation

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

### 1.18 Impairment of non-cash-generating assets

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

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

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

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

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

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

Depreciation and amortisation are the systematic allocation of the depreciable amount of an asset over its useful life.

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

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

Useful life is either:

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



# Mangaung Metropolitan Municipality Group

Consolidated Annual Financial Statements for the year ended 30 June 2024

## Accounting Policies

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

All assets of the entity are accounted for as non-cash generating assets.

#### Identification

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

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

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

#### Value in use

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

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

#### Depreciated replacement cost approach

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

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

#### Restoration cost approach

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

#### Service units approach

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

# Mangaung Metropolitan Municipality Group

Consolidated Annual Financial Statements for the year ended 30 June 2024

## Accounting Policies

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

#### Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

#### Reversal of an impairment loss

The economic entity 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 economic entity 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.

### 1.19 Share capital / contributed capital

An equity instrument is any contract that evidences a residual interest in the assets of an economic entity after deducting all of its liabilities.

### 1.20 Employee benefits

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

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.

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.

# Mangaung Metropolitan Municipality Group

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## Accounting Policies

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### 1.20 Employee benefits (continued)

#### Short-term employee benefits

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

Short-term employee benefits include items such as:

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

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

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

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

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

#### Post-employment benefits

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

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

# Mangaung Metropolitan Municipality Group

Consolidated Annual Financial Statements for the year ended 30 June 2024

## Accounting Policies

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

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 consolidated annual 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

# Mangaung Metropolitan Municipality Group

Consolidated Annual Financial Statements for the year ended 30 June 2024

## Accounting Policies

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### 1.20 Employee benefits (continued)

- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

The entity uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

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

- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Actuarial 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 recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises of:

- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the entity re-measure the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is [OR is not] presented as the net of the amount recognised for a reimbursement.

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.

# Mangaung Metropolitan Municipality Group

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## Accounting Policies

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### 1.20 Employee benefits (continued)

#### Other long-term employee benefits

The entity provides other long-term employee benefits to qualifying employees in the form of long service award.

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

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

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

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

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

The entity uses the Projected Unit Credit Method to determine the present value of its long service employee benefit and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

### 1.21 Provisions and contingencies

Provisions are recognised when:

- the economic entity 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.

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

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

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

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

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

Provisions are not recognised for future operating surplus.

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

# Mangaung Metropolitan Municipality Group

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## Accounting Policies

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### 1.21 Provisions and contingencies (continued)

A constructive obligation to restructure arises only when an entity:

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

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

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the economic entity.

No obligation arises as a consequence of the sale or transfer of an operation until the economic entity is committed to the sale or transfer if there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 63 - Contingencies.

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

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

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

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

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

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

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

# Mangaung Metropolitan Municipality Group

Consolidated Annual Financial Statements for the year ended 30 June 2024

## Accounting Policies

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### 1.21 Provisions and contingencies (continued)

#### Decommissioning, restoration and similar liability

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

If the related asset is measured using the cost model:

- changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity tests the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.17 and 1.18.

If the related asset is measured using the revaluation model:

- changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
  - a decrease in the liability is credited directly to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit; and
  - an increase in the liability is recognised in surplus or deficit, except that it is debited directly to revaluation surplus in net assets to the extent of any credit balance existing in the revaluation surplus in respect of that asset;
- in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit;
- a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit and net assets. If a revaluation is necessary, all assets of that class is revalued; and
- the Standard of GRAP on Presentation of Financial Statements requires disclosure on the face of the statement of changes in net assets of each item of revenue or expense that is recognised directly in net assets. In complying with this requirement, the change in the revaluation surplus arising from a change in the liability is separately identified and disclosed as such.

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

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

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

### 1.22 Commitments

Where the entity has a contractual commitment in respect of the acquisition of property, plant and equipment, these are disclosed in note 62 - Commitments.

The commitments as disclosed are the contractual amount less any payments made in respect of the contract.

### 1.23 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.

Revenue from exchange transactions consists primarily of services charges, rentals, interest received and other services rendered.

When considering the probability of the future economic benefits that will flow to the entity, consideration is given to the requirements as outlined in IGRAP 1.



# Mangaung Metropolitan Municipality Group

Consolidated Annual Financial Statements for the year ended 30 June 2024

## Accounting Policies

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### 1.23 Revenue from exchange transactions (continued)

#### Measurement

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

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.

#### Estimates

Specific properties that were not billed through normal billing processes were identified. An estimate of usage was calculated by determining the average consumption per suburb and using the respective average consumption per suburb to quantify the estimated usage for such a property in an applicable suburb. The approved tariffs were used to determine the financial impact of the estimation.

#### Sale of goods

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

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

#### Rendering of services

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

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

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

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

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

Rendering of services consists out of solid waste, sanitation, sewerage and water services.

#### Interest, royalties and dividends

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

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

Interest is recognised, in surplus or deficit, using the effective interest rate method.

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

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

#### Rental income

Leases revenue from operating leases shall be recognised as revenue on a straight-line basis over the lease term in accordance with the accounting policy on Leases.

Revenue arising from the use by others of entity assets yielding rental income is recognised when:

- a) it is probable that the economic benefits or service potential associated with the transaction will flow to the entity; and
- b) the amount of the revenue can be measured reliably.

# Mangaung Metropolitan Municipality Group

Consolidated Annual Financial Statements for the year ended 30 June 2024

## Accounting Policies

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### 1.23 Revenue from exchange transactions (continued)

#### Service charges

Service charges relating to distribution of electricity are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption, based on the consumption history, are made 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. Estimates of consumption between meter readings are based on historical information.

#### Pre-paid electricity

Pre-paid electricity revenue is recognised at the point of sale. Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates. Pre-paid electricity sales are reconciled on a monthly basis and the sum of the monthly sales provides the total sales for the year. The financial year is divided in two seasons based on the application of tariffs with the seasons being summer (1 September – 31 May) and winter (1 June to 31 August).

The deferred portion of revenue is accounted for by an adjustment for units not consumed at year end. This adjustment is based on the average consumption history, multiplied by the weighted average cost of units sold in June. Average consumption in units is determined per active prepaid meter using a trend analysis of historical consumer purchase data per meter for the previous financial years' months of May, June and July.

The deferred portion of revenue is the amount by which the actual prepaid electricity sold for the month of June exceeds the average consumption calculated.

### 1.24 Revenue from non-exchange transactions

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

Revenue from non-exchange transactions consists primarily of grants from National - and Provincial Government, Property rates and Fines revenue.

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

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

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

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

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

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

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

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

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

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

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

# Mangaung Metropolitan Municipality Group

Consolidated Annual Financial Statements for the year ended 30 June 2024

## Accounting Policies

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### 1.24 Revenue from non-exchange transactions (continued)

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.

When considering the probability of the future economic benefits that will flow to the entity, consideration is given to the requirements as outlined in IGRAP 1.

#### 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.

#### Taxes

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

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

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

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

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

Taxation revenue are not grossed up for the amount of tax expenditures.

#### Transfers

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

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

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

#### Debt forgiveness and assumption of liabilities

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

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

# Mangaung Metropolitan Municipality Group

Consolidated Annual Financial Statements for the year ended 30 June 2024

## Accounting Policies

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### 1.24 Revenue from non-exchange transactions (continued)

#### 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.

#### Bequests

Bequests that satisfy the definition of an asset 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.

#### Gifts and donations, including goods in-kind

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

#### Services in-kind

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

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

#### Concessionary loans received

A concessionary loan is a loan granted to or received by a property, plant and equipment on terms that are not market related.

The portion of the loan that is repayable, along with any interest payments, is an exchange transaction and is accounted for in accordance with the Standard of GRAP on Financial Instruments. The off-market portion of the loan is a non-exchange transaction. The off-market portion of the loan that is recognised as non-exchange revenue is calculated as the difference between the proceeds received from the loan, and the present value of the contractual cash flows of the loan, discounted using a market related rate of interest.

The recognition of revenue is determined by the nature of any conditions that exist in the loan agreement that may give rise to a liability. Where a liability exists, the municipality recognises revenue as and when it satisfies the conditions of the loan agreement.

#### Conditional grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the entity has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

### 1.25 Investment income

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

### 1.26 Borrowing costs

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

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

### 1.27 Comparative figures

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

### 1.28 Unauthorised expenditure

Unauthorised expenditure is any expenditure incurred by a municipality otherwise than in accordance with the approved budget as well as expenditure exceeding the limits of the amounts appropriated for in the different votes in the approved budget.

# Mangaung Metropolitan Municipality Group

Consolidated Annual Financial Statements for the year ended 30 June 2024

## Accounting Policies

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### 1.28 Unauthorised expenditure (continued)

Depending on circumstances, identified unauthorised expenditure will be authorised by council in an adjustment budget, certified by municipal council as irrecoverable and written off by council or recovered from a liable official or political office bearer. In cases where unauthorised expenditure is recoverable from an official or political office bearer, resulting from necessary investigations, revenue and receivables are recognised. Unauthorised expenditure is disclosed in the notes to the financial statements.

### 1.29 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is expenditure that was made in vain, and would have been avoided had reasonable care been exercised.

Fruitless and wasteful expenditure which was incurred and identified during the financial year and also condoned by council in terms of the MFMA, is only disclosed in the notes to the financial statements. However, fruitless and wasteful expenditure which was incurred and identified during the financial year but failed to be condoned by council is initially recognised as expenditure based on its nature and after further investigations classified to revenue and receivables. Where it is not possible to recover the revenue recognised from fruitless and wasteful, the receivable is written-off following proper write-off processes in terms of the MFMA.

Detailed disclosures are made in note 68 to the annual financial statements as required by the Municipal Finance Management Act, (Act No. 56 of 2003).

### 1.30 Irregular expenditure

Irregular expenditure is expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of the Municipal Finance Management Act, the Municipal Systems Act, or the Public Office-Bearers Act, and which has not been condoned in terms of the MFMA.

Irregular expenditure which was incurred and identified during the financial year is disclosed in the financial statements. It will be accounted for as expenditure in the statement of financial performance and disclosed separately in the notes to the financial statements.

National Treasury circular 68 which was issued in terms of sections 32 of the Municipal Finance Management Act, Act 56 of 2003 on 10 May 2013 requires the following:

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

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

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

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

Detailed disclosures are made in note 69 to the annual financial statements as required by the Municipal Finance Management Act, (Act No. 56 of 2003).

### 1.31 Internal reserves

#### Self-insurance reserve

The municipality has a Self-Insurance Reserve to set aside amounts to offset potential losses or claims that cannot be insured externally. The balance of the Self-Insurance Reserve is determined based on the insurance risk carried by the municipality, which is calculated by the entity's external insurance broker and is reinstated or increased by a transfer from the accumulated surplus or deficit.

Claims are settled by transferring a corresponding amount from the self-insurance reserve to the accumulated surplus.

# Mangaung Metropolitan Municipality Group

Consolidated Annual Financial Statements for the year ended 30 June 2024

## Accounting Policies

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### 1.31 Internal reserves (continued)

#### Compensation for occupational injuries and diseases (COID) reserve

The Compensation for Occupational Injuries and Diseases Act (Act 130 of 1993) is to provide for payment of medical treatment and compensation for disablement caused by occupational injuries or diseases sustained or contracted by employees in the course of their employment, or for death resulting from such injuries or diseases. The contribution to the COID fund is determined by the Compensation Commissioner. The municipality is an exempt employer in terms of Section 84 (1) (a)(ii) & (2) and as such does not pay any assessments to the COID Commissioner. In terms of the exempt status the municipality is mandated to establish its own fund and administers this fund in terms of the COID Act.

Amounts are transferred to the COID reserve from the accumulated surplus or deficit based on the amounts as approved in the annual budget and determined by the Compensation Commissioner as well as additional amounts deemed necessary to ensure that the balance of the reserve is adequate to offset potential claims.

Claims are paid as determined by the Compensation Commissioner. Claims are settled by transferring a corresponding amount from the COID reserve to the accumulated surplus or deficit.

### 1.32 Revaluation reserve

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

Any impairment loss of a revalued asset shall be treated as a revaluation decrease. To the extent that the impairment loss exceeds the revaluation surplus for the same asset, the impairment loss is recognised in the accumulated surplus/(deficit).

### 1.33 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.

Segmental information on property, plant and equipment, as well as income and expenditure are set out in Note 76 - Segment reporting, based on the International Government Financial Statistics classifications and the budget formats prescribed by National Treasury. The entity operates solely in its area of jurisdiction as determined by the Demarcation Board.

Segment information is prepared in conformity with the accounting policies applied for preparing and presenting the annual financial statements.

### 1.34 Budget information

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

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

The approved budget is prepared on an accrual basis and presented by nature classification. The approved budget and the annual financial statements are not prepared on the same basis.

The annual budget figures included in the annual financial statements are for the entity and do not include budget information relating to subsidiaries. The separate budget for the entity has been recompiled for the presentation in the annual financial statements. The recompilation does not constitute changes or revisions of the consolidated budget as approved by the Council.

The Statement of comparative and actual information has been included in the annual financial statements as the recommended disclosure when the annual financial statements and the budget are not on the same basis of accounting as determined by National Treasury.

Explanatory comments to material differences are provided in note 73 - Budget differences to the annual financial statements.

# Mangaung Metropolitan Municipality Group

Consolidated Annual Financial Statements for the year ended 30 June 2024

## Accounting Policies

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### 1.35 Related parties

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

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

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

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

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

Management are those persons responsible for planning, directing and controlling the activities of the economic entity, including those charged with the governance of the economic entity 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 economic entity.

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

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

### 1.36 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 economic entity will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The economic entity 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.

# Mangaung Metropolitan Municipality Group

Consolidated Annual Financial Statements for the year ended 30 June 2024

## Accounting Policies

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### 1.37 Service concession arrangements: Entity as grantor

#### Identification

Service concession arrangement is a contractual arrangement between a grantor and an operator in which an operator uses the services concession asset to provide a mandated function on behalf of a grantor for a specified period, where the operator is compensated for its services over the period of service concession arrangement.

A grantor is the entity that grants the right to use the service concession asset to the operator.

A mandated function involves the delivery of a public service by an operator on behalf of a grantor that falls within the grantor's mandate.

An operator is the entity that uses the service concession asset to provide a mandated function subject to the grantor's control of the asset.

A service concession asset is an asset used to provide a mandated function in a service concession arrangement that:

- is provided by the operator which:
  - the operator constructs, develops, or acquires from a third party; or
  - is an existing asset of the operator; or
- is provided by the grantor which:
  - is an existing asset of the grantor; or
  - is an upgrade to an existing asset of the grantor.

#### Recognition of asset and liability

The entity recognises an asset provided by the operator and an upgrade to an existing asset of the entity, as a service concession asset if the entity controls or regulates what services the operator must provide with the asset, to whom it must provide them, and at what price, and if the entity controls (through ownership, beneficial entitlement or otherwise) any significant residual interest in the asset at the end of the term of the arrangement. This applies to an asset used in a service concession arrangement for its entire economic life (a "whole-of-life" asset).

After initial recognition or reclassification, service concession assets are clearly identified from other assets within the same asset category, and are clearly identified from owned and/or leased assets.

Where the entity recognises a service concession asset, and the asset is not an existing asset of the entity (grantor), the entity (grantor) also recognises a liability.

The entity does not recognise a liability when an existing asset of the entity is reclassified as a service concession asset, except in circumstances where additional consideration is provided by the operator.

#### Measurement of asset and liability

The entity initially measures the service concession asset as follows:

- Where the asset is not an existing asset of the entity, the asset is measured at its fair value;
- Where the asset is an existing asset of the entity and it meets the recognition criteria of a service concession asset, the asset is reclassified as a service concession asset, and the asset is accounted for in accordance with the policy on Investment properties, Property, plant and equipment, Intangible assets, or Heritage assets, as appropriate.

The entity initially measures the liability at the same amount as the service concession asset, adjusted by the amount of any other consideration from the entity to the operator, or from the operator to the entity.



# Mangaung Metropolitan Municipality Group

Consolidated Annual Financial Statements for the year ended 30 June 2024

## Accounting Policies

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### 1.37 Service concession arrangements: Entity as grantor (continued)

#### Financial liability model

Where the entity has an unconditional obligation to pay cash or another financial asset to the operator for the construction, development, acquisition, or upgrade of a service concession asset, the entity accounts for the liability as a financial liability.

The entity allocates the payments to the operator and accounts for them according to their substance as a reduction in the liability recognised, a finance charge, and charges for services provided by the operator.

The finance charge and charges for services provided by the operator in a service concession arrangement are accounted for as expenses.

Where the asset and service components of a service concession arrangement are separately identifiable, the service components of payments from the entity to the operator are allocated by reference to the relative fair values of the service concession asset and the services.

Where the asset and service components are not separately identifiable, the service component of payments from the entity to the operator is determined using estimation techniques.

#### Grant of a right to the operator model

Where the entity does not have an unconditional obligation to pay cash or another financial asset to the operator for the construction, development, acquisition, or upgrade of a service concession asset, and grants the operator the right to earn revenue from third-party users or another revenue-generating asset, the entity accounts for the liability as the unearned portion of the revenue arising from the exchange of assets between the entity and the operator.

The entity recognises revenue and reduces the liability according to the substance of the service concession arrangement.

#### Dividing the arrangement

If the entity pays for the construction, development, acquisition, or upgrade of a service concession asset partly by incurring a financial liability and partly by the grant of a right to the operator, it accounts separately for each part of the total liability.

#### Other liabilities, contingent liabilities and contingent assets

The entity accounts for other liabilities, contingent liabilities, and contingent assets arising from a service concession arrangement in accordance with the policy on Provisions, Contingent liabilities and contingent assets and Financial instruments.

#### Other revenues

The entity accounts for revenues from a service concession arrangement, other than those relating to the grant of a right to the operator model, in accordance with the Standard of GRAP on Revenue from exchange transactions.

#### Recognition of the performance obligation and the right to receive a significant interest in a service concession asset

If the entity controls a significant residual interest in a service concession asset at the end of the service concession arrangement through ownership, beneficial entitlement or otherwise, and the arrangement does not constitute a finance or an operating lease, the entity recognises its right to receive the residual interest (i.e. a receivable) in the service concession asset at the commencement of the arrangement.

The right to receive a residual interest in the service concession asset to be received at the end of the arrangement, is an exchange consideration. This is because the entity will receive an asset in exchange for granting the operator access to the asset while providing a mandated function on its behalf in accordance with the substance of the arrangement.

In terms of the policy on Revenue from exchange transactions, the exchange consideration is recognised and measured at fair value. The value of the receivable (the right to the residual interest in the asset), receivable at the end of the service concession arrangement, reflects the value of the service concession asset as if it were already in the age and in the condition expected at the end of the service concession arrangement.

When the entity recognises the right to receive a residual interest in the service concession asset, it also recognises its performance obligation for granting the operator access to the service concession asset in accordance with the substance of the arrangement. The value of the performance obligation is the same as the receivable interest recognised at the commencement of the service concession arrangement.

The performance obligation is reduced and revenue is recognised based on the substance of the arrangement.

# Mangaung Metropolitan Municipality Group

Consolidated Annual Financial Statements for the year ended 30 June 2024

## Accounting Policies

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### 1.37 Service concession arrangements: Entity as grantor (continued)

Where service concession arrangements include provisions to adjust the arrangement for changes, the effect of such changes is deemed to have taken place at the inception of the service concession arrangements.

### 1.38 Advance receipts

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.

In a non-exchange transaction, an entity either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.

All receipts received in advance are classified as non-exchange transactions as no approximate equal value is exchanged between the parties.

Refer to note 21 Payable from non-exchange transactions where these receipts in advance are disclosed.

### 1.39 Grants and subsidies paid

The Municipality transfers money to individuals, organisations and other sectors of government from time to time. These transfers are recognised in the financial statements as expenses in the period that the events giving rise to the transfer occurred.

# Mangaung Metropolitan Municipality Group

Consolidated Annual Financial Statements for the year ended 30 June 2024

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2024	2023	2024	2023

### 2. New standards and interpretations

#### 2.1 Standards and interpretations effective and adopted in the current year

In the current year, the following new standards and interpretations were issued which are effective for the current financial year and that are relevant to its operations.

##### **Guideline: Guideline on Accounting for Landfill Sites**

The objective of this guideline: The Constitution of South Africa, 1996 (Act No. 108 of 1996) (the constitution), gives local government the executive authority over the functions of cleaning, refuse removal, refuse dumps and solid waste disposal. Even though waste disposal activities are mainly undertaken by municipalities, other public sector entities may also be involved in these activities from time to time. Concerns were raised about the inconsistent accounting practices for landfill sites and the related rehabilitation provision where entities undertake waste disposal activities. The objective of the Guideline is therefore to provide guidance to entities that manage and operate landfill sites. The guidance will improve comparability and provide the necessary information to the users of the financial statements to hold entities accountable and for decision making. The principles from the relevant Standards of GRAP are applied in accounting for the landfill site and the related rehabilitation provision. Where appropriate, the Guideline also illustrates the accounting for the land in a landfill, the landfill site asset and the related rehabilitation provision.

It covers: Overview of the legislative requirements that govern landfill sites, Accounting for land, Accounting for the landfill site asset, Accounting for the provision for rehabilitation, Closure, End-use and monitoring, Other considerations, and Annexures with Terminology & References to pronouncements used in the Guideline.

The effective date of the guideline is for years beginning on or after 01 April 2023.

The economic entity has adopted the guideline for the first time in the 2023/2024 consolidated annual financial statements.

The impact of the standard is not material.

##### **GRAP 25 (as revised): Employee Benefits**

#### **Background**

The Board issued the Standard of GRAP on Employee Benefits (GRAP 25) in November 2009. GRAP 25 was based on the International Public Sector Accounting Standard on Employee Benefits (IPSAS 25) effective at that time. However, GRAP 25 was modified in some respects where the Board decided the requirements of the International Accounting Standard on Employee Benefits (IAS@ 19) were more appropriate. Specifically, the Board:

- Eliminated the corridor method and required recognition of actuarial gains and losses in full in the year that they arise;
- Required the recognition of past service costs in the year that a plan is amended, rather than on the basis of whether they are vested or unvested.

Since 2009, the International Accounting Standards Board® has made several changes to IAS 19, including changes to the recognition of certain benefits, and where these changes are recognised. The IPSASB made similar changes to its standard and as a result of the extent of changes, issued IPSAS 39 on Employee Benefits to replace IPSAS 25 in 2016.

When the Board consulted locally on the proposed amendments to IPSAS 25 in 2016, stakeholders welcomed the amendments to align IPSAS 25 to IAS 19 and supported the changes that resulted in IPSAS 39.

In developing GRAP 25, the Board agreed to include the guidance from the IFRS Interpretation on IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (IFRIC 14®) partly in GRAP 25 and partly in the Interpretation of the Standards of GRAP on The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (IGRAP 7).

#### **Key amendments to GRAP 25**

The Board agreed to align GRAP 25 with IPSAS 39, but that local issues and the local environment need to be considered. As a result of this decision, there are areas where GRAP 25 departs from the requirements of IPSAS 39. The Board's decisions to depart are explained in the basis for conclusions.

The amendments to GRAP 25 are extensive and mostly affect the accounting for defined benefit plans. A new renumbered Standard of GRAP (e.g. GRAP 39) will not be issued, but rather a new version of the current GRAP 25.

The effective date of these interpretation is 1 April 2023.

The economic entity has adopted the revisions for the first time in the 2023/2024 consolidated annual financial statements.

# Mangaung Metropolitan Municipality Group

Consolidated Annual Financial Statements for the year ended 30 June 2024

## Notes to the Consolidated Annual Financial Statements

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### 2. New standards and interpretations (continued)

The impact of the revisions is not material.

#### **iGRAP 7 (as revised): Limit on defined benefit asset, minimum funding requirements and their interaction**

##### **Background**

The Board issued the Standard of GRAP on Employee Benefits (GRAP 25) in November 2009. GRAP 25 was based on the International Public Sector Accounting Standard on Employee Benefits (IPSAS 25) effective at that time. However, GRAP 25 was modified in some respects where the Board decided the requirements of the International Accounting Standard on Employee Benefits (IAS@ 19) were more appropriate. Specifically, the Board:

- Eliminated the corridor method and required recognition of actuarial gains and losses in full in the year that they arise;
- Required the recognition of past service costs in the year that a plan is amended, rather than on the basis of whether they are vested or unvested.

Since 2009, the International Accounting Standards Board® has made several changes to IAS 19, including changes to the recognition of certain benefits, and where these changes are recognised. The IPSASB made similar changes to its standard and as a result of the extent of changes, issued IPSAS 39 on Employee Benefits to replace IPSAS 25 in 2016.

When the Board consulted locally on the proposed amendments to IPSAS 25 in 2016, stakeholders welcomed the amendments to align IPSAS 25 to IAS 19 and supported the changes that resulted in IPSAS 39.

In developing GRAP 25, the Board agreed to include the guidance from the IFRS Interpretation on IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (IFRIC 14®) partly in GRAP 25 and partly in the Interpretation of the Standards of GRAP on The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (iGRAP 7).

The effective date of these interpretation is 1 April 2023.

The economic entity has adopted the revisions for the first time in the 2023/2024 1 April 2023.

The impact of the revisions is not material.

#### **iGRAP 21: The Effect of Past Decisions on Materiality**

##### **Background**

The Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors (GRAP 3) applies to the selection of accounting policies. Entities apply the accounting policies set out in the Standards of GRAP, except when the effect of applying them is immaterial. This means that entities could apply alternative accounting treatments to immaterial items, transactions or events (hereafter called “items”).

The Board received questions from entities asking whether past decisions to not apply the Standards of GRAP to immaterial items effect future reporting periods. Entities observed that when they applied alternative accounting treatments to items in previous reporting periods, they kept historical records on an ongoing basis of the affected items. This was done so that they could assess whether applying these alternative treatments meant that the financial statements became materially “misstated” over time. If the effect was considered material, retrospective adjustments were often made.

This Interpretation explains the nature of past materiality decisions and their potential effect on current and subsequent reporting periods.

iGRAP 21 addresses the following two issues:

- Do past decisions about materiality affect subsequent reporting periods?
- Is applying an alternative accounting treatment a departure from the Standards of GRAP or an error?

The effective date of these interpretation is 1 April 2023.

The economic entity has adopted the interpretation for the first time in the 2023/2024 annual financial statements.

The impact of the interpretation is not material.

#### **Improvements to the standards of GRAP (2020)**

Every three years, the Accounting Standards Board undertakes periodic revisions of the Standards of GRAP, in line with best practice internationally among standard setters.

# Mangaung Metropolitan Municipality Group

Consolidated Annual Financial Statements for the year ended 30 June 2024

## Notes to the Consolidated Annual Financial Statements

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### 2. New standards and interpretations (continued)

Improvements to Standards of GRAP are aimed at aligning the Standards of GRAP with international best practice, to maintain the quality and to improve the relevance of the Standards of GRAP.

Amendments include:

#### GRAP 5 – Borrowing Costs

- For general borrowings, borrowing costs eligible for capitalisation determined by applying a capitalisation rate:
  - Clarify that borrowings made specifically for purposes of obtaining a qualifying asset are excluded until substantially all the activities necessary to prepare asset for intended use or sale are complete.

#### GRAP 13 – Leases

- Operating leases & Sale and leaseback transactions are currently assessed for impairment in accordance with GRAP 26.
- Clarify that these arrangements may also be assessed in accordance with GRAP 21.

#### GRAP 16 – Investment Property

- Clarify that GRAP 21 may be applied to assess investment property for impairment.
- Include heading “Classification of property as investment property” (par 6 and 7) & delete existing headings.
- Investment property under construction (within scope of GRAP 16):
  - Added heading “Guidance on initially measuring self-constructed investment property at fair value”.
  - Added clarification that investment property is measured at fair value at earliest of:
    - o completion of construction or development; or
    - o when fair value becomes reliably measurable.
- Clarify requirements on transfers to and from Investment property:
  - Change in use involves an assessment on whether:
    - o property meets, or ceases to meet definition of investment property; and
    - o evidence exists that a change in use has occurred.
  - List of examples of a change in use is regarded as non-exhaustive.

#### GRAP 17 – Property, Plant and Equipment

- Delete example indicating that quarries and land used for landfill may be depreciated in certain instances:
  - Land has an unlimited useful life and cannot be consumed through its use.

#### GRAP 20 – Related Party Disclosures

- Clarify that entity, or any member of a group of which it is part, providing management services to reporting entity (or controlling entity of reporting entity) is a related party:
  - Disclose amounts incurred by the entity for the provision of management services that are provided by a separate management entity;
  - If an entity obtains management services from another entity (“the management entity”) the entity is not required to apply the requirements in paragraph .35 to the remuneration paid or payable by the management entity to the management entity’s employees or those charged with governance of the entity in accordance with legislation, in instances where they are required to perform such functions;
  - Management services are services where employees of management entity perform functions as “management” as defined.

#### GRAP 24 – Presentation of Budget Information in Financial Statements

- Terminology amended:
  - Primary financial statements amended to “financial statements” or “face of the financial statements”.

#### GRAP 31 – Intangible Assets

- Extend requirement to consider whether reassessing useful life of intangible asset as finite rather as indefinite indicates that asset may be impaired:
  - Both under cost model or revaluation model.

#### GRAP 32 – Service Concession Arrangements: Grantor

- Clarify disclosure requirement for service concession assets:
  - Disclose carrying amount of each material service concession asset recognised at the reporting date.

#### GRAP 37 – Joint Arrangements

- Application guidance clarified:
  - When party obtains joint control in a joint operation where activity of joint operation constitutes a function (GRAP 105 or GRAP 106), previous held interest in joint operation is not remeasured.

# Mangaung Metropolitan Municipality Group

Consolidated Annual Financial Statements for the year ended 30 June 2024

## Notes to the Consolidated Annual Financial Statements

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### 2. New standards and interpretations (continued)

#### GRAP 106 – Transfer of Functions Between Entities Not Under Common Control

- When party obtains control of joint operation and entity had rights to assets, or obligations to liabilities before acquisition date, it comprises an acquisition received in stages:
  - Apply the requirements for an acquisition achieved in stages, including remeasuring previously held interest in joint operation.

#### Directive 7 – The Application of Deemed Cost

- Clarify that bearer plants within the scope of the Directive.

The effective date of these improvements is 1 April 2023.

The economic entity has adopted the improvements for the first time in the 2023/2024 consolidated annual financial statements.

The impact of the improvements is not material.

#### GRAP 1 (amended): Presentation of Financial Statements

Amendments to this Standard of GRAP, are primarily drawn from the IASB's Amendments to IAS 1.

Summary of amendments are:

##### Materiality and aggregation

The amendments clarify that:

- information should not be obscured by aggregating or by providing immaterial information;
- materiality considerations apply to all parts of the financial statements; and
- even when a Standard of GRAP requires a specific disclosure, materiality considerations apply.

##### Statement of financial position and statement of financial performance

The amendments clarify that the list of line items to be presented in these statements can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements.

##### Notes structure

The amendments add examples of possible ways of ordering the notes to clarify that understandability and comparability should be considered when determining the order of the notes and to demonstrate that the notes need not be presented in the order listed in GRAP 1.

##### Disclosure of accounting policies

Remove guidance and examples with regards to the identification of significant accounting policies that were perceived as being potentially unhelpful.

The economic entity applies judgement based on past experience and current facts and circumstances.

The effective date of this amendment is for years beginning on or after 01 April 2023.

The economic entity expects to adopt the amendment for the first time in the 2023/2024 consolidated annual financial statements.

The impact of the amendment is not material.

# Mangaung Metropolitan Municipality Group

Consolidated Annual Financial Statements for the year ended 30 June 2024

## Notes to the Consolidated Annual Financial Statements

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### 2. New standards and interpretations (continued)

#### 2.2 Standards and interpretations issued, but not yet effective

The economic entity has not applied the following standards and interpretations, which have been published and are mandatory for the economic entity's accounting periods beginning on or after 1 July 2024 or later periods:

<b>Standard/ Interpretation:</b>	<b>Effective date: Years beginning on or after</b>	<b>Expected impact:</b>
• IGRAP 22 on Foreign Currency Transactions and Advance Consideration	1 April 2025	Unlikely there will be a material impact
• GRAP 104 (as revised): Financial Instruments	1 April 2025	Impact is currently being assessed

#### 2.3 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 1 July 2024 or later periods but are not relevant to its operations.

<b>Standard/ Interpretation:</b>	<b>Effective date:</b>	<b>Expected impact:</b>
• <b>GRAP 1 Presentation on Financial Statements (amended 2022)</b>	To be determined	Unlikely there will be a material impact
• <b>GRAP 103 Heritage assets (amended)</b>	To be determined	Unlikely there will be a material impact
• <b>GRAP 105 Transfer of functions between entities not under common control (amended)</b>	To be determined	Unlikely there will be a material impact
• <b>GRAP 106 on Transfer of Functions Between Entities Not Under Common Control (amended)</b>	To be determined	Unlikely there will be a material impact
• <b>GRAP 107 on Mergers (amended)</b>	To be determined	Unlikely there will be a material impact
• <b>Improvements to Standards of GRAP (2023)</b>	To be determined	Unlikely there will be a material impact
• <b>Guideline (The application of materiality to financial statements)</b>	To be determined	Unlikely there will be a material impact

# Mangaung Metropolitan Municipality Group

Consolidated Annual Financial Statements for the year ended 30 June 2024

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2024	2023	2024	2023
<b>3. Inventories</b>				
Consumable stores	10,297,055	5,864,904	10,297,055	5,864,904
Fuel	1,379,512	851,451	1,379,512	851,451
Maintenance materials	4,203,441	887,372	4,203,441	887,372
Unsold properties held for resale	405,447,863	389,431,033	405,447,863	389,431,033
Water for distribution (in pipes and reservoirs)	4,340,167	4,505,183	4,340,167	4,505,183
Raw materials, components	221,628,441	127,054,392	-	-
	<b>647,296,479</b>	<b>528,594,335</b>	<b>425,668,038</b>	<b>401,539,943</b>

### Inventory losses and expenses

Inventories written off	1,995,706	1,929,971	1,995,706	1,929,971
Inventories (write-downs)	5,658,046	4,415,416	-	-
	<b>7,653,752</b>	<b>6,345,387</b>	<b>1,995,706</b>	<b>1,929,971</b>
Inventories recognised as an expense during the year	142,148,640	116,412,730	40,745,701	32,934,305

Prior period figures were restated, refer to note 75.

An assessment of the net realisable value against cost was performed and inventory was written down.

Inventories that were recognised as stores issues during the year amounted to R101 402 939 (2023: R83 478 425), of which a portion was capitalised.

The municipality does not extract any non-regenerative resources for its use or for the use of others. All inventories, including water inventory, are acquired from third parties.

### Inventory pledged as security

No inventory was pledged as security for any financial liability.

### 4. Other receivables from non-exchange transactions

Impound fees receivable	1,135,760	-	1,135,760	-
Traffic fines receivable	21,216,436	12,497,536	21,216,436	12,497,536
Impairment - Traffic fines receivable	(18,550,632)	(11,380,836)	(18,550,632)	(11,380,836)
Government grants receivable	-	114,350,195	-	114,350,195
Impairment - Government grants receivable	-	(114,350,195)	-	(114,350,195)
	<b>3,801,564</b>	<b>1,116,700</b>	<b>3,801,564</b>	<b>1,116,700</b>

### Statutory receivables included in other receivables from non-exchange transactions above are as follows:

Government grants receivable	-	-	-	-
Traffic fines receivable	2,665,804	1,116,700	2,665,804	1,116,700
Impound fees receivable	1,135,760	-	1,135,760	-
	<b>3,801,564</b>	<b>1,116,700</b>	<b>3,801,564</b>	<b>1,116,700</b>

<b>Total other receivables from non-exchange transactions</b>	<b>3,801,564</b>	<b>420,024,495</b>	<b>3,801,564</b>	<b>1,116,700</b>
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# Mangaung Metropolitan Municipality Group

Consolidated Annual Financial Statements for the year ended 30 June 2024

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2024	2023	2024	2023

#### 4. Other receivables from non-exchange transactions (continued)

##### Other receivables from non-exchange transactions above relates to:

Traffic fines arises from fines revenue as disclosed in Note 36 in accordance with Section 341 of the Criminal procedure Act (Act 51 of 1977) and National Traffic Act (Act 93 of 1996).

Grants receivables relates to VAT on grants in prior years claimed from National Treasury which has not yet been finalised in the prior financial year. During the current financial year the municipality was informed by National Treasury that they would not refund the municipality.

##### Credit quality of other receivables from non-exchange transactions:

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

None of the financial assets that are fully performing have been renegotiated in the last year.

The entity does not hold any collateral as security.

##### Other receivables from non-exchange transactions pledged as security

None of the other receivables from non-exchange transactions were pledged as security for any financial liability.

##### Statutory receivables general information

###### Traffic fines receivable:

Revenue type - Non-exchange revenue

Legislation that gives rise to the transactions - In accordance with the Administrative Adjudication of Road Traffic Offences Act, 1998.

Rates and interest charges - The Act determines rates, no interest is charged.

Impairment consideration - Collection rate of the balance as a whole, thereafter discounting is considered in terms of materiality.

###### Grants receivable:

Revenue type - Non-exchange revenue

Legislation that gives rise to the transactions - In accordance with sections 7(3) and 15(1) of the Division of Revenue Act, 2013.

Grants and interest charges - The Act determines the grants, no interest is charged.

Impairment consideration - Collection rate of the balance as a whole, thereafter discounting is considered in terms of materiality.

##### Interest or other charges levied/charged

No other receivables from non-exchange transactions generated interest income and no other levies were charged.

##### Statutory receivables past due but not impaired

Statutory receivables which are past due are considered to be impaired. At 30 June 2024, R3,801,564 (2023: R1,116,700) were past due but not impaired.

##### Factors the entity considered in assessing statutory receivables past due but not impaired

Other receivables from non-exchange transactions are assessed in terms of their respective overall payment percentages. Some receivables are therefore past due, but the balances are still expected to be recoverable based on the payment percentages.

# Mangaung Metropolitan Municipality Group

Consolidated Annual Financial Statements for the year ended 30 June 2024

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2024	2023	2024	2023

#### 4. Other receivables from non-exchange transactions (continued)

##### Statutory receivables impaired

As of 30 June 2024, statutory receivables of R18,550,632 (2023: R125,731,031) were impaired and provided for.

The amount of the provision was R18,550,632 as of 30 June 2024 (2023: R125,731,031).

##### Reconciliation of provision for impairment for statutory receivables

Opening balance	125,731,031	124,957,501	125,731,031	124,957,501
Amounts written off as uncollectible	(114,350,195)	-	(114,350,195)	-
Provision for impairment	7,563,430	773,530	7,563,430	773,530
Reversal of impairment - Expired traffic fines	(393,633)	-	(393,633)	-
	<b>18,550,633</b>	<b>125,731,031</b>	<b>18,550,633</b>	<b>125,731,031</b>

##### Main events and circumstances that led to the recognition or reversal of impairment losses on statutory receivables

##### Significant impairment losses recognised or reversed

##### Impairment Recognised - Traffic fines receivables:

Annually the outstanding receivables are assessed in terms of the value of fines issued in comparison to the receipts generated from such fines. The remaining balance is considered recoverable based on this payment percentage. The impairment loss is similar to our expectation, but quantitatively the impairment is significant and therefore disclosed separately.

##### Impairment Recognised - Government grants receivable:

The average credit period for government grants and subsidies is dependent on the Government Department involved and the nature of claim. No interest is charged on outstanding government grants and subsidies. The subsidies are payable to the municipality per allocations made in the Division of Revenue Act or based on agreements between the municipality and the relevant departments. Government Grants and Subsidies receivable which are past due is not impaired as management have no concerns over the credit quality of these assets, but except for the instance on the claim for VAT on grants receivable as disclosed above.

#### 5. Consumer receivables from exchange transactions

##### Gross balances

Electricity	1,149,859,890	1,166,137,225	-	-
Water	5,196,253,232	4,761,153,695	5,196,253,232	4,761,153,695
Sewerage	1,414,848,673	1,195,312,342	1,414,848,673	1,195,312,342
Refuse	639,287,888	529,581,326	639,287,888	529,581,326
Housing rental	74,037,453	63,595,924	74,037,453	63,595,924
	<b>8,474,287,136</b>	<b>7,715,780,512</b>	<b>7,324,427,246</b>	<b>6,549,643,287</b>

##### Less: Allowance for impairment

Electricity	(700,514,375)	(632,154,138)	-	-
Water	(4,471,071,128)	(4,271,961,024)	(4,471,071,128)	(4,271,961,024)
Sewerage	(1,200,521,998)	(1,001,688,813)	(1,200,521,998)	(1,001,688,813)
Refuse	(546,923,884)	(448,647,008)	(546,923,884)	(448,647,008)
Housing rental	(68,996,868)	(60,054,660)	(68,996,868)	(60,054,660)
	<b>(6,988,028,253)</b>	<b>(6,414,505,643)</b>	<b>(6,287,513,878)</b>	<b>(5,782,351,505)</b>

##### Net balance

Electricity	449,345,515	533,983,087	-	-
Water	725,182,104	489,192,671	725,182,104	489,192,671
Sewerage	214,326,675	193,623,529	214,326,675	193,623,529
Refuse	92,364,004	80,934,318	92,364,004	80,934,318
Housing rental	5,040,585	3,541,264	5,040,585	3,541,264
	<b>1,486,258,883</b>	<b>1,301,274,869</b>	<b>1,036,913,368</b>	<b>767,291,782</b>

# Mangaung Metropolitan Municipality Group

Consolidated Annual Financial Statements for the year ended 30 June 2024

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2024	2023	2024	2023
<b>5. Consumer receivables from exchange transactions (continued)</b>				
<b>Electricity</b>				
Current (0 -30 days)	76,946,700	141,765,450	-	-
31 - 60 days	28,691,241	27,301,723	-	-
61 - 90 days	22,269,937	14,082,801	-	-
91+ days	805,485,604	779,795,918	-	-
121 - 365 days	216,467,984	203,207,645	-	-
Discounting	(1,573)	(16,312)	-	-
Less: Impairment	(700,514,378)	(632,154,138)	-	-
	<b>449,345,515</b>	<b>533,983,087</b>	-	-
<b>Water</b>				
Current (0 -30 days)	225,398,787	81,343,007	225,398,787	81,343,007
31 - 60 days	233,709,702	106,873,382	233,709,702	106,873,382
61 - 90 days	128,149,795	97,851,258	128,149,795	97,851,258
91+ days	4,607,289,136	4,440,217,080	4,607,289,136	4,440,217,080
Meter reading estimate	20,977,792	34,868,968	20,977,792	34,868,968
Less: Impairment	(4,490,343,108)	(4,271,961,024)	(4,490,343,108)	(4,271,961,024)
	<b>725,182,104</b>	<b>489,192,671</b>	<b>725,182,104</b>	<b>489,192,671</b>
<b>Sewerage</b>				
Current (0 -30 days)	53,973,484	77,396,352	53,973,484	77,396,352
31 - 60 days	36,794,921	33,601,844	36,794,921	33,601,844
61 - 90 days	34,125,630	31,673,998	34,125,630	31,673,998
91+ days	1,291,622,787	1,052,640,148	1,291,622,787	1,052,640,148
Less: Impairment	(1,202,190,147)	(1,001,688,813)	(1,202,190,147)	(1,001,688,813)
	<b>214,326,675</b>	<b>193,623,529</b>	<b>214,326,675</b>	<b>193,623,529</b>
<b>Refuse</b>				
Current (0 -30 days)	18,621,819	80,782,221	18,621,819	80,782,221
31 - 60 days	14,925,512	13,248,526	14,925,512	13,248,526
61 - 90 days	14,054,759	12,495,339	14,054,759	12,495,339
91+ days	592,518,538	423,055,240	592,518,538	423,055,240
Less: Impairment	(547,756,624)	(448,647,008)	(547,756,624)	(448,647,008)
	<b>92,364,004</b>	<b>80,934,318</b>	<b>92,364,004</b>	<b>80,934,318</b>
<b>Housing rental</b>				
Current (0 -30 days)	1,080,990	904,331	1,080,990	904,331
31 - 60 days	1,061,643	887,067	1,061,643	887,067
61 - 90 days	1,221,862	874,490	1,221,862	874,490
91+ days	70,672,957	60,930,036	70,672,957	60,930,036
Less: Impairment	(68,996,867)	(60,054,660)	(68,996,867)	(60,054,660)
	<b>5,040,585</b>	<b>3,541,264</b>	<b>5,040,585</b>	<b>3,541,264</b>

# Mangaung Metropolitan Municipality Group

Consolidated Annual Financial Statements for the year ended 30 June 2024

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2024	2023	2024	2023
<b>5. Consumer receivables from exchange transactions (continued)</b>				
<b>Summary of receivables by customer classification</b>				
<b>Residential and Sundry</b>				
Current (0 -30 days)	184,879,913	227,542,408	180,027,461	216,544,792
31 - 60 days	194,557,576	115,249,589	193,489,247	114,617,379
61 - 90 days	129,715,613	102,914,411	128,809,357	102,510,291
91+ days	4,957,459,679	4,521,729,705	4,832,891,210	4,398,069,409
Meter reading estimate	237,445,776	238,076,613	20,977,792	34,868,968
Discounting	(1,573)	(16,312)	-	-
	5,704,056,984	5,205,496,414	5,356,195,067	4,866,610,839
Less: Allowance for impairment	(4,865,098,068)	(4,540,965,496)	(4,739,979,410)	(4,417,481,608)
	<b>838,958,916</b>	<b>664,530,918</b>	<b>616,215,657</b>	<b>449,129,231</b>
<b>Business/ commercial</b>				
Current (0 -30 days)	114,224,569	125,416,365	60,668,213	14,477,105
31 - 60 days	40,652,512	33,391,322	26,531,476	18,538,365
61 - 90 days	33,783,221	22,096,377	21,518,298	16,690,729
91+ days	1,036,561,867	884,692,027	921,726,285	803,056,208
	1,225,222,169	1,065,596,091	1,030,444,272	852,762,407
Less: Allowance for impairment	(940,924,437)	(762,199,547)	(823,981,240)	(682,740,772)
	<b>284,297,732</b>	<b>303,396,544</b>	<b>206,463,032</b>	<b>170,021,635</b>
<b>National and provincial government</b>				
Current (0 -30 days)	55,144,428	29,232,588	36,606,537	9,404,014
31 - 60 days	79,972,931	33,271,631	66,471,055	21,455,075
61 - 90 days	36,323,149	31,967,098	27,224,391	23,694,066
91+ days	1,373,564,477	1,350,216,690	807,485,923	775,716,887
	1,545,004,985	1,444,688,007	937,787,906	830,270,042
Less: Allowance for impairment	(1,182,005,748)	(1,111,340,601)	(723,553,228)	(682,129,125)
	<b>362,999,237</b>	<b>333,347,406</b>	<b>214,234,678</b>	<b>148,140,917</b>
<b>Total</b>				
Current (0 -30 days)	354,248,910	382,191,361	277,302,211	240,425,910
31 - 60 days	315,183,019	181,912,542	286,491,778	154,610,819
61 - 90 days	199,821,983	156,977,886	177,552,046	142,895,086
91+ days	7,367,586,023	6,756,638,422	6,562,103,419	5,976,842,504
Meter reading estimate	237,445,776	238,076,613	20,977,792	34,868,968
Discounting	(1,573)	(16,312)	-	-
	8,474,284,138	7,715,780,512	7,324,427,246	6,549,643,287
Less: Allowance for impairment	(6,988,028,253)	(6,414,505,644)	(6,287,513,878)	(5,782,351,505)
	<b>1,486,255,885</b>	<b>1,301,274,868</b>	<b>1,036,913,368</b>	<b>767,291,782</b>

### Consumer receivables pledged as security

None of the consumer receivables from exchange transactions were pledged as security for any financial liability.

### Credit quality of consumer receivables

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

None of the consumer receivables from exchange transactions that are fully performing have been renegotiated in the last year.

# Mangaung Metropolitan Municipality Group

Consolidated Annual Financial Statements for the year ended 30 June 2024

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2024	2023	2024	2023

### 5. Consumer receivables from exchange transactions (continued)

#### Consumer receivables past due but not impaired

Consumer receivables which are less than 3 months past due are not considered to be impaired. At 30 June 2024, R741,346,035 (2023: R537,931,815) were past due but not impaired for the controlling entity Mangaung and at 30 June 2024, R974,225,139 (2023: R868,723,569) were past due but not impaired for the economic entity.

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

Current (0 -30 days)	343,103,252	376,029,775	277,302,211	240,425,910
1 month past due (31 - 60 days)	304,865,786	177,239,182	286,491,778	154,610,819
2 months past due (61 - 90 days)	326,256,101	315,454,612	177,552,046	142,895,086
	<b>974,225,139</b>	<b>868,723,569</b>	<b>741,346,035</b>	<b>537,931,815</b>

#### Consumer receivables impaired

As of 30 June 2024, consumer receivables of R6,287,513,878 (2023: R5,782,351,504) were impaired and provided for by the controlling entity and consumer receivables of R6,988,028,253 (2023: R6,414,505,642) were impaired and provided for by the economic entity.

The amount of the provision was R6,287,513,878 as of 30 June 2024 (2023: R5,782,351,504) for the controlling entity and the amount of the provision was R6,988,028,253 as of 30 June 2024 (2023: R6,414,505,642) for the economic entity.

The ageing of these consumer receivables are as follows:

Over 3 months	6,988,028,253	6,414,505,642	6,287,513,878	5,782,351,505
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#### Reconciliation of allowance for impairment of consumer receivables from exchange transactions

Opening balance	6,414,505,642	5,309,741,294	5,782,351,504	4,620,726,556
Allowance for impairment	573,522,611	1,104,764,348	505,162,374	1,161,624,948
	<b>6,988,028,253</b>	<b>6,414,505,642</b>	<b>6,287,513,878</b>	<b>5,782,351,504</b>

Due to the limitations on the financial system, it is impractical to disclose the impaired interest on consumer receivables from exchange transactions.

# Mangaung Metropolitan Municipality Group

Consolidated Annual Financial Statements for the year ended 30 June 2024

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2024	2023	2024	2023
<b>6. Consumer receivables from non-exchange transactions</b>				
<b>Gross balances</b>				
Consumer receivables - Rates	2,443,907,456	2,121,915,082	2,443,907,456	2,121,915,082
<b>Less: Allowance for impairment</b>				
Consumer receivables - Rates	(1,993,972,053)	(1,703,007,287)	(1,993,972,053)	(1,703,007,287)
<b>Net balance</b>				
Consumer receivables - Rates	449,935,403	418,907,795	449,935,403	418,907,795
<b>Rates</b>				
Current (0 -30 days)	123,162,324	79,876,714	123,162,324	79,876,714
31 - 60 days	86,193,315	80,106,442	86,193,315	80,106,442
61 - 90 days	79,302,767	72,467,189	79,302,767	72,467,189
91+ days	2,155,249,050	1,889,464,737	2,155,249,050	1,889,464,737
Less: Allowance for Impairment	(1,993,972,053)	(1,703,007,287)	(1,993,972,053)	(1,703,007,287)
	<b>449,935,403</b>	<b>418,907,795</b>	<b>449,935,403</b>	<b>418,907,795</b>
<b>Summary by customer classification</b>				
<b>Residential and Sundry</b>				
Current (0 -30 days)	59,853,146	72,911,626	59,853,146	72,911,626
31 - 60 days	42,428,588	37,392,695	42,428,588	37,392,695
61 - 90 days	39,066,922	34,467,071	39,066,922	34,467,071
91+ days	1,220,219,597	930,408,589	1,220,219,597	930,408,589
	1,361,568,253	1,075,179,981	1,361,568,253	1,075,179,981
Less: Allowance for impairment	(1,166,910,693)	(902,449,246)	(1,166,910,693)	(902,449,246)
	<b>194,657,560</b>	<b>172,730,735</b>	<b>194,657,560</b>	<b>172,730,735</b>
<b>Business / commercial</b>				
Current (0 -30 days)	57,625,894	5,306,976	57,625,894	5,306,976
31 - 60 days	22,561,101	19,886,718	22,561,101	19,886,718
61 - 90 days	19,655,111	18,241,712	19,655,111	18,241,712
91+ days	588,921,284	503,443,072	588,921,284	503,443,072
	688,763,390	546,878,478	688,763,390	546,878,478
Less: Allowance for impairment	(521,480,905)	(394,339,329)	(521,480,905)	(394,339,329)
	<b>167,282,485</b>	<b>152,539,149</b>	<b>167,282,485</b>	<b>152,539,149</b>
<b>Government</b>				
Current (0 -30 days)	5,683,285	1,658,111	5,683,285	1,658,111
31 - 60 days	21,203,626	22,827,029	21,203,626	22,827,029
61 - 90 days	20,580,733	19,758,407	20,580,733	19,758,407
91+ days	346,108,169	455,613,076	346,108,169	455,613,076
	393,575,813	499,856,623	393,575,813	499,856,623
Less: Allowance for impairment	(305,580,456)	(406,218,713)	(305,580,456)	(406,218,713)
	<b>87,995,357</b>	<b>93,637,910</b>	<b>87,995,357</b>	<b>93,637,910</b>

# Mangaung Metropolitan Municipality Group

Consolidated Annual Financial Statements for the year ended 30 June 2024

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2024	2023	2024	2023

### 6. Consumer receivables from non-exchange transactions (continued)

#### Reconciliation of allowance for impairment

Balance at beginning of the year	1,703,007,287	1,431,811,916	1,703,007,287	1,431,811,916
Contributions to allowance	290,964,766	271,195,371	290,964,766	271,195,371
	<b>1,993,972,053</b>	<b>1,703,007,287</b>	<b>1,993,972,053</b>	<b>1,703,007,287</b>

Due to the limitations on the financial system, it is impractical to disclose the impaired interest on consumer receivables from non-exchange transactions.

#### Credit quality of consumer receivables from non-exchange transactions

Consumer receivables from non-exchange transactions which are less than 3 months past due are not considered to be impaired.

#### Consumer receivables from non-exchange transactions pledged as security

None of the consumer receivables from non-exchange transactions were pledged as security for any financial liability.

#### Consumer receivables from non-exchange transactions past due but not impaired

Consumer receivables from non-exchange transactions which are less than 3 months past due are not considered to be impaired. At 30 June 2024: R165,496,082 (2023: R152,573,631) were past due but not impaired.

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

1 month past due	86,193,315	80,106,442	86,193,315	80,106,442
2 months past due	79,302,767	72,467,189	79,302,767	72,467,189
	<b>165,496,082</b>	<b>152,573,631</b>	<b>165,496,082</b>	<b>152,573,631</b>

#### Consumer receivables from non-exchange transactions impaired

As at 30 June 2024 consumer receivables from non-exchange transactions of R1,993,972,053 (2023 R1,703,007,287) were impaired and provided for.

#### The ageing of amounts impaired is as follows:

Over 3 months	1,993,972,053	1,703,007,287	1,993,972,053	1,703,007,287
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# Mangaung Metropolitan Municipality Group

Consolidated Annual Financial Statements for the year ended 30 June 2024

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2024	2023	2024	2023

### 6. Consumer receivables from non-exchange transactions (continued)

#### Statutory receivables general information

##### Rates

Revenue type - Non-exchange revenue

Legislation that gives rise to the transactions - Municipal Property Rates Act (Act 6 of 2004).

Rates and interest charges - Municipal Tariff Policy, Interest charged.

Impairment consideration - Individual collection rates, interest charged at discount rate.

##### Interest or other charges levied/charged

Interest was only charged on outstanding rates accounts. No other levies were charged.

##### Statutory receivables past due but not impaired

Statutory receivables which are less than 3 months past due are not considered to be impaired. At 30 June 2024, R165,496,082 (2023: R152,573,631) were past due but not impaired.

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

1 month past due	86,193,315	80,106,442	86,193,315	80,106,442
2 months past due	79,302,767	72,467,189	79,302,767	72,467,189
	<u>165,496,082</u>	<u>152,573,631</u>	<u>165,496,082</u>	<u>152,573,631</u>

##### Statutory receivables impaired

As of 30 June 2024, Statutory receivables of R1,993,972,053 (2023: R1,703,007,287) were impaired and provided for.

The amount of the provision was R1,993,972,053 as of 30 June 2024 (2023: R1,703,007,287).

##### Reconciliation of provision for impairment for statutory receivables

Opening balance	1,703,007,287	1,431,811,916	1,703,007,287	1,431,811,916
Provision for impairment	290,964,766	271,195,371	290,964,766	271,195,371
	<u>1,993,972,053</u>	<u>1,703,007,287</u>	<u>1,993,972,053</u>	<u>1,703,007,287</u>



# Mangaung Metropolitan Municipality Group

Consolidated Annual Financial Statements for the year ended 30 June 2024

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2024	2023	2024	2023
<b>7. Other receivables from exchange transactions</b>				
Non-impaired receivables				
Accrued interest on investments	209,044	488,604	209,044	488,604
Deferred lease	4,602,701	5,816,374	4,602,701	5,816,374
Deposits	1,222,704	1,103,741	-	-
DOE Grant - Southern Free State Towns	4,053,728	4,737,728	-	-
Garnishee orders	2,112,380	3,463,838	2,112,380	3,463,838
Kopanong Local Municipality	61,467,910	37,075,823	-	-
Mohokare Local Municipality	89,288,750	82,292,309	-	-
Other receivables	10,109,741	9,975,320	-	-
Prepaid electricity vendors	28,758,680	11,707,724	-	-
Prepaid expenses - Fleet	-	63,416,238	-	63,416,238
Prepaid water vendors	17,035,446	12,189,583	17,035,446	12,189,583
Receipt reversal	533,478	467,014	-	-
Staff leave days receivable	2,486	7,143	2,486	7,143
Impaired receivables				
Housing and erven selling schemes	3,310,905	3,310,905	3,310,905	3,310,905
Impairment - Housing and erven selling schemes	(3,117,388)	(3,250,689)	(3,117,388)	(3,250,689)
Sundry receivables	220,316,532	133,986,351	220,316,532	133,986,351
Impairment - Sundry receivables	(128,809,027)	(97,619,156)	(128,809,027)	(97,619,156)
			-	-
	<b>311,098,070</b>	<b>269,168,850</b>	<b>115,663,079</b>	<b>121,809,191</b>

### Credit quality of other receivables from exchange transactions

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

None of the other receivables from exchange transactions that are fully performing have been renegotiated in the last year.

### Other receivables from exchange transactions pledged as security

None of the other receivables from exchange transactions were pledged as security for any financial liability.

### Other receivables from exchange transactions past due but not impaired

Other receivables from exchange transactions which are less than 3 months past due are not considered to be impaired. At 30 June 2024, R9,246,222 (2023: R5,163,491) were past due but not impaired.

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

1 month past due	9,246,222	5,163,491	9,246,222	5,163,491
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### Other receivables from exchange transactions impaired

As of 30 June 2024, trade and other receivables of R131,926,415 (2023: R100,869,845) were impaired and provided for.

The amount of the provision was R131,926,415 as of 30 June 2024 (2023: R100,869,845).

The ageing of these receivables are as follows:

Over 3 months	131,926,415	100,869,845	131,926,415	100,869,845
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### Reconciliation of provision for impairment of other receivables from exchange transactions

Opening balance	100,869,845	111,623,291	100,869,845	111,623,291
Provision for impairment	31,056,570	(10,753,446)	31,056,570	(10,753,446)
	<b>131,926,415</b>	<b>100,869,845</b>	<b>131,926,415</b>	<b>100,869,845</b>

# Mangaung Metropolitan Municipality Group

Consolidated Annual Financial Statements for the year ended 30 June 2024

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2024	2023	2024	2023

### 7. Other receivables from exchange transactions (continued)

Other receivables from exchange transactions consist of receivables raised from other income from exchange transactions recognised (refer to Note 37 - Other income).

Due to the limitations on the financial system, it is impractical to disclose the impaired interest on other receivables from exchange transactions.

#### Prior period error:

Prior year figures were restated due to errors identified in the current financial year, refer to note 75.

### 8. VAT receivable / (payable)

VAT receivable (Mangaung)	176,699,187	198,015,216	176,699,187	198,015,216
VAT payable (Centlec)	(252,383,356)	(247,523,390)	-	-
	<b>(75,684,169)</b>	<b>(49,508,174)</b>	<b>176,699,187</b>	<b>198,015,216</b>

#### VAT per entity

VAT receivable - Mangaung	176,699,187	198,015,216	176,699,187	198,015,216
VAT payable - Centlec	(252,383,356)	(247,523,390)	-	-
	<b>(75,684,169)</b>	<b>(49,508,174)</b>	<b>176,699,187</b>	<b>198,015,216</b>

VAT is payable on the payment basis. VAT is paid over to SARS only once payment is received from debtors.

Prior year figures were restated due to errors identified in the current financial year, refer to note 75.

#### Statutory receivable included in VAT receivable above are as follows:

VAT receivable	176,699,187	198,015,216	176,699,187	198,015,216
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#### Statutory receivables (payables) general information:

Revenue type - Not applicable.

Legislation that gives rise to the transactions - Value Added Tax Act (Act 89 of 1991).

Rates and interest charges - The Act determines rates and interest is charge.

Impairment consideration - No impairment, balance expected to be fully recoverable.

#### Interest or other charges levied/charged:

No VAT receivable (payable) generated interest income and no other levies were charged.

#### Statutory receivables (payables) impaired:

VAT receivables (payables) included in statutory receivables (payables) are not impaired nor considered for impairment, balance expected to be fully recoverable.

#### Prior period error:

Prior year figures were restated due to errors identified in the current financial year, refer to note 75.

### 9. Centlec intercompany loan

Centlec intercompany loan	-	-	821,949,485	813,925,650
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# Mangaung Metropolitan Municipality Group

Consolidated Annual Financial Statements for the year ended 30 June 2024

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2024	2023	2024	2023

### 9. Centlec intercompany loan (continued)

The intercompany loan balance is the net balance payable or receivable of all transactions between Centlec (SOC) Limited and the entity and interest is levied on the average balance for the year at the effective prime interest rate on the first day of the financial year. The applicable interest rate for the year was 11.75% (2023: 8.25%)

### 10. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	140,549	143,049	140,549	143,049
Bank balances	62,614,337	74,035,408	52,343,056	50,092,465
Short-term deposits	432,106,038	636,982,459	431,266,770	636,630,318
	<b>494,860,924</b>	<b>711,160,916</b>	<b>483,750,375</b>	<b>686,865,832</b>

#### Credit quality of cash at bank and short-term deposits, excluding cash on hand

The credit quality of cash at bank and short-term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or historical information about counterparty default rates:

#### Credit rating

Ba1	494,720,375	711,017,867	483,609,826	686,722,783
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#### Cash and cash equivalents pledged as collateral

Total financial assets pledged as collateral for the COID reserve	29,413,934	27,371,099	29,413,934	27,371,099
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The term deposit investment is pledged as security to the Compensation Commissioner of the Workmen's Compensation Fund to guarantee the payment of claims in respect of injuries while on duty.

#### The entity had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2024	30 June 2023	30 June 2022	30 June 2024	30 June 2023	30 June 2022
<b>Mangaung</b>						
Nedbank - 1186196793	45,729,484	39,053,647	35,091,277	45,809,818	41,117,133	34,833,656
Nedbank - 1186245379	-	-	-	1,530	10,920	9,274
Nedbank - 1186660643	-	-	-	(43,275)	(53,416)	(45,893)
Nedbank - 1186239778	-	-	-	(38,588)	2,779,685	1,860,814
Nedbank - 1186414936	6,129,551	4,835,437	4,416,943	6,129,551	4,835,437	4,416,943
ABSA Bank - 470000465	484,021	1,402,707	337,426	484,020	1,402,707	337,426
<b>Centlec</b>						
ABSA Bank - 4058833582	4,985,191	4,032,634	694,130	9,265,968	7,765,659	4,579,005
ABSA Bank - 4055133721	(16)	7	7,785	(16)	7	(2,215)
ABSA Bank - 4054065339	32,980	18,646	16,772	51,521	37,387	(16,524)
ABSA Bank - 470001402	1,183,681	1,395,908	4,538,094	893,311	1,105,537	(1,946,261)
ABSA Bank - 4054530924	-	-	258	(294)	(295)	(882)
ABSA Bank - 4078209583	37,551	21,043	93,919	(84,698)	(72,348)	(345,125)
ABSA Bank - 4080522070	3,345	7,409	377	3,345	7,409	378
ABSA Bank - 4080521896	-	79	685	85	79	685
ABSA Bank - 9326102088	143,130	15,099,918	1,168	142,059	15,099,508	(28,736)
<b>Total</b>	<b>58,728,918</b>	<b>65,867,435</b>	<b>45,198,834</b>	<b>62,614,337</b>	<b>74,035,409</b>	<b>43,652,545</b>

The cash book balances indicated in the table above are balances prior to the sweeping of sub-accounts to the main account done by the bank at year end.

# Mangaung Metropolitan Municipality Group

Consolidated Annual Financial Statements for the year ended 30 June 2024

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2024	2023	2024	2023

### 10. Cash and cash equivalents (continued)

#### Summary of short-term deposits held

ABSA Bank	30,253,202	27,723,240	29,413,934	27,371,099
Nedbank	401,852,836	609,259,219	401,852,836	609,259,219
	<b>432,106,038</b>	<b>636,982,459</b>	<b>431,266,770</b>	<b>636,630,318</b>

### 11. Investment properties

Economic entity	2024			2023		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	1,590,665,600	-	1,590,665,600	1,587,424,015	-	1,587,424,015

  

Controlling entity	2024			2023		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	1,590,665,600	-	1,590,665,600	1,587,424,015	-	1,587,424,015

#### Reconciliation of investment properties - Economic entity - 2024

	Opening balance	Fair value adjustments	Total
Investment property	1,587,424,015	3,241,585	1,590,665,600

#### Reconciliation of investment properties - Economic entity - 2023

	Opening balance	Fair value adjustments	Total
Investment property	1,585,611,015	1,813,000	1,587,424,015

#### Reconciliation of investment properties - Controlling entity - 2024

	Opening balance	Fair value adjustments	Total
Investment property	1,587,424,015	3,241,585	1,590,665,600

#### Reconciliation of investment properties - Controlling entity - 2023

	Opening balance	Fair value adjustments	Total
Investment property	1,585,611,015	1,813,000	1,587,424,015

#### Pledged as security

No investment property has been pledged as security for any financial liability.

#### Investment property in the process of being constructed or developed

No investment property is in the process of being constructed or developed.

# Mangaung Metropolitan Municipality Group

Consolidated Annual Financial Statements for the year ended 30 June 2024

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2024	2023	2024	2023

### 11. Investment properties (continued)

#### Details of property

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.

#### Details of valuation

The effective date of the valuation was 30 June 2024. The entity's investment property was revalued by independent professional qualified valuers who hold a recognised relevant professional qualification and have recent experience in the locations and categories of the investment properties valued.

The investment properties were revalued with reference to comparable market data where available, as well as information from the valuation roll.

#### Investment property above includes the following:

Revenue generating investment property	1,192,234,000	1,180,430,000	1,192,234,000	1,180,430,000
Non-revenue generating investment property	411,064,255	406,994,015	411,064,255	406,994,015
	<b>1,603,298,255</b>	<b>1,587,424,015</b>	<b>1,603,298,255</b>	<b>1,587,424,015</b>

#### Amounts recognised in surplus or deficit

Rental revenue from Investment property	6,133,283	5,931,598	6,133,283	5,931,598
Direct operating expenses	6,924,293	7,567,795	6,924,293	7,567,795

This cost consists of payments made to contractors for repairing and maintaining these assets.

No staff member is engaged in any labour towards the repair and maintenance of investment property.

# Mangaung Metropolitan Municipality Group

Consolidated Annual Financial Statements for the year ended 30 June 2024

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### 12. Property, plant and equipment

Economic entity	2024			2023		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	1,317,507,701	-	1,317,507,701	1,295,873,484	-	1,295,873,484
Buildings	1,169,790,429	(104,738,824)	1,065,051,605	1,166,358,616	(61,912,820)	1,104,445,796
Buildings - Service concession asset	304,960,000	-	304,960,000	304,960,000	-	304,960,000
Buildings - WIP	16,577,958	-	16,577,958	14,846,580	-	14,846,580
Infrastructure - Roads and roads related	6,687,918,347	(3,987,080,085)	2,700,838,262	6,453,226,289	(3,693,240,550)	2,759,985,739
Infrastructure - Sanitation network	3,538,417,132	(1,358,919,880)	2,179,497,252	3,508,226,206	(1,236,940,841)	2,271,285,365
Infrastructure - Water meters	138,007,962	(43,464,743)	94,543,219	117,890,087	(16,647,351)	101,242,736
Infrastructure - Water network	2,582,579,562	(1,227,369,781)	1,355,209,781	2,568,182,331	(1,152,887,117)	1,415,295,214
Infrastructure - Electricity network	7,415,454,866	(1,698,854,396)	5,716,600,470	7,303,379,805	(1,499,729,025)	5,803,650,780
Infrastructure - WIP	1,000,474,005	-	1,000,474,005	989,498,257	-	989,498,257
Community Assets - Landfill sites and quarries	1,045,428,415	(644,492,280)	400,936,135	756,160,475	(632,444,373)	123,716,102
Community Assets - Other	1,331,624,772	(828,383,954)	503,240,818	1,348,456,097	(770,016,229)	578,439,868
Community Assets - WIP	162,423,825	-	162,423,825	146,399,227	-	146,399,227
Fleet	801,778,472	(391,561,042)	410,217,430	687,130,685	(355,429,556)	331,701,129
Other property, plant and equipment	249,749,096	(188,498,389)	61,250,707	222,117,619	(172,802,341)	49,315,278
Infrastructure - Infrastructure Roads and roads related Service concession asset	140,558,103	-	140,558,103	207,856,318	(67,298,215)	140,558,103
Infrastructure - Sanitation network Service concession asset	35,548,674	-	35,548,674	39,105,058	(3,556,384)	35,548,674
Infrastructure Water network Service concession asset	14,836,180	(1,691,362)	13,144,818	14,836,180	(1,691,362)	13,144,818
Hillside View - WIP	53,681,824	-	53,681,824	53,681,824	-	53,681,824
<b>Total</b>	<b>28,007,317,323</b>	<b>(10,475,054,736)</b>	<b>17,532,262,587</b>	<b>27,198,185,138</b>	<b>(9,664,596,164)</b>	<b>17,533,588,974</b>

# Mangaung Metropolitan Municipality Group

Consolidated Annual Financial Statements for the year ended 30 June 2024

## Notes to the Consolidated Annual Financial Statements

Figures in Rand

### 12. Property, plant and equipment (continued)

Controlling entity	2024			2023		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	1,308,176,388	-	1,308,176,388	1,286,542,171	-	1,286,542,171
Buildings	1,072,014,618	(78,398,992)	993,615,626	1,068,582,804	(39,138,999)	1,029,443,805
Buildings - Service concession asset	304,960,000	-	304,960,000	304,960,000	-	304,960,000
Buildings WIP	5,344,881	-	5,344,881	3,788,638	-	3,788,638
Infrastructure - Roads and roads related	6,687,918,347	(3,987,080,085)	2,700,838,262	6,453,226,289	(3,693,240,550)	2,759,985,739
Infrastructure - Sanitation network	3,538,417,132	(1,358,919,880)	2,179,497,252	3,508,226,206	(1,236,940,841)	2,271,285,365
Infrastructure - Water meters	138,007,962	(43,464,743)	94,543,219	117,890,087	(16,647,351)	101,242,736
Infrastructure - Water network	2,582,579,562	(1,227,369,781)	1,355,209,781	2,568,182,331	(1,152,887,117)	1,415,295,214
Infrastructure - WIP	871,864,298	-	871,864,298	866,263,491	-	866,263,491
Community - Landfill sites and quarries	1,045,428,415	(644,492,280)	400,936,135	756,160,475	(632,444,373)	123,716,102
Community - Other	1,331,624,772	(828,383,954)	503,240,818	1,348,456,097	(770,016,229)	578,439,868
Community - WIP	162,423,825	-	162,423,825	146,399,227	-	146,399,227
Fleet	670,468,697	(296,475,982)	373,992,715	550,233,359	(265,403,781)	284,829,578
Other property, plant and equipment	162,677,506	(126,978,644)	35,698,862	148,011,740	(116,892,908)	31,118,832
Infrastructure - Roads and roads related - Service Concession asset	140,558,103	-	140,558,103	207,856,318	(67,298,215)	140,558,103
Infrastructure - Sanitation network - Service Concession asset	35,548,674	-	35,548,674	39,105,058	(3,556,384)	35,548,674
Infrastructure - Water network - Service concession asset	14,836,180	(1,691,362)	13,144,818	14,836,180	(1,691,362)	13,144,818
Hillside View - WIP	53,681,824	-	53,681,824	53,681,824	-	53,681,824
<b>Total</b>	<b>20,126,531,184</b>	<b>(8,593,255,703)</b>	<b>11,533,275,481</b>	<b>19,442,402,295</b>	<b>(7,996,158,110)</b>	<b>11,446,244,185</b>

# Mangaung Metropolitan Municipality Group

Consolidated Annual Financial Statements for the year ended 30 June 2024

## Notes to the Consolidated Annual Financial Statements

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### 12. Property, plant and equipment (continued)

#### Reconciliation of property, plant and equipment - Economic entity - 2024

	Opening balance	Additions	Disposals	Transfers	Revaluations	Depreciation	Impairment loss	Total
Land	1,295,873,484	28,542,000	(1,026,000)	(5,881,783)	-	-	-	1,317,507,701
Buildings	1,104,445,796	3,451,098	(19,285)	-	-	(42,826,004)	-	1,065,051,605
Buildings - Service concession asset	304,960,000	-	-	-	-	-	-	304,960,000
Buildings - WIP	14,846,580	1,731,378	-	-	-	-	-	16,577,958
Infrastructure - Roads and roads related	2,759,985,739	61,943,817	(9,997,873)	136,937,200	-	(248,030,621)	-	2,700,838,262
Infrastructure - Sanitation network	2,271,285,365	4,589,936	-	23,602,543	-	(119,980,592)	-	2,179,497,252
Infrastructure - Water meters	101,242,736	21,295,932	(762,899)	-	-	(13,825,787)	(13,406,763)	94,543,219
Infrastructure - Water network	1,415,295,214	4,075,677	-	7,994,332	-	(72,155,442)	-	1,355,209,781
Infrastructure - Electricity network	5,803,650,780	127,939,567	(4,657,996)	-	(5,936,553)	(201,320,552)	(3,074,776)	5,716,600,470
Infrastructure - WIP	989,498,257	307,632,432	-	(296,656,684)	-	-	-	1,000,474,005
Community Assets - Landfill sites and quarries	123,716,102	-	(2,036,919)	-	292,894,129	(7,739,860)	(5,897,317)	400,936,135
Community Assets - Other	578,439,868	2,220,476	(5,051,935)	-	-	(36,806,440)	(35,561,151)	503,240,818
Community Assets - WIP	146,399,227	16,024,598	-	-	-	-	-	162,423,825
Fleet	331,701,129	120,589,974	(1,367,986)	-	-	(40,675,461)	(30,226)	410,217,430
Other property, plant and equipment	49,315,278	28,917,657	(119,419)	-	-	(16,858,622)	(4,187)	61,250,707
Infrastructure - Infrastructure Roads and roads related	140,558,103	-	-	-	-	-	-	140,558,103
Service concession asset								
Infrastructure - Sanitation network Service concession asset	35,548,674	-	-	-	-	-	-	35,548,674
Infrastructure Water network Service concession asset	13,144,818	-	-	-	-	-	-	13,144,818
Hillside View - WIP	53,681,824	-	-	-	-	-	-	53,681,824
	<b>17,533,588,974</b>	<b>728,954,542</b>	<b>(25,040,312)</b>	<b>(134,004,392)</b>	<b>286,957,576</b>	<b>(800,219,381)</b>	<b>(57,974,420)</b>	<b>17,532,262,587</b>



# Mangaung Metropolitan Municipality Group

Consolidated Annual Financial Statements for the year ended 30 June 2024

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### 12. Property, plant and equipment (continued)

#### Reconciliation of property, plant and equipment - Economic entity - 2023

	Opening balance	Additions	Disposals	Transfers	Revaluations	Depreciation	Impairment loss	Total
Land	1,300,537,985	396,499	-	(5,061,000)	-	-	-	1,295,873,484
Buildings	1,146,382,684	2,053,507	-	(1,270,000)	-	(42,720,395)	-	1,104,445,796
Buildings - Service concession asset	304,960,000	-	-	-	-	-	-	304,960,000
Buildings - WIP	14,067,084	779,496	-	-	-	-	-	14,846,580
Infrastructure - Roads and roads related	2,723,882,552	117,890,832	(22,036,627)	199,339,716	-	(259,090,734)	-	2,759,985,739
Infrastructure - Sanitation network	2,383,312,677	5,283,244	(428,801)	4,593,566	-	(121,475,321)	-	2,271,285,365
Infrastructure - Water meters	101,767,048	14,660,289	(568,350)	-	-	(14,616,251)	-	101,242,736
Infrastructure - Water network	1,399,864,422	13,289,670	(646,035)	74,740,833	-	(71,953,676)	-	1,415,295,214
Infrastructure - Electricity network	5,882,403,790	181,876,975	(24,169,299)	-	3,594,598	(203,344,867)	(36,710,417)	5,803,650,780
Infrastructure - WIP	1,083,405,779	367,986,054	-	(457,316,275)	-	-	(4,577,301)	989,498,257
Community Assets - Landfill sites and quarries	158,946,306	-	(1,202,044)	-	(9,890,248)	(19,153,683)	(4,984,229)	123,716,102
Community Assets - Other	628,113,706	1,460,242	(3,379)	-	-	(51,086,777)	(43,924)	578,439,868
Community Assets - WIP	114,947,936	31,451,291	-	-	-	-	-	146,399,227
Fleet	342,076,189	34,579,282	(189,709)	-	-	(36,221,592)	(8,543,041)	331,701,129
Other property, plant and equipment	56,225,158	9,794,470	(1,319,156)	-	-	(15,361,442)	(23,752)	49,315,278
Infrastructure - Infrastructure Roads and roads related	140,558,103	-	-	-	-	-	-	140,558,103
Service concession asset								
Infrastructure - Sanitation network Service concession asset	35,548,674	-	-	-	-	-	-	35,548,674
Infrastructure Water network Service concession asset	13,144,818	-	-	-	-	-	-	13,144,818
Hillside View - WIP	53,681,824	-	-	-	-	-	-	53,681,824
	<b>17,883,826,735</b>	<b>781,501,851</b>	<b>(50,563,400)</b>	<b>(184,973,160)</b>	<b>(6,295,650)</b>	<b>(835,024,738)</b>	<b>(54,882,664)</b>	<b>17,533,588,974</b>

# Mangaung Metropolitan Municipality Group

Consolidated Annual Financial Statements for the year ended 30 June 2024

## Notes to the Consolidated Annual Financial Statements

Figures in Rand

### 12. Property, plant and equipment (continued)

#### Reconciliation of property, plant and equipment - Controlling entity - 2024

	Opening balance	Additions	Disposals	Transfers	Revaluations	Depreciation	Impairment loss	Total
Land	1,286,542,171	28,542,000	(1,026,000)	(5,881,783)	-	-	-	1,308,176,388
Buildings	1,029,443,805	3,451,099	(19,285)	-	-	(39,259,993)	-	993,615,626
Buildings - Service concession asset	304,960,000	-	-	-	-	-	-	304,960,000
Buildings WIP	3,788,638	1,556,243	-	-	-	-	-	5,344,881
Infrastructure - Roads and roads related	2,759,985,739	61,943,817	(9,997,873)	136,937,200	-	(248,030,621)	-	2,700,838,262
Infrastructure - Sanitation network	2,271,285,365	4,589,936	-	23,602,543	-	(119,980,592)	-	2,179,497,252
Infrastructure - Water meters	101,242,736	21,295,932	(762,899)	-	-	(13,825,787)	(13,406,763)	94,543,219
Infrastructure - Water network	1,415,295,214	4,075,677	-	7,994,332	-	(72,155,442)	-	1,355,209,781
Infrastructure - WIP	866,263,491	174,317,924	-	(168,717,117)	-	-	-	871,864,298
Community - Landfill sites and quarries	123,716,102	-	(2,036,919)	-	292,894,129	(7,739,860)	(5,897,317)	400,936,135
Community - Other	578,439,868	2,220,476	(5,051,935)	-	-	(36,806,440)	(35,561,151)	503,240,818
Community - WIP	146,399,227	16,024,598	-	-	-	-	-	162,423,825
Fleet	284,829,578	120,589,974	(121,725)	-	-	(31,305,112)	-	373,992,715
Other property, plant and equipment	31,118,832	14,794,126	(42,712)	-	-	(10,171,384)	-	35,698,862
Infrastructure - Roads and roads related - Service Concession asset	140,558,103	-	-	-	-	-	-	140,558,103
Infrastructure - Sanitation network - Service Concession asset	35,548,674	-	-	-	-	-	-	35,548,674
Infrastructure - Water network - Service concession asset	13,144,818	-	-	-	-	-	-	13,144,818
Hillside View - WIP	53,681,824	-	-	-	-	-	-	53,681,824
	<b>11,446,244,185</b>	<b>453,401,802</b>	<b>(19,059,348)</b>	<b>(6,064,825)</b>	<b>292,894,129</b>	<b>(579,275,231)</b>	<b>(54,865,231)</b>	<b>11,533,275,481</b>

# Mangaung Metropolitan Municipality Group

Consolidated Annual Financial Statements for the year ended 30 June 2024

## Notes to the Consolidated Annual Financial Statements

Figures in Rand

### 12. Property, plant and equipment (continued)

#### Reconciliation of property, plant and equipment - Controlling entity - 2023

	Opening balance	Additions	Disposals	Transfers	Revaluations	Depreciation	Impairment loss	Total
Land	1,291,206,672	396,499	-	(5,061,000)	-	-	-	1,286,542,171
Buildings	1,067,889,647	1,978,543	-	(1,270,000)	-	(39,154,385)	-	1,029,443,805
Buildings - Service concession asset	304,960,000	-	-	-	-	-	-	304,960,000
Buildings WIP	3,788,638	-	-	-	-	-	-	3,788,638
Infrastructure - Roads and roads related	2,723,882,553	117,890,831	(22,036,627)	199,339,716	-	(259,090,734)	-	2,759,985,739
Infrastructure - Sanitation network	2,383,312,680	5,283,241	(428,801)	4,593,566	-	(121,475,321)	-	2,271,285,365
Infrastructure - Water meters	101,767,048	14,660,289	(568,350)	-	-	(14,616,251)	-	101,242,736
Infrastructure - Water network	1,399,864,422	13,289,670	(646,035)	74,740,833	-	(71,953,676)	-	1,415,295,214
Infrastructure - WIP	903,237,188	238,465,691	-	(275,439,388)	-	-	-	866,263,491
Community - Landfill sites and quarries	158,946,306	-	(1,202,044)	-	(9,890,248)	(19,153,683)	(4,984,229)	123,716,102
Community - Other	628,113,706	1,460,242	(3,379)	-	-	(51,086,777)	(43,924)	578,439,868
Community - WIP	114,947,937	31,451,290	-	-	-	-	-	146,399,227
Fleet	307,393,044	11,972,652	-	-	-	(26,058,711)	(8,477,407)	284,829,578
Other property, plant and equipment	32,058,134	8,584,051	(19,510)	-	-	(9,503,843)	-	31,118,832
Infrastructure - Roads and roads related - Service Concession asset	140,558,103	-	-	-	-	-	-	140,558,103
Infrastructure - Sanitation network - Service Concession asset	35,548,674	-	-	-	-	-	-	35,548,674
Infrastructure - Water network - Service concession asset	13,144,818	-	-	-	-	-	-	13,144,818
Hillside View - WIP	53,681,824	-	-	-	-	-	-	53,681,824
	<b>11,664,301,394</b>	<b>445,432,999</b>	<b>(24,904,746)</b>	<b>(3,096,273)</b>	<b>(9,890,248)</b>	<b>(612,093,381)</b>	<b>(13,505,560)</b>	<b>11,446,244,185</b>

# Mangaung Metropolitan Municipality Group

Consolidated Annual Financial Statements for the year ended 30 June 2024

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2024	2023	2024	2023

### 12. Property, plant and equipment (continued)

#### Pledged as security

No property, plant and equipment were pledged as security for any financial liability.

#### Revaluations

##### Revaluation of land and buildings (Mangaung):

The effective date of the revaluations was 30 June 2022. Revaluations were performed by independent professionally qualified valuers who hold a recognised professional qualification and have recent experience in the locations and categories of the properties valued. The values of the properties were determined based on the market values and the information obtained from the valuation roll.

##### Revaluation of land and buildings (Centlec):

The effective date of the revaluations for land and buildings was year end 30 June 2020. Revaluations for land and buildings were performed by the independent valuers, Mr. Theunis Hendrik Myburgh & Mr. Raymond Taylor, professional valuers in terms of the Valuers' Act (Act 23 of 1982) of Equity Valuers. Equity Valuers are not connected to the municipal entity.

The effective date of the revaluations for the infrastructure assets was year end 30 June 2020. Revaluations for infrastructure assets were performed by the independent valuers, Mr Marius Koch (B Eng Civil, BSC ITM (Information Technology) and Mrs. Anré Swart (Pr.Eng, GCC, MBA), Engineering Council of South Africa (ECSA) (Reg.no 20110016) from EMS Solutions (Pty) Ltd. EMS Solutions (Pty) Ltd is not connected to the municipal entity.

The valuations were performed using the depreciated replacement costs method.

Unit rates are obtained for each asset through quotation. Unit rates are adjusted with the following factors:

- Preliminary & General (P & G's)
- Contingencies
- Engineering fees
- Location factor

The depreciated replacement costs are calculated by taking into account the estimated useful life and the condition of the asset.

Depreciated replacement costs = (Current Replacement Cost – Residual Value) x (Remaining Useful Life / Estimated Useful life) + Residual Value.

##### Revaluations of water meters (Mangaung):

The effective date of the revaluation was 30 June 2022. Revaluations were performed by an independent firm who have recent experience in the locations and categories of the meters valued.

##### The valuations were performed after the following factors were taken into account:

- the useful lives and;
- the condition of the asset.

#### Details of properties

A register containing the information required by section 63 of the Municipal Finance Management Act, (Act 56 of 2003) is available for inspection at the registered office of the entity.

#### Prior period errors

Certain prior period figures were restated due to errors identified in the current financial year, refer to note 75 for further details.

#### Change in estimate

For certain classes of property, plant and equipment the remaining useful lives were adjusted to a minimum remaining useful life of 3 years, refer to note 74 for further detail.

# Mangaung Metropolitan Municipality Group

Consolidated Annual Financial Statements for the year ended 30 June 2024

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2024	2023	2024	2023

### 12. Property, plant and equipment (continued)

Carrying value of property, plant and equipment that is taking a significantly longer period

#### Implementation of projects affected by the appointment of new service providers:

Project C273/PP3 & C534 - Botshabelo Development Node Phase 2	22,597,512	22,597,512	22,597,512	22,597,512
Project C415/B1 - Internal sewer reticulation - 9981631	11,736,430	11,736,430	11,736,430	11,736,430
Project W1107(1), (3) - Refurbishment of Water Supply Systems	34,893,642	34,893,642	34,893,642	34,893,642
Project W1404, A, B, C - Botshabelo and Thaba Nchu internal bulk	63,758,655	63,758,655	63,758,655	63,758,655
Project T1432,-Man 10786 Bergman Square	30,322,913	-	30,322,913	-

#### Implementation of projects affected by budgetary constraints:

Project C063/A1 - Vistapark 2 - Re-Align Bulk Water Pipeline	24,038,124	24,038,124	24,038,124	24,038,124
Project T1419B, B (1) - Road 6 (Phase 2) Upgrading of Street & Storm Water	3,424,081	3,424,081	3,424,081	3,424,081
Project T1522 - Thaba Nchu Rd 2029	436,992	436,992	436,992	436,992
Project W1404, A, B, C - Botshabelo and Thaba Nchu internal bulk	-	13,482,202	-	13,482,202
Project W1515 - Maselspoort WTW Refurbishment	2,809,609	2,809,609	2,809,609	2,809,609
Project T1527B, C - Botshabelo: Bogach St: Upgrading of Streets	753,831	753,831	753,831	753,831
Project C480, C380/A1, C380/W1 - New office block (Botshabelo)	2,234,859	2,234,859	2,234,859	2,234,859
Conversion of the old power station into offices	11,057,942	11,057,942	-	-

#### Contracts/Projects placed on hold:

Project C288, 155 - Relocation of Zoo	17,213,348	-	17,213,348	-
Project C550 – Waaihoek Precinct	4,860,048	4,860,048	4,860,048	4,860,048
Project C582/D1– IPTN Bus Depot	46,634,298	-	46,634,298	-
Project C652, C685 – Grassland, Phase 4, Bot R Water Retic	47,032,249	47,032,249	47,032,249	47,032,249
Project C615 – Moroka Ins of Water and Sewer	5,732,552	5,732,552	5,732,552	5,732,552
Project T1428,-1,2,A,A3,A4 – Man Road 198, 199, 200	15,627,170	15,627,170	15,627,170	15,627,170
Solar farm project	591,000	591,000	-	-
	<b>345,755,255</b>	<b>265,066,898</b>	<b>334,106,313</b>	<b>253,417,956</b>

#### Expenditure incurred to repair and maintain property, plant and equipment

Contracted services	346,497,453	288,732,010	232,080,974	206,027,182
General expenses	40,540,222	29,063,922	-	-
	<b>387,037,675</b>	<b>317,795,932</b>	<b>232,080,974</b>	<b>206,027,182</b>

Prior period figures for contracted services (repairs and maintenance) was restated due to errors, refer to note 75 for prior period errors.

#### Deemed cost

Deemed cost was determined using depreciated replacement cost.

# Mangaung Metropolitan Municipality Group

Consolidated Annual Financial Statements for the year ended 30 June 2024

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2024	2023	2024	2023

### 13. Intangible assets

Economic entity	2024			2023		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Acquisition of rights	68,000,000	-	68,000,000	27,200,000	-	27,200,000
Computer software	76,970,917	(63,245,409)	13,725,508	68,973,181	(54,617,235)	14,355,946
Intangible assets - WIP	15,546,566	-	15,546,566	10,504,064	-	10,504,064
Servitudes	88,536,124	-	88,536,124	88,536,124	-	88,536,124
<b>Total</b>	<b>249,053,607</b>	<b>(63,245,409)</b>	<b>185,808,198</b>	<b>195,213,369</b>	<b>(54,617,235)</b>	<b>140,596,134</b>

  

Controlling entity	2024			2023		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Acquisition of rights	68,000,000	-	68,000,000	27,200,000	-	27,200,000
Computer software	14,729,581	(10,100,740)	4,628,841	14,036,981	(9,627,736)	4,409,245
Intangible assets - WIP	15,546,566	-	15,546,566	10,504,064	-	10,504,064
Servitudes	305,707	-	305,707	305,707	-	305,707
<b>Total</b>	<b>98,581,854</b>	<b>(10,100,740)</b>	<b>88,481,114</b>	<b>52,046,752</b>	<b>(9,627,736)</b>	<b>42,419,016</b>

#### Reconciliation of intangible assets - Economic entity - 2024

	Opening balance	Additions	Disposals	Amortisation	Total
Acquisition of rights	27,200,000	40,800,000	-	-	68,000,000
Computer software	14,355,946	8,379,537	(167,416)	(8,842,559)	13,725,508
Intangible assets - WIP	10,504,064	5,042,502	-	-	15,546,566
Servitudes	88,536,124	-	-	-	88,536,124
	<b>140,596,134</b>	<b>54,222,039</b>	<b>(167,416)</b>	<b>(8,842,559)</b>	<b>185,808,198</b>

#### Reconciliation of intangible assets - Economic entity - 2023

	Opening balance	Additions	Disposals	Revaluations	Amortisation	Total
Acquisition of rights	27,200,000	-	-	-	-	27,200,000
Computer software	22,275,519	4,747,930	(3,658,036)	-	(9,009,467)	14,355,946
Intangible assets - WIP	6,723,859	3,780,205	-	-	-	10,504,064
Servitudes	78,519,272	-	-	10,016,852	-	88,536,124
	<b>134,718,650</b>	<b>8,528,135</b>	<b>(3,658,036)</b>	<b>10,016,852</b>	<b>(9,009,467)</b>	<b>140,596,134</b>

#### Reconciliation of intangible assets - Controlling entity - 2024

	Opening balance	Additions	Amortisation	Total
Acquisition of rights	27,200,000	40,800,000	-	68,000,000
Computer software	4,409,245	692,600	(473,004)	4,628,841
Intangible assets - WIP	10,504,064	5,042,502	-	15,546,566
Servitudes	305,707	-	-	305,707
	<b>42,419,016</b>	<b>46,535,102</b>	<b>(473,004)</b>	<b>88,481,114</b>

# Mangaung Metropolitan Municipality Group

Consolidated Annual Financial Statements for the year ended 30 June 2024

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2024	2023	2024	2023

### 13. Intangible assets (continued)

#### Reconciliation of intangible assets - Controlling entity - 2023

	Opening balance	Additions	Amortisation	Total
Acquisition of rights	27,200,000	-	-	27,200,000
Computer software	4,914,882	-	(505,637)	4,409,245
Intangible assets - WIP	6,723,859	3,780,205	-	10,504,064
Servitudes	305,707	-	-	305,707
	<b>39,144,448</b>	<b>3,780,205</b>	<b>(505,637)</b>	<b>42,419,016</b>

#### Pledged as security

None of the intangible assets were pledged as security.

#### Intangible assets in the process of being constructed or developed

##### Cumulative expenditure recognised in the carrying value of Intangible assets

Telemetry and Scada	13,166,826	10,504,064	13,166,826	10,504,064
MAST System	2,379,741	-	2,379,741	-
	<b>15,546,567</b>	<b>10,504,064</b>	<b>15,546,567</b>	<b>10,504,064</b>

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 municipal entity.

#### Intangible assets with indefinite useful lives

Servitudes	88,536,124	88,536,124	305,707	305,707
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The servitudes held by the entity are land rights that have been issued and the taxi route agreements. The municipality entered into restraint of trade agreements with various taxi operators using the Brandweg route due to the planned implementation of the Starter Service Route of Hauweng on this route.

The land held by the entity, including servitudes, is deemed to have an indefinite useful life.

#### Deemed cost

Deemed cost was determined using depreciated replacement cost.

# Mangaung Metropolitan Municipality Group

Consolidated Annual Financial Statements for the year ended 30 June 2024

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2024	2023	2024	2023

### 14. Heritage assets

Economic entity	2024			2023		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Buildings and statues	245,098,688	-	245,098,688	245,098,688	-	245,098,688
Vintage fleet	10,029,320	-	10,029,320	10,029,320	-	10,029,320
Other movable heritage assets	3,116,744	-	3,116,744	3,232,332	-	3,232,332
<b>Total</b>	<b>258,244,752</b>	<b>-</b>	<b>258,244,752</b>	<b>258,360,340</b>	<b>-</b>	<b>258,360,340</b>

  

Controlling entity	2024			2023		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Buildings and statues	245,098,688	-	245,098,688	245,098,688	-	245,098,688
Vintage fleet	10,029,320	-	10,029,320	10,029,320	-	10,029,320
Other movable heritage assets	3,116,744	-	3,116,744	3,232,332	-	3,232,332
<b>Total</b>	<b>258,244,752</b>	<b>-</b>	<b>258,244,752</b>	<b>258,360,340</b>	<b>-</b>	<b>258,360,340</b>

#### Reconciliation of heritage assets Economic entity - 2024

	Opening balance	Revaluation decrease	Total
Buildings and statues	245,098,688	-	245,098,688
Vintage fleet	10,029,320	-	10,029,320
Other movable heritage assets	3,232,332	(115,588)	3,116,744
	<b>258,360,340</b>	<b>(115,588)</b>	<b>258,244,752</b>

#### Reconciliation of heritage assets Economic entity - 2023

	Opening balance	Revaluation increase	Total
Buildings and statues	245,098,688	-	245,098,688
Vintage fleet	8,301,224	1,728,096	10,029,320
Other movable heritage assets	2,837,754	394,578	3,232,332
	<b>256,237,666</b>	<b>2,122,674</b>	<b>258,360,340</b>

#### Reconciliation of heritage assets Controlling entity - 2024

	Opening balance	Revaluation decrease	Total
Buildings and statues	245,098,688	-	245,098,688
Vintage fleet	10,029,320	-	10,029,320
Other movable heritage assets	3,232,332	(115,588)	3,116,744
	<b>258,360,340</b>	<b>(115,588)</b>	<b>258,244,752</b>

#### Reconciliation of heritage assets Controlling entity - 2023

	Opening balance	Revaluation increase	Total
Buildings and statues	245,098,688	-	245,098,688
Vintage fleet	8,301,224	1,728,096	10,029,320
Other movable heritage assets	2,837,754	394,578	3,232,332
	<b>256,237,666</b>	<b>2,122,674</b>	<b>258,360,340</b>



# Mangaung Metropolitan Municipality Group

Consolidated Annual Financial Statements for the year ended 30 June 2024

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2024	2023	2024	2023

### 14. Heritage assets (continued)

#### Pledged as security

No heritage assets have been pledged as security for any financial liability.

#### Revaluations

#### Other heritage assets

The effective date of the revaluation was 30 June 2024. Revaluations were performed by independent professionally qualified valuers who hold a recognised professional qualification and have recent experience in the locations and categories of the properties valued.

The values of the properties were determined based on the market values and the information obtained from the municipal valuation roll.

The valuation was performed after the following factors were taken into account:

- the useful life of the asset;
- the condition of the asset; and
- the location of the asset.

#### Heritage assets in the process of being constructed or developed

No heritage assets are in the process of being constructed or developed.

#### Prior period errors:

Prior year figures were restated due to errors identified in the current financial year, refer to note 75.

#### Deemed costs

Deemed cost was determined using the depreciated replacement cost.

### 15. Investments in controlled entities

#### Movements in carrying amount

#### Centlec (SOC) Limited

Opening balance	-	-	100	100
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Mangaung Metro Municipality has a 100% (2023: 100%) ownership in Centlec (SOC) Limited.

The carrying amounts of controlled entities are shown net of impairment losses.

On the 4th of June 2021, there was a council resolution for the determination of a new sale of business agreement between Centlec and the municipality. The agreement was to be implemented within 21 days however based on the legal and accounting implications, Council resolved to defer the implementation's financial period of the resolution from 2020/21 to a further period that would be determined by council.

# Mangaung Metropolitan Municipality Group

Consolidated Annual Financial Statements for the year ended 30 June 2024

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2024	2023	2024	2023
<b>16. Centlec receivables</b>				
<b>Controlled entities</b>				
Capital advances - current	-	-	6,554,416	6,554,416
Capital advances - non current	-	-	34,635,957	41,190,373
Shareholders loan - non current	-	-	803,609,368	803,609,368
Impairment of loans to controlled entities	-	-	-	-
	-	-	<b>844,799,741</b>	<b>851,354,157</b>
<b>Shareholders loan</b>				
The capital amount outstanding shall bear interest at the lower of 15% of Centlec (SOC) Limited's prior year's revenue or the interest rate used as at 30 June 2010 (i.e. 8.7%), adjusted for CPI as per the Public Finance Sector.				
The adjusted interest rate as at 30 June 2024 was 21.93% (2023: 20.61%). The applicable rate for the current year and the prior year was based on the adjusted CPI as per the Public Finance Sector.				
The loan is repayable from 2015 over a period of 21 years.				
<b>Capital advances</b>				
The amount is composed of various advances that have been loaned to Centlec (SOC) Limited by the entity during prior years. Each portion has a different redemption period that extends over the useful life of each specific asset, at an interest rate of 11.75% (2023: 8.25%).				
Non-current assets	-	-	838,245,325	844,799,741
Current assets	-	-	6,554,416	6,554,416
	-	-	<b>844,799,741</b>	<b>851,354,157</b>
<b>17. Non-current receivables</b>				
<b>Designated at fair value</b>				
2535 Unlisted shares (Thaba Nchu) - OVK Limited	56,625	49,480	56,625	49,480
2573 Unlisted shares (Naledi) - OVK Limited	62,395	54,290	62,395	54,290
3685 Unlisted shares - Senwes Ltd	48,006	40,000	48,006	40,000
	<b>167,026</b>	<b>143,770</b>	<b>167,026</b>	<b>143,770</b>
<b>At amortised cost</b>				
Kopanong Local Municipality	66,185	189,791	-	-
Mohokare Local Municipality	-	109,966	-	-
Housing and erven selling schemes	9,926,873	9,886,422	9,926,873	9,886,422
Impairment - Housing and erven selling schemes	(9,912,209)	(9,874,415)	(9,912,209)	(9,874,415)
	<b>80,849</b>	<b>311,764</b>	<b>14,664</b>	<b>12,007</b>
<b>Total other financial assets</b>	<b>247,875</b>	<b>455,534</b>	<b>181,690</b>	<b>155,777</b>

# Mangaung Metropolitan Municipality Group

Consolidated Annual Financial Statements for the year ended 30 June 2024

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2024	2023	2024	2023
<b>17. Non-current receivables (continued)</b>				
<b>Non-current assets</b>				
Designated at fair value	167,026	143,770	167,026	143,770
At amortised cost	14,664	120,419	14,664	12,007
	<b>181,690</b>	<b>264,189</b>	<b>181,690</b>	<b>155,777</b>

### Terms and conditions:

#### Housing and erven selling schemes

Loans were granted to qualifying individuals and public organisations in terms of the housing program. These loans attract interest of between 6% and 14% per annum and are repayable on a monthly basis by way of salary deductions for officials and six-monthly payments for public organisations over a period of 20 years.

#### Kopanong Local Municipality

The capital funding provided to Kopanong Local Municipality is repayable in monthly installments based on the estimated useful life of the capital asset. The capital advances bears interest at 10%

#### Mohokare Local Municipality

The capital funding provided to Mohokare Local Municipality is repayable in monthly installments based on the estimated useful life of the capital asset. The capital advances bears interest at 10%.

### Current assets

At amortised cost	66,185	191,345	-	-
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### Financial assets at fair value

#### Fair value hierarchy of financial assets at fair value

For financial assets recognised at fair value, disclosure is required of a fair value hierarchy which reflects the significance of the inputs used to make the measurements. The fair value hierarchy have the following levels:

Level 1 represents those assets which are measured using unadjusted quoted prices in active markets for identical assets.

Level 2 applies inputs other than quoted prices that are observable for the assets either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 applies inputs which are not based on observable market data.

#### Level 3

Class 1 (Unlisted shares)	167,026	143,770	167,026	143,770
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### Renegotiated terms

The service level agreement with Mohokare Local Municipality was terminated during the 2023-24 financial year and the balance of the capital advance loan as at date of termination became payable and was transferred to the Mohokare Local Municipality - Other receivables from exchange transactions as a receivable.

Except for the above no other financial assets that are fully performing have been renegotiated in the last year.

Fair value of the other financial assets approximates the carrying value at year end.

# Mangaung Metropolitan Municipality Group

Consolidated Annual Financial Statements for the year ended 30 June 2024

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2024	2023	2024	2023
<b>17. Non-current receivables (continued)</b>				
<b>Financial assets at amortised cost</b>				
<b>Financial assets at amortised cost past due but not impaired</b>				
Other non-current assets which are less than 3 months past due are not considered to be impaired. None of the other financial assets were past due but not impaired.				
<b>Financial assets at amortised cost impaired</b>				
As of 30 June 2024, other non-current assets of R9,912,209 (2023: R9,874,415) were impaired and provided for.				
The amount of the provision was R9,912,209 as of 30 June 2024 (2023: R9,874,415).				
The ageing of these loans are as follows.				
Over 6 months	9,912,209	9,874,415	9,912,209	9,874,415
<b>Reconciliation of provision for impairment of financial assets at amortised cost</b>				
<b>Housing and Erven selling scheme</b>				
Opening balance	9,874,415	9,836,219	9,874,415	9,836,219
Provision for impairment	37,794	38,196	37,794	38,196
	<b>9,912,209</b>	<b>9,874,415</b>	<b>9,912,209</b>	<b>9,874,415</b>

The maximum exposure to credit risk at the reporting date is the fair value of each class of loan mentioned above. The economic entity does not hold any collateral as security.

### Financial assets pledged as security

None of the non-current receivables were pledged as security for any financial liability.

# Mangaung Metropolitan Municipality Group

Consolidated Annual Financial Statements for the year ended 30 June 2024

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2024	2023	2024	2023

### 18. Living resources

Economic entity	2024			2023		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Zoo animals	5,044,765	(1,850,265)	3,194,500	5,021,265	(1,850,266)	3,170,999

  

Controlling entity	2024			2023		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Zoo animals	5,044,765	(1,850,265)	3,194,500	5,021,265	(1,850,266)	3,170,999

#### Reconciliation of living resources - Economic entity - 2024

	Opening balance	Decrease due to death	Increase through non-exchange transactions	Revaluation increase/decrease recognised in net assets	Depreciation	Total
Zoo animals	3,170,999	(1,250,481)	630,600	868,175	(224,793)	3,194,500

#### Reconciliation of living resources - Economic entity - 2023

	Opening balance	Decrease due to death	Increase through non-exchange transactions	Revaluation increase/decrease recognised in net assets	Depreciation	Total
Zoo animals	3,706,201	(1,110,641)	660,800	192,933	(278,294)	3,170,999

#### Reconciliation of living resources - Controlling entity - 2024

	Opening balance	Decrease due to death	Increase through non-exchange transactions	Revaluation increase/decrease recognised in net assets	Depreciation	Total
Zoo animals	3,170,999	(1,250,481)	630,600	868,175	(224,793)	3,194,500

#### Reconciliation of living resources - Controlling entity - 2023

	Opening balance	Decrease due to death	Increase through non-exchange transactions	Revaluation increase/decrease recognised in net assets	Depreciation	Total
Zoo animals	3,706,201	(1,110,641)	660,800	192,933	(278,294)	3,170,999

# Mangaung Metropolitan Municipality Group

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## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2024	2023	2024	2023

### 18. Living resources (continued)

#### Revaluations

#### Zoo animals

The effective date of the revaluation was 30 June 2024. The revaluations were performed by Beryl Wilson (Zoologist & Conservation Biologist), an independent professionally qualified valuer, who holds a recognised professional qualification and has recent experience in valuations of zoo animals.

Currently the day-to-day costs of living resources are accounted for as operating costs as it is not capital of nature.

No research costs relating to living resources occurred.

None of the living resource assets are held for less than 12 months.

Currently the entity is not acting as a custodian for any living resources.

The average value of an animal in a family group was used and the following significant assumptions were applied by the expert, as per the valuation report obtained:

- Market availability
- Current market trends
- Conservation status
- Education and popularity value to the public
- Husbandry costs
- Health Management and disease risks
- Physical condition
- Age and gender
- Reproductive status

# Mangaung Metropolitan Municipality Group

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## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2024	2023	2024	2023
<b>19. Deferred tax</b>				
<b>Deferred tax liability</b>				
Opening balance	(1,333,331,491)	(1,358,071,535)	-	-
Property, plant and equipment	22,625,035	23,732,891	-	-
Taxable temporary differences	(578,596)	1,007,153	-	-
<b>Total deferred tax liability</b>	<b>(1,311,285,052)</b>	<b>(1,333,331,491)</b>	-	-
<b>Deferred tax asset</b>				
Opening balance	1,414,854,171	1,342,777,625	-	-
Taxable temporary differences	19,011,699	(55,688,404)	-	-
Tax losses available for set off against future taxable income	100,552,913	127,764,950	-	-
<b>Total deferred tax asset</b>	<b>1,534,418,783</b>	<b>1,414,854,171</b>	-	-
Deferred tax liability	(1,311,285,052)	(1,333,331,491)	-	-
Deferred tax asset	1,534,418,783	1,414,854,171	-	-
<b>Total net deferred tax asset</b>	<b>223,133,731</b>	<b>81,522,680</b>	-	-
<b>Reconciliation of deferred tax asset \ (liability)</b>				
At beginning of year	81,522,680	(15,293,910)	-	-
Depreciable assets	22,625,035	23,732,891	-	-
Finance lease	150,793	(202,519)	-	-
Provisions	18,282,309	(53,932,521)	-	-
Assessed loss	100,552,914	127,764,950	-	-
Rate change	-	(546,211)	-	-
	<b>223,133,731</b>	<b>81,522,680</b>	-	-

### Recognition of deferred tax asset

An entity shall disclose the amount of a deferred tax asset and the nature of the evidence supporting its recognition, when:

- the utilisation of the deferred tax asset is dependent on future taxable surpluses in excess of the surpluses arising from the reversal of existing taxable temporary differences; and
- the economic entity has suffered a deficit in either the current or preceding period in the tax jurisdiction to which the deferred tax asset relates.

The deferred tax asset arose as a result of the municipal entity not having been subject to income tax in the past. However in the 2014/15 financial year the municipal entity had to account for income tax which resulted in the wear and tear allowances being in excess of the available surplus. The municipal entity has the ability to generate profit in the foreseeable future against which temporary differences will be utilised.

### Deferred tax assumptions

As at 30 June 2016 no guidance was received from SARS on the transition from a tax exempt entity to a taxable entity. Due to this, uncertainties in the calculation of the municipal entity's taxation exist and will continue to exist going forward until a pronouncement is made by SARS on the municipal entity's tax calculation. In the absence of a pronouncement from SARS and the fact that the municipal entity is no longer tax exempt, the municipal entity had to make certain key assumptions relating to income- and deferred tax to be able to account for tax. These assumptions are set out as follows:

### Infrastructure assets

The base cost for the electrical infrastructure assets of the municipal entity was determined by using the audited infrastructure fixed asset register. The tax exemption for the municipal entity was no longer applicable as at the 1 July 2014, on this date the municipal entity embarked on an exercise to determine the base cost for each of the Infrastructure assets. The closing balance for the 2013/2014 financial year was deemed as the most accurate value to be used as the base cost and carrying values for tax purposes moving forward. Up until 1 July 2014 management had never claimed any wear & tear on infrastructure assets. The base cost was therefore the deemed cost as at 1 July 2014.

# Mangaung Metropolitan Municipality Group

Consolidated Annual Financial Statements for the year ended 30 June 2024

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2024	2023	2024	2023

### 19. Deferred tax (continued)

Infrastructure assets of the municipal entity are all carried on the revaluation model as per General Recognised Accounting Standards 17 - Property plant and equipment. There is no General Recognised Accounting Standards standard applicable to taxation, therefore the municipal entity referred to the international accounting standards (IAS) for further guidance, which is IAS 12: Income taxation. Through inspection of the income tax act and the practice notes it was noted that there was no clear guidance regarding the write off periods for electrical infrastructure assets. Due to this Section 12D of the income tax action was deemed as the best alternative to use to determine the write off periods for most of the electrical infrastructure assets. Section 12D was applied to the following electrical infrastructure assets: High Voltage conductors, Medium Voltage conductors, Low Voltage conductors and the Streetlights. All other categories of infrastructure assets could operate independent of transmission lines and Section 12D would not be applicable to these assets.

As per the Income Tax Act, 1962 (Act 58 of 1962) the kind of information that could be useful in determining the expected useful life of an asset/write off period include:

- Independent engineering information;
- The taxpayer's own past experience with similar assets.

Based on the above and due to insufficient guidance in the Income Tax Act, 1962 (Act 58 of 1962) the option of best professional judgment in determining an accurate write off period for the Infrastructure assets was used as follows:

- For all the distribution lines and cables a 5% write off period was used
- For all other infrastructure assets a 5 year write off period was adopted as the assets have been in operation for some time and as per the engineering information they cannot fall within Section 12D of the Income Tax Act, 1962 (Act 58 of 1962).

Section 12 of the Income Tax Act, 1962 (Act 58 of 1962) was applied therefore no apportionment of the wear and tear was done. The wear and tear of assets is the amount that the South African Receiver of Revenue considers an appropriate write off timeframe for each asset.

The wear and tear was calculated as follows:

- The depreciated replacement cost was taken per asset and any addition for the year was added and this value was multiplied by 20%
- When an asset is disposed of during the financial year wear and tear is still calculated for that asset and an inspection for a possible recoupment is done.

#### Non-Infrastructure assets

All assets other than infrastructure assets were written off by making use of Practice note 19.

#### Debt impairment

The provision for debt impairment is limited as a tax deduction to the extent that the originating revenue was taxable. Since the municipal entity was tax exempt for a period the revenue recognised and subsequently impaired during this period could not fully be included as a tax deduction. Due to this only the movement in the debt impairment for the year when the municipal entity first became taxable was used in calculating the tax.

### 20. Payables from exchange transactions

Accrued bonus	49,575,248	45,749,312	36,791,359	34,920,309
Accrued leave pay	311,408,396	278,035,345	275,419,611	246,178,340
Bulk water purchases	921,667,119	821,395,331	921,667,119	821,395,331
Claims - Unfair dismissal	-	4,879,817	-	4,879,817
Deferred revenue	21,153,125	19,336,993	-	-
Electricity connections	15,015,231	13,942,470	-	-
Mantsopa Local Municipality	166,870	170,074	-	-
Operating expense accrual	6,934,687	5,619,183	-	-
Other creditors	-	26,000	-	26,000
Other payables - Grants	-	979,450	-	979,450
Other payables - Salary related	30,949,823	58,767,094	16,950,257	52,657,781
Retentions	118,013,241	136,041,302	110,302,811	131,540,219
Trade payables	1,345,060,925	1,014,894,695	365,747,366	530,838,235
Unallocated consumer and vendor payments received in advance	35,991,684	25,522,925	-	-
	<b>2,855,936,349</b>	<b>2,425,359,991</b>	<b>1,726,878,523</b>	<b>1,823,415,482</b>



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## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2024	2023	2024	2023

### 20. Payables from exchange transactions (continued)

The entity defaulted on the payment of suppliers within 30 days. The average term of payment of suppliers for the year was 183 days (2023: 170 days).

#### Prior period errors:

Prior year figures were restated due to errors identified in the current financial year, refer to Note 75.

### 21. Payables from non-exchange transactions

Deposits	948,631	922,463	948,631	922,463
Other	1,797,848	1,780,940	1,797,848	1,780,940
Other payables - Grants	-	84,033,254	-	84,033,254
Payments received in advance	159,221,652	177,856,759	159,221,652	177,856,759
Unallocated receipts - Lawyers	11,011,378	-	11,011,378	-
	<b>172,979,509</b>	<b>264,593,416</b>	<b>172,979,509</b>	<b>264,593,416</b>

#### Prior period errors:

Prior year figures were restated due to errors identified in the current financial year, refer to Note 75.

### 22. Consumer deposits

Electricity	158,707,177	160,495,800	-	-
Water	33,693,611	34,408,218	33,693,611	34,408,218
	<b>192,400,788</b>	<b>194,904,018</b>	<b>33,693,611</b>	<b>34,408,218</b>

Guarantees in lieu of consumer deposits (water) amounted to R 3 164 673 (2023: R 2 985 439). Guarantees in lieu of vendor deposits (electricity) amounted to R 11 018 000 (2023: R 11 018 000). Guarantees in lieu of consumer deposits (electricity) amounted to R 44 907 971 (2023: R 43 469 744).

Consumer deposits are paid by consumers on application for new water connections. The deposits are repaid when the water connections are terminated. In cases where consumers default on their accounts, the Council can utilise the deposit as payment for the outstanding account. No interest is paid on consumer deposits held.

Fair value approximates the carrying value of the vendor deposits.

### 23. Unspent conditional grants and receipts

#### Unspent conditional grants and receipts comprises of:

#### Unspent conditional grants and receipts

Expanded Public Work Programme Integrated Grant	-	183,852	-	183,852
Finance Management Grant	-	120,208	-	120,208
Human Settlements Provincial Grant	22,814,789	53,746,060	22,814,789	53,746,060
Informal Settlements Upgrading Partnership Grant	43,529,819	115,228,772	43,529,819	115,228,772
Local Government Sector Education and Training Authority Grant	12,312,473	9,962,668	12,312,473	9,962,668
Municipal Disaster Relief Grant	11,993,451	-	11,993,451	-
Municipal Human Settlements Capacity Grant	2,000,000	2,000,000	2,000,000	2,000,000
Programme and Project Preparation Support Grant	-	4,089,154	-	4,089,154
Public Transport Network Grant	91,908,038	145,453,626	91,908,038	145,453,626
Department of Sports, Arts and Culture - Admin Libraries Grant	3,492,857	6,036,893	3,492,857	6,036,893
Urban Settlements Development Grant	5,543,101	31,572,049	5,543,101	31,572,049
	<b>193,594,528</b>	<b>368,393,282</b>	<b>193,594,528</b>	<b>368,393,282</b>

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Figures in Rand	Economic entity		Controlling entity	
	2024	2023	2024	2023
<b>23. Unspent conditional grants and receipts (continued)</b>				
<b>Movement during the year</b>				
Balance at the beginning of the year	368,393,282	571,039,043	368,393,282	571,039,043
Surrendered to National Treasury	(296,655,460)	(377,235,540)	(296,655,460)	(377,235,540)
Current year receipts	2,313,004,523	2,294,554,160	2,313,004,523	2,294,554,160
Conditions met - transferred to revenue	(2,191,147,817)	(2,118,427,431)	(2,191,147,817)	(2,118,427,431)
Transferred to other income (Prior Period)	-	(1,536,950)	-	(1,536,950)
	<b>193,594,528</b>	<b>368,393,282</b>	<b>193,594,528</b>	<b>368,393,282</b>

See note 44 for reconciliation of grants from National and Provincial Government.

### Prior period errors:

Prior year figures were restated due to errors identified in the current financial year, refer to Note 75.

## 24. Borrowings

### At amortised cost

ABSA Nr: 23135 - redeemable on 30 October 2026	174,979,499	233,627,364	174,979,499	233,627,364
DBSA Nr: 103433/01 - redeemable on 29 January 2027	49,862,520	65,247,986	49,862,520	65,247,986
DBSA Nr: 103433/02 - redeemable on 29 January 2027	12,543,521	16,846,784	12,543,521	16,846,784
DBSA Nr: 61007294 - Redeemable on 30 June 2025	46,112,907	87,740,460	46,112,907	87,740,460
ESKOM Debt relief in terms of MFMA Circular no. 124	128,940,293	257,880,585	-	-
Standard Bank Nr: 041303636 - Redeemable on 30 December 2024	23,324,618	66,362,669	23,324,618	66,362,669
	<b>435,763,358</b>	<b>727,705,848</b>	<b>306,823,065</b>	<b>469,825,263</b>
<b>Total other financial liabilities</b>	<b>435,763,358</b>	<b>727,705,848</b>	<b>306,823,065</b>	<b>469,825,263</b>

These loans are from ABSA, The Development Bank of South Africa and Standard Bank of South Africa Limited. Repayments are made either monthly or on a six-monthly basis. The final loan will be redeemed on 29 January 2027 and the loans bear interest between 6% and 14%.

### ESKOM:

The municipal entity applied for ESKOM debt relief in terms of MFMA Circular no. 124. In terms of this circular the ESKOM debt balance payable as at 31 March 2023 of R386 820 878 will be written off over a three year period. One third (2023: Two thirds) of this value is thus recognised as a non current other financial liability.

### Non-current liabilities

At amortised cost	279,516,756	564,887,630	150,576,463	307,007,045
<b>Current liabilities</b>				
At amortised cost	156,246,602	162,818,218	156,246,602	162,818,218

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## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity		
	2024	2023	2024	2023	
<b>25. Provisions</b>					
Rehabilitation of landfill sites	426,010,751	242,605,001	426,010,751	242,605,001	
Rehabilitation of quarry sites	660,447,115	566,156,795	660,447,115	566,156,795	
	<b>1,086,457,866</b>	<b>808,761,796</b>	<b>1,086,457,866</b>	<b>808,761,796</b>	
<b>Reconciliation of provisions - Economic entity - 2024</b>					
	Opening Balance	Unwinding	Change in provision (note 12)	Remeasurement of provision	Total
Rehabilitation of landfill sites	242,605,001	25,546,308	157,859,442	-	426,010,751
Rehabilitation of quarry sites	566,156,795	59,616,311	135,034,686	(100,360,677)	660,447,115
	<b>808,761,796</b>	<b>85,162,619</b>	<b>292,894,128</b>	<b>(100,360,677)</b>	<b>1,086,457,866</b>
<b>Reconciliation of provisions - Economic entity - 2023</b>					
	Opening Balance	Unwinding	Change in provision (note 12)	Total	
Rehabilitation of landfill sites	225,221,932	23,783,436	(6,400,367)	242,605,001	
Rehabilitation of quarry sites	520,287,727	49,358,949	(3,489,881)	566,156,795	
	<b>745,509,659</b>	<b>73,142,385</b>	<b>(9,890,248)</b>	<b>808,761,796</b>	
<b>Reconciliation of provisions - Controlling entity - 2024</b>					
	Opening Balance	Unwinding	Change in provision (note 12)	Remeasurement of provision	Total
Rehabilitation of landfill sites	242,605,001	25,546,308	157,859,442	-	426,010,751
Rehabilitation of quarry sites	566,156,795	59,616,311	135,034,686	(100,360,677)	660,447,115
	<b>808,761,796</b>	<b>85,162,619</b>	<b>292,894,128</b>	<b>(100,360,677)</b>	<b>1,086,457,866</b>
<b>Reconciliation of provisions - Controlling entity - 2023</b>					
	Opening Balance	Unwinding	Change in provision (note 12)	Total	
Rehabilitation of landfill sites	225,221,932	23,783,436	(6,400,367)	242,605,001	
Rehabilitation of quarry sites	520,287,727	49,358,949	(3,489,881)	566,156,795	
	<b>745,509,659</b>	<b>73,142,385</b>	<b>(9,890,248)</b>	<b>808,761,796</b>	
Non-current liabilities	933,855,705	691,222,696	933,855,705	691,222,696	
Current liabilities	152,602,161	117,539,100	152,602,161	117,539,100	
	<b>1,086,457,866</b>	<b>808,761,796</b>	<b>1,086,457,866</b>	<b>808,761,796</b>	

# Mangaung Metropolitan Municipality Group

Consolidated Annual Financial Statements for the year ended 30 June 2024

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2024	2023	2024	2023

### 25. Provisions (continued)

#### Rehabilitation of landfill sites

The provision for rehabilitation of landfill sites relates to the legal obligation to rehabilitate landfill sites to a condition whereby it complies to the permit requirements issued in terms of the Mineral and Petroleum Resources Development Act, (Act 28 of 2002).

Management has included the best estimated amount as the actual amount is uncertain. The payment of total closure and rehabilitation dates are uncertain.

The provision was determined by an independent expert for the rehabilitation cost in 2024 and then approximated the expected future cash flows using reasonable estimation techniques.

Landfill sites consist of:	Restoration date:
----------------------------	-------------------

Botshabelo Landfill Site	2115
Northern Landfill Site	2024
Southern Landfill Site	2034
Van Stadensrus Landfill Site	2035
Wepener Landfill Site	2032
Dewetsdorp Landfill Site	2028
Soutpan / Ikgomotseng Landfill site	2032

The final restoration of landfill sites is expected to be in the year listed above, being the estimated useful lives of landfill sites. The certainty and the timing of the outflow of these liabilities are uncertain and the amounts disclosed are the possible outflow amounts.

# Mangaung Metropolitan Municipality Group

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## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2024	2023	2024	2023

### 25. Provisions (continued)

#### Rehabilitation of quarry sites

The provision for rehabilitation of quarry sites relates to the legal obligation to rehabilitate quarry sites to a condition whereby it complies to the permit requirements issued in terms of the Mineral and Petroleum Resources Development Act, (Act 28 of 2002).

The provision was determined by an independent expert for the rehabilitation cost in 2024 and then approximated the expected future cash flows using reasonable estimation techniques.

Quarries consists of:	Restoration date:	Quarries consists of:	Restoration date:
<b><u>Bloemfontein</u></b>		<b><u>Thaba Nchu</u></b>	
Cecilia	2027	Seroala	2027
Sunnyside	2027	Thubisi	2027
Kgotsong	2027	Potsane	2025
Ipopeng	2027	Merino	2027
Chris Hani	2027	Rakhoi	2027
Caleb Motsoabi	2027	Sediba	2027
N1	2027	Rooibult	2027
		Kgalala	2027
		Baraclava 1	2027
		Baraclava	2027
		Bultfontein 3	2027
		Modutung	2027
		Talla	2027
		Nogas Post	2027
		Motlatla	2027
<b><u>Botshabelo</u></b>			
K-Section	2027		
F1-Section	2027		
F2.1-Section	2027		
F2.2-Section	2027		
W-Section	2027		
S-Section	2027		
B-Section	2027		

The final restoration of quarry sites are expected to be in the year listed above, being the estimated useful lives of quarry sites. The certainty and the timing of the outflow of these liabilities are uncertain and the amounts disclosed are the possible outflow amounts.

#### Discount rate assumptions

The key assumptions used in the valuation, with prior year's assumptions shown for comparison, are summarised as follows:

Inflation rate	5.10%	5.66%	5.10%	5.66%
Risk-free rate	10.53%	10.53%	10.53%	10.53%

The inflation rate was derived from the yearly inflation rate for the relevant financial year.

The weighted-average cost of debt of the municipality was determined to be the most appropriate discount rate as it represents the risk of the liability.

# Mangaung Metropolitan Municipality Group

Consolidated Annual Financial Statements for the year ended 30 June 2024

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2024	2023	2024	2023
<b>26. Employee benefit obligations</b>				
Present value of the Long service award benefit	137,157,000	132,267,000	107,477,000	104,635,000
Present value of the Pension fund benefit	1,499,000	1,677,600	1,499,000	1,677,600
Present Value of the Post-employment medical aid benefit	597,934,000	545,412,000	493,715,000	454,699,000
	<b>736,590,000</b>	<b>679,356,600</b>	<b>602,691,000</b>	<b>561,011,600</b>

### Defined benefit plan

The defined benefit liability as disclosed below is represented by three different post-employment benefits. None of the benefits set out below are externally funded.

### Post-retirement medical aid plan

Active members receive a fixed subsidy of 60% of medical aid contributions during the current working year, up to a specified maximum employer contribution. The spouse or adult dependent of an active member is entitled to a 60% subsidy of their contributions. This proportion of the subsidy will continue to be paid in the event of the principal member's death.

Continuation members receive a fixed subsidy of 60% of medical aid contributions during the current working year, up to a specified maximum employer contribution. The spouse or adult dependent of a continuation member is entitled to a 60% subsidy of their contributions.

### Pension benefits

Pension gratuities are payable to retired employees and pensioners who were in service of the council on or before 1 October 1981, who did not qualify to be members of the Free State Joint Municipal Pension Fund or Free State Local Government Pension Fund, or who were not members of a pension fund by this date, with 20 years of uninterrupted service and a minimum retirement age of 60 years have been obtained.

### Long service awards

Long service awards are payable to qualifying in-service employees. The leave benefits are in accordance with paragraph 12 of Circular 1 of 2023 of the South African Local Government Bargaining Council (SALGBC) collective agreement on conditions of service for the Free State division of SALGBC.

### Prior period error:

Prior year figures were restated due to errors identified in the current financial year, refer to note 75.

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

<b>Carrying value</b>				
Opening balance	679,356,600	703,650,001	561,011,600	585,833,000
Interest cost	81,654,800	80,321,000	66,088,800	66,061,000
Current service cost	32,714,000	35,561,000	24,090,000	26,086,000
Benefits paid	(40,760,778)	(34,481,613)	(37,377,000)	(32,007,000)
Remeasurements of the net defined benefit liability	(16,374,622)	(105,693,788)	(11,122,400)	(84,961,400)
	<b>736,590,000</b>	<b>679,356,600</b>	<b>602,691,000</b>	<b>561,011,600</b>
Non-current liabilities	674,507,000	626,942,600	563,310,000	526,418,600
Current liabilities	62,083,000	52,414,000	39,381,000	34,593,000
	<b>736,590,000</b>	<b>679,356,600</b>	<b>602,691,000</b>	<b>561,011,600</b>

### Net expense recognised in the statement of financial performance

Interest cost	81,654,800	80,321,000	66,088,800	66,061,000
Current service cost	32,714,000	35,561,000	24,090,000	26,086,000
Remeasurements of the net defined benefit liability	(16,374,622)	(105,693,788)	(11,122,400)	(84,961,400)
	<b>97,994,178</b>	<b>10,188,212</b>	<b>79,056,400</b>	<b>7,185,600</b>

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## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2024	2023	2024	2023
<b>26. Employee benefit obligations (continued)</b>				
<b>Changes in present value of the defined benefit obligations</b>				
<b>Controlling entity - 2024</b>				
	Pension fund	Medical aid	Long service award	Total
Opening balance	1,677,600	454,699,000	104,635,000	561,011,600
Interest cost	156,800	55,742,000	10,190,000	66,088,800
Current service cost	-	16,779,000	7,311,000	24,090,000
Benefits paid	(280,000)	(19,462,000)	(17,635,000)	(37,377,000)
Remeasurements of the net defined benefit liability	(55,400)	(14,043,000)	2,976,000	(11,122,400)
	<b>1,499,000</b>	<b>493,715,000</b>	<b>107,477,000</b>	<b>602,691,000</b>
<b>Controlling entity - 2023</b>				
	Pension fund	Medical aid	Long service award	Total
Opening balance	1,753,000	477,084,000	106,996,000	585,833,000
Interest cost	160,000	55,525,000	10,376,000	66,061,000
Current service cost	-	18,238,000	7,848,000	26,086,000
Benefits paid	(254,000)	(15,082,000)	(16,671,000)	(32,007,000)
Remeasurements of the net defined benefit liability	18,600	(81,066,000)	(3,914,000)	(84,961,400)
	<b>1,677,600</b>	<b>454,699,000</b>	<b>104,635,000</b>	<b>561,011,600</b>
<b>Economic entity - 2024</b>				
	Pension fund	Medical aid	Long service award	Total
Opening balance	1,677,600	545,412,000	132,267,000	679,356,600
Interest cost	156,800	67,787,000	13,711,000	81,654,800
Current service cost	-	22,769,000	9,945,000	32,714,000
Benefits paid	(280,000)	(20,445,751)	(20,035,027)	(40,760,778)
Remeasurements of the net defined benefit liability	(55,400)	(17,588,249)	1,269,027	(16,374,622)
	<b>1,499,000</b>	<b>597,934,000</b>	<b>137,157,000</b>	<b>736,590,000</b>
<b>Economic entity - 2023</b>				
	Pension fund	Medical aid	Long service award	Total
Opening balance	1,753,000	567,225,000	134,672,001	703,650,001
Interest cost	160,000	66,546,000	13,615,000	80,321,000
Current service cost	-	24,875,000	10,686,000	35,561,000
Benefits paid	(254,000)	(15,737,682)	(18,489,931)	(34,481,613)
Remeasurements of the net defined benefit liability	18,600	(97,496,318)	(8,216,070)	(105,693,788)
	<b>1,677,600</b>	<b>545,412,000</b>	<b>132,267,000</b>	<b>679,356,600</b>
<b>Key assumptions used</b>				
The following key assumptions were used at the reporting date:				
Discount rate - Pension Fund (Mangaung)	9.71 %	10.14 %	9.71 %	10.14 %
Discount rate - Medical Aid (Mangaung)	13.67 %	14.47 %	13.67 %	12.47 %
Discount rate - Medical Aid (Centlec)	13.86 %	13.86 %	-	-
Discount rate - Long Service Award (Mangaung)	10.65 %	10.66 %	10.65 %	10.66 %
Discount rate - Long Service Award (Centlec)	10.84	10.84 %	-	-
Health care cost inflation rate (Mangaung)	9.58 %	8.08 %	9.58 %	8.08 %
Health care cost inflation rate (Centlec)	8.64 %	8.64 %	-	-
Maximum subsidy inflation rate (Mangaung)	5.62 %	5.69 %	5.62 %	5.69 %
General earnings inflation rate (Mangaung)	6.50 %	6.24 %	6.50 %	6.24 %
General earnings inflation rate (Centlec)	6.60 %	5.40 %	-	-
Pension fund inflation rate (Mangaung)	4.69 %	4.94 %	4.69 %	4.94 %
Expected retirement age (years) (Mangaung)	62 years	62 years	62 years	62 years
Expected retirement age (years) (Centlec)	63 years	63 years	-	-

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## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2024	2023	2024	2023

### 26. Employee benefit obligations (continued)

#### Pension fund assumptions

##### Pension fund discount rate:

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

Consequently, a discount rate of 9.71% (2023: 10.14%) per annum has been used. The corresponding index-linked yield at this term is 4.69%. These rates do not reflect any adjustment for taxation. These rates were deduced from the interest rate data obtained from the Johannesburg Stock Exchange after the market close on 30 June 2024.

##### Pension fund inflation rate:

This assumption is required to reflect estimated future changes to pensions. The expected CPI inflation assumption of 4.79% (2023: 4.94%) was obtained from the differential between market yields on index-linked bonds consistent with the estimated term of the liabilities (4.69%) and those of fixed interest bonds (4.71%).

This was therefore determined as follows:  $((1+4.71\%) / (1+4.69\%)) - 1$ .

Therefore, a pension inflation rate of 4.69% has been assumed i.e. 100% of expected CPI inflation. This implies a net discount rate of 4.80%, which derives from  $((1+4.71\%) / (1+4.69\%)) - 1$ .

#### Medical aid assumptions

##### Medical aid discount rate (Mangaung):

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

Consequently, a discount rate of 13.67% (2023: 12.47%) per annum has been used. The corresponding index-linked yield at this term is 5.19%. These rates do not reflect any adjustment for taxation. These rates were deduced from the interest rate data obtained from the Johannesburg Stock Exchange after the market close on 30 June 2024.

##### Medical aid discount rate (Centlec):

The nominal and real zero curves as at 28 June 2024 supplied by the JSE was used to determine our discount rates and CPI assumptions at each relevant time period. For example, a liability which pays out in 1 year will be discounted at a different rate than a liability which pays out in 30 years.

Although the yield curve was used for the discount rates and the corresponding inflation rates, for indicative purposes we show the discount rate and CPI that corresponds to the implied duration of the liability. The implied duration of the liability for this valuation is 19,27 years. It is however important to note that this is solely for indicative purposes as the entire yield curve is used to obtain the financial variables.

##### Health care cost inflation rate (Mangaung):

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

A health care cost inflation rate of 9.58% (2023: 8.08%) has been assumed. This is 1.50% in excess of expected CPI inflation over the expected term of the liability, namely 8.08%. A larger differential would be unsustainable, eventually forcing members to less expensive options. This implies a net discount rate of 3.74% which derives from  $((1+12.47\%) / (1+9.58\%)) - 1$ .

The expected inflation assumption of 8.08% was obtained from the differential between market yields on index-linked bonds consistent with the estimated term of the liabilities (5.19%) and those of fixed interest bonds (13.67%).

This was therefore determined as follows:  $((1+13.67\%) / (1+5.19\%)) - 1$ .



# Mangaung Metropolitan Municipality Group

Consolidated Annual Financial Statements for the year ended 30 June 2024

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2024	2023	2024	2023

### 26. Employee benefit obligations (continued)

#### Health care cost inflation rate (Centlec):

The Medical Aid Contribution Inflation rate was set with reference to the past relationship between the (yield curve based) Discount Rate for each relevant time period and the (yield curve based) Medical Aid Contribution Inflation for each relevant time period.

South Africa has experienced high health care cost inflation in recent years. The annualised compound rates of increase for the last ten years show that registered medical aid schemes contribution inflation outstripped general CPI by almost 3% year on year. These increases are not considered to be sustainable and have assumed that medical aid contribution increases would out-strip general inflation by 2.5 % per annum over the foreseeable future.

#### Maximum subsidy inflation rate:

This assumption is required to reflect estimated future changes in the maximum amount to which subsidies are limited. This maximum amount is set at R5,277.38 per family per month for the year ending 30 June 2024. The annual increases to this maximum amount are periodically specified by the local government bargaining council.

Recent past annual increases balanced with sustainability needs of employees have resulted in this assumption being set at 75% of salary inflation. The future salary inflation assumption of 6.50%, was set to be 1.00% above expected CPI inflation. Thus, a maximum subsidy inflation assumption of 5.62% per annum was used.

#### Long service award assumptions

##### Discount rate (Mangaung):

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

Consequently, a discount rate of 10.65% per annum has been used. The corresponding liability-weighted index-linked yield is 4.69%. These rates do not reflect any adjustment for taxation, and were deduced from the interest rate data obtained from the JSE after the market close on 30 June 2024.

##### Discount rate (Centlec):

The net effective discount rate is different for each relevant time period of the yield curves' various durations and therefore the net effective discount rate is based on the relationship between the (yield curve based) discount rate for each relevant time period and the (yield curve based) salary Inflation for each relevant time period.

Although the yield curve was used as discount rates and corresponding inflation rates, for indicative purposes below illustrates the discount rate and CPI that corresponds to the implied duration of the liability. The implied duration of the liability for this valuation is 6.48 years. It is however important to note that this is solely for indicative purposes as the entire yield curve is used to obtain the financial variables.

##### General earnings inflation rate (Mangaung):

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

The expected CPI inflation assumption of 4.79% was obtained from the differential between market yields on index-linked bonds (4.69%) consistent with the estimated terms of the liabilities and those of nominal bonds (10.65%) with a risk premium adjustment for the uncertainty implicit in guaranteeing real increases (0.50%).

Therefore, expected inflation is determined as  $((1+10.65\% - 0.50\%) / (1+4.69\%)) - 1$ .

Thus, a general earnings inflation rate of 6.5% per annum over the expected term of the liability has been assumed, which is 1.00% higher than the estimate of CPI inflation over the same term. This assumption reflects a net discount rate of 4.69%.

##### General earnings inflation rate (Centlec):

The underlying future rate of consumer price index inflation (CPI inflation) was derived from the relationship between the (yield curve based) Conventional Bond Rate for each relevant time period and the (yield curve based) Inflation-linked Bond rate for each relevant time period. The assumed rate of salary inflation was set as the assumed value of CPI plus 1%. The salaries used in the valuation include an assumed increase on 01 July 2024 of 5.1%. The next salary increase was assumed to take place on 01 July 2025.

# Mangaung Metropolitan Municipality Group

Consolidated Annual Financial Statements for the year ended 30 June 2024

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2024	2023	2024	2023

### 26. Employee benefit obligations (continued)

#### Other assumptions

The effect of one percentage point increase/ decrease in the rates of the main assumptions is as follows for the 2024 financial year:

	1 % point increase	1 % point decrease	1 % point increase	1 % point decrease
Unfunded Accrued Liability (Pension fund inflation rate) (Mangaung)	1,557,000	1,444,000	1,557,000	1,444,000
Aggregate of current service and interest costs (Pension fund inflation rate) (Mangaung)	151,000	140,000	151,000	140,000
Unfunded Accrued Liability (Pension fund discount rate) (Mangaung)	1,555,000	1,447,000	1,555,000	1,447,000
Aggregate of current service and interest costs (Pension fund discount rate) (Mangaung)	151,000	141,000	151,000	141,000
Unfunded Accrued Liability (Health care cost inflation rate) (Mangaung)	524,720,000	457,298,000	524,720,000	457,298,000
Unfunded Accrued Liability (Health care cost inflation rate) (Centlec)	109,555,000	96,000,000	-	-
Aggregate of current service and interest costs (Health care cost inflation rate) (Mangaung)	82,425,000	71,142,000	82,425,000	71,142,000
Aggregate of current service and interest costs (Health care cost inflation rate) (Centlec)	23,286,000	20,143,000	-	-
Unfunded Accrued Liability (Medical aid discount rate) (Mangaung)	557,984,000	440,616,000	557,984,000	440,616,000
Unfunded Accrued Liability (Medical aid discount rate) (Centlec)	89,425,000	122,716,000	-	-
Aggregate of current service and interest costs (Medical aid discount rate) (Mangaung)	82,799,000	72,559,000	82,799,000	72,559,000
Aggregate of current service and interest costs (Medical aid discount rate) (Centlec)	19,608,000	25,092,000	-	-
Unfunded Accrued Liability (General earnings inflation rate) (Mangaung)	112,784,000	102,542,000	112,784,000	102,542,000
Unfunded Accrued Liability (General earnings inflation rate) (Centlec)	31,532,000	27,985,000	-	-
Aggregate of current service and interest costs (General earnings inflation rate) (Mangaung)	18,856,000	17,013,000	18,856,000	17,013,000
Aggregate of current service and interest costs (General earnings inflation rate) (Centlec)	6,539,000	5,736,000	-	-
Unfunded Accrued Liability (Long service award discount rate) (Mangaung)	112,570,000	102,809,000	112,570,000	102,809,000
Unfunded Accrued Liability (Long service award discount rate) (Centlec)	28,062,000	31,474,000	-	-
Aggregate of current service and interest costs (Long service award discount rate) (Mangaung)	18,018,000	17,762,000	18,018,000	17,762,000
Aggregate of current service and interest costs (Long service award discount rate) (Centlec)	6,022,000	6,220,000	-	-

#### Amounts for the current and previous four years are as follows for the defined benefit obligation:

	2024	2023	2022	2021	2020
Economic entity	736,590,000	679,356,600	613,509,000	608,645,001	523,524,629
Controlling entity	602,691,000	561,011,600	585,833,000	582,996,000	502,525,629

# Mangaung Metropolitan Municipality Group

Consolidated Annual Financial Statements for the year ended 30 June 2024

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2024	2023	2024	2023
<b>27. Finance lease obligation</b>				
<b>Minimum lease payments due</b>				
- within one year	-	1,566,823	-	-
less: future finance charges	-	(55,644)	-	-
<b>Present value of minimum lease payments</b>	-	<b>1,511,179</b>	-	-
<b>Present value of minimum lease payments due</b>				
- within one year	-	1,511,179	-	-

It is the municipal entity's policy to lease certain photo copier machines under finance leases. The average lease term is 3 years and the average effective borrowing rate was 9.25%. Initial lease payments varied between R6,442 and R8,647 per month and are subject to prime lending rates.

Lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default.

### Defaults and breaches

No default of the principal, interest or redemption terms of finance lease obligations occurred during the financial year.

## 28. FRESHCO

FRESHCO (Free State Social Housing Company)	121,264,444	135,392,341	121,264,444	135,392,341
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The entity has entered into an agreement with the Free State Social Housing Company (FRESHCO), a section 21 company, to implement and pursue a programme of Social Housing suitable for low to medium income households.

The agreement commenced on 1 February 2010 and shall be terminated on 31 January 2033 unless both parties agree to extend the agreement period. The entity charges FRESHCO a nominal rental amount on a monthly basis which escalates by 5% annually. The rental amount is included in note 35.

In terms of the agreement, FRESHCO will refurbish and maintain 351 existing municipal flats and build 592 additional flats in the suburb called Brandwag. This will remain the property of the entity. The entity will provide municipal infrastructure where these are not currently in existence.

FRESHCO will utilise a portion of the rental income earned from renting out these properties to maintain and refurbish these flats.

The amount is recognised as revenue over the period of the agreement upon completion of the assets.

Council has approved the winding up of the Free State Social Housing Company (FRESHCO) on 4 July 2024 and approved the following:

- The Social Housing Regulatory Authority (SHRA) to find an alternative funding arrangement to fund the strategy.
- The Brandwag social housing land be released on a 30 year lease to the new accredited social housing institution, to confer undisturbed use and enjoyment of the property let and to avoid sacrificing higher annuity income in the future and losing the long-term assets in perpetuity.
- Decanting of occupants of the Brandwag social housing project, endorse the mass eviction of all not paying tenants and illegal occupants of the project and remove all illegal connections post the evictions. Council to be informed of the progress on a quarterly basis.

# Mangaung Metropolitan Municipality Group

Consolidated Annual Financial Statements for the year ended 30 June 2024

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2024	2023	2024	2023

### 29. Land availability

Hillside view	235,886,474	251,723,941	235,886,474	251,723,941
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The entity has entered into agreements with developers to implement and pursue a programme of land development which will provide infrastructure and housing suitable for low to medium income households.

#### Hillside view:

The agreement commenced on 10 July 2014 and shall be terminated on 31 October 2032, unless both parties agree to extend the agreement period. In terms of the agreement, the developer will develop 762 erven in Mangaung Extension 34, and 1580 erven in Mangaung Extension 35. This development will be known as the Hillside View.

The land shall remain the property of the entity throughout the development. Upon completion of development, the entity shall retain 30% of the single residential erven within the development, as well as the infrastructure services. The developer shall be entitled to sell the remaining developed and serviced erven to third parties, and will retain the proceeds of these sales as compensation for the developed assets retained by the entity.

The developer shall contribute to the bulk infrastructure installations within the development and shall provide a contribution for the land, upon sale to the third parties.

The revenue from these sales will be recognised upon transfer to the third party, and the related liability shall be derecognised.

The buildings retained by the entity shall be capitalised throughout the development process.

There were no changes in the service concession arrangement that occurred during the current financial year. There were no breaches in contract by either party involved in the service concession arrangement during the current financial year.

#### Vista Park III:

The agreement commenced on 11 September 2014 and shall be terminated on 31 October 2032, unless both parties agree to extend the agreement period. In terms of the agreement, the developer will develop approximately 6529 erven of various categories in Mangaung Extension 256 to 266. This development will be known as the Vista Park III.

The land shall remain the property of the entity throughout the development. Upon completion of development, the entity shall retain 30% of the single residential erven within the development, as well as the infrastructure services. The developer shall be entitled to sell the remaining developed and serviced erven to third parties, and will retain the proceeds of these sales as compensation for the developed assets retained by the entity.

The developer shall contribute to the bulk infrastructure installations within the development and shall provide a contribution for the land, upon sale to the third parties.

The revenue from these sales will be recognised upon transfer to the third party, and the related liability shall be derecognised.

The buildings retained by the municipality shall be capitalised throughout the development process.

There were no changes in the service concession arrangement that occurred during the current financial year. There were no breaches in contract by either party involved in the service concession arrangement during the current financial year.

As at the end of the current financial year, all costs were incurred by the municipality. The municipality thus it has no liability for the development to date.

# Mangaung Metropolitan Municipality Group

Consolidated Annual Financial Statements for the year ended 30 June 2024

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2024	2023	2024	2023
<b>30. Revaluation reserve</b>				
Opening balance	5,009,923,531	5,002,837,309	879,356,708	885,473,171
Prior Period error (opening balance)	-	3,391,336	-	3,391,336
Realisation of the reserve	(408,768)	(408,768)	-	-
Disposals	(6,210,593)	3,594,600	(274,040)	-
Revaluation of assets	752,587	10,016,852	752,587	1,921,030
Revaluation of servitudes	-	1,921,030	-	-
Realisation of revaluation reserve - through depreciation	(11,859,012)	(11,823,407)	(11,859,012)	(11,823,407)
Prior Period error	-	394,579	-	394,578
	<b>4,992,197,745</b>	<b>5,009,923,531</b>	<b>867,976,243</b>	<b>879,356,708</b>

There are no restrictions on the distribution of the revaluation reserve.

Prior year figures were restated due to errors identified in the current financial year, refer to Note 75.

### 31. Self-insurance reserve

Opening Balance	10,000,000	10,000,000	10,000,000	10,000,000
Contribution received	1,145,719	968,845	1,145,719	968,845
Insurance claims processed	(1,145,719)	(968,845)	(1,145,719)	(968,845)
	<b>10,000,000</b>	<b>10,000,000</b>	<b>10,000,000</b>	<b>10,000,000</b>

### 32. COVID reserve

Opening balance	17,383,704	19,139,985	17,383,704	19,139,985
Insurance claims processed	(1,634,625)	(1,756,281)	(1,634,625)	(1,756,281)
	<b>15,749,079</b>	<b>17,383,704</b>	<b>15,749,079</b>	<b>17,383,704</b>

### 33. Other NDR

Non-distributable reserve	60,000,000	60,000,000	-	-
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In accordance with the terms of the NERSA (National Energy Regulator of South Africa) agreement it was agreed that R60 000 000 is to be held as a non-distributable reserve.

# Mangaung Metropolitan Municipality Group

Consolidated Annual Financial Statements for the year ended 30 June 2024

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2024	2023	2024	2023
<b>34. Service charges</b>				
Sale of electricity - Conventional	1,751,486,966	1,512,305,448	-	-
Sale of electricity - Prepaid	1,347,166,428	1,216,009,014	-	-
Sale of water - Conventional meters	1,382,032,571	1,238,602,844	1,382,032,571	1,238,602,844
Sale of water - Prepaid meters	71,178,804	62,826,094	71,178,804	62,826,094
Sewerage and sanitation charges	648,835,211	633,631,213	648,835,211	633,631,213
Refuse removal	289,273,684	267,314,612	289,273,684	267,314,612
Other service charges	1,254,711	961,987	1,254,711	961,987
Revenue foregone	(465,896,452)	(421,209,812)	(465,896,452)	(421,209,812)
	<b>5,025,331,923</b>	<b>4,510,441,400</b>	<b>1,926,678,529</b>	<b>1,782,126,938</b>

### Revenue foregone:

Included in service charges is revenue foregone amounting to R465,896,452 (2023:R421,209,812) which mainly consists of financial relief provided to indigent community members for basic services. These indigent community members are funded by a portion of the equitable share grant received by the municipality. Refer to note 44 for more detail on the equitable share.

### Prior period errors:

Prior year figures were restated due to errors identified in the current financial year, refer to Note 75.

## 35. Rental of facilities and equipment

### Facilities and equipment

Rental of facilities	38,459,032	31,463,207	38,459,032	31,463,207
Rental of equipment	1,929,185	2,068,885	1,929,185	2,068,885
	<b>40,388,217</b>	<b>33,532,092</b>	<b>40,388,217</b>	<b>33,532,092</b>

### Prior period errors:

Prior year figures were restated due to errors identified in the current financial year, refer to note 75.

## 36. Fines, penalties and forfeits

Illegal connections - electricity	2,606,668	4,163,066	-	-
Impound fees	8,609,491	35,910	8,609,491	35,910
Other fees	368,837	3,507,174	368,837	3,507,174
Retention forfeits	282,836	-	282,836	-
Traffic Fines	11,332,130	10,601,750	11,332,130	10,601,750
Unclaimed deposits and stale cheques	32,394,402	626,680	32,394,402	626,680
Unclaimed deposits - prescribed amounts	18,738,485	-	18,738,485	-
Unclaimed money forfeits	22,324,821	22,010,038	21,192,255	-
	<b>96,657,670</b>	<b>40,944,618</b>	<b>92,918,436</b>	<b>14,771,514</b>

### Unclaimed deposits and stale cheques:

Council approved the write-off of both the unallocated or unclaimed deposits of the suspense accounts that are older than 3 years.

During the current and prior financial year unclaimed monies older than 3 years as at year end 30 June was recognised as revenue.

# Mangaung Metropolitan Municipality Group

Consolidated Annual Financial Statements for the year ended 30 June 2024

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2024	2023	2024	2023
<b>37. Other income from exchange transactions</b>				
Advertising	9,247,651	6,210,104	9,247,651	6,210,104
Building plan fees	5,009,509	5,444,695	5,009,509	5,444,695
Clearance certificates	3,134,615	3,802,408	2,459,526	3,051,369
Credit control fees	3,951,859	2,962,296	-	-
Entrance fees	473,962	97,965	473,962	97,965
Grave plots	3,258,727	3,378,977	3,258,727	3,378,977
Insurance collection	4,491,870	7,721,294	3,611,021	3,082,255
Legal settlements	108,461	2,362,278	-	-
New connections	8,439,345	15,957,959	-	-
Parking	1,713,954	1,467,263	1,713,954	1,467,263
Sale of erven	812,613	402,052	812,613	402,052
Sale of tender documents	2,296,969	530,351	2,296,969	530,351
Sundry income	4,593,548	7,570,680	4,593,548	7,570,680
Training	2,656,398	642,668	1,976,378	-
Transaction handling fees	273,641	248,056	-	-
	<b>50,463,122</b>	<b>58,799,046</b>	<b>35,453,858</b>	<b>31,235,711</b>

Prior year figures were restated due to errors identified in the current financial year, refer to note 75.

### 38. Investment revenue

#### Dividends received

Unlisted financial assets - Local	8,036	11,859	8,036	11,859
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#### Interest received from exchange transactions

Centlec (SOC) Limited - Capital advances	-	-	5,610,013	4,483,787
Centlec (SOC) Limited - Intercompany loan	-	-	90,783,581	64,188,863
Centlec (SOC) Limited - Shareholders loan	-	-	176,223,986	165,649,995
Interest charged on consumer and other receivables - exchange transactions	574,442,406	446,778,530	536,608,404	421,925,672
Interest earned on cash and cash equivalents	78,738,461	61,142,425	75,806,141	59,900,919
Interest earned on bank investments	647,126	1,020,431	-	-
Interest on Eskom deposit	44,864	27,923	-	-
	<b>653,872,857</b>	<b>508,969,309</b>	<b>885,032,125</b>	<b>716,149,236</b>
	<b>653,880,893</b>	<b>508,981,168</b>	<b>885,040,161</b>	<b>716,161,095</b>

Short-term deposits consists of an ABSA 1 Day call account with varying interest rates between 0.00% and 7.05% depending on the amount invested and the change in the prime interest rate.

### 39. Agency services

Southern Free State - Services	7,279,311	6,227,547	-	-
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Agency services relates to administration, network-and vending charges rendered to the Southern Free State towns.

# Mangaung Metropolitan Municipality Group

Consolidated Annual Financial Statements for the year ended 30 June 2024

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2024	2023	2024	2023

### 40. Service concession arrangements

#### Revenue from service concession arrangements - Exchange

Land availability liability	15,837,467	15,837,467	15,837,467	15,837,467
Rental income	14,130,121	14,128,471	14,130,121	14,128,471
	<b>29,967,588</b>	<b>29,965,938</b>	<b>29,967,588</b>	<b>29,965,938</b>

#### Details of service concession arrangements:

The service concession rental income relates to the revenue recognised (rentals) from the FRESHCO liability. Refer to note 28 for further information.

The service concession revenue for land availability relates to the revenue recognised from the land availability liability. Refer to note 29 for further information.

### 41. Commissions received

Commission - Fresh produce market	30,566,927	29,212,348	30,566,927	29,212,348
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# Mangaung Metropolitan Municipality Group

Consolidated Annual Financial Statements for the year ended 30 June 2024

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2024	2023	2024	2023
<b>42. Property rates</b>				
<b>Rates received</b>				
Residential and business/commercial	1,495,681,384	1,400,846,456	1,495,681,384	1,400,846,456
Government	187,234,305	324,398,732	187,234,305	324,398,732
Less: Revenue forgone	(234,756,562)	(216,399,843)	(234,756,562)	(216,399,843)
	<b>1,448,159,127</b>	<b>1,508,845,345</b>	<b>1,448,159,127</b>	<b>1,508,845,345</b>
<b>Valuations</b>				
Residential	87,067,686,730	86,610,948,310	87,067,686,730	86,610,948,310
Commercial	24,155,391,250	23,870,862,310	24,155,391,250	23,870,862,310
Government	13,998,637,510	13,620,775,450	13,998,637,510	13,620,775,450
Municipal	5,369,241,490	5,426,106,470	5,369,241,490	5,426,106,470
	<b>130,590,956,980</b>	<b>129,528,692,540</b>	<b>130,590,956,980</b>	<b>129,528,692,540</b>

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2022. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

The first R 100,000 of the rateable value of residential property is exempted from taxes, including properties which are zoned for the purpose of town houses and flats, as well as smallholdings and farms used solely for residential and agricultural purposes.

In respect of qualifying senior citizens and disabled persons, an additional R 200,000 of the rateable value of their residential properties is exempted from rates subject to the property value not exceeding R 2,500,000.

### 2024:

From 1 July 2023 the basic rates were adjusted as follows (exempt from VAT):

- R 0.0099740, multiply by comma two five cent (0.25), per rand on the rateable value of farm property;
- R 0.0099740, on the value of rateable residential property;
- R 0.0099740, on the value of rateable property under development;
- R 0.0339190, on the value of rateable government property;
- R 0.0339190, on the value of rateable business property;
- R 0.0024940, on the value of rateable public service infrastructure

### 2023:

From 1 July 2022 the basic rates were adjusted as follows (exempt from VAT):

- R 0.0094740, multiply by comma two five cent (0.25), per rand on the rateable value of farm property;
- R 0.0094740, on the value of rateable residential property;
- R 0.0094740, multiply by comma five per cent (0.50), per rand on the rateable value of property under development;
- R 0.0322130, on the value of rateable government property;
- R 0.0322130, on the value of rateable business property;
- R 0.0023690, on the value of rateable public service infrastructure.

### Revenue foregone:

Included in the property rates is revenue forgone consisting of R192,199,183 (2023:R181,171,505) of rebates on property rates provided, while R42,557,379 (2023: R35,228,338) is indigent rebates at 100%. These indigent community members are funded by a portion of the equitable share grant received by the municipality. Refer to note 44 for more detail on the equitable share.

### 43. Interest received from non-exchange transactions

Interest charged on consumer and other receivables - non-exchange transactions	172,226,079	124,636,207	172,226,079	124,636,207
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# Mangaung Metropolitan Municipality Group

Consolidated Annual Financial Statements for the year ended 30 June 2024

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2024	2023	2024	2023
<b>44. Government grants &amp; subsidies</b>				
<b>Operating grants</b>				
Department of Sports, Arts and Culture - Admin Libraries Grant	5,544,036	2,784,013	5,544,036	2,784,013
Equitable share	1,037,664,000	938,383,000	1,037,664,000	938,383,000
Expanded Public Works Programme Integrated Grant	1,263,000	1,382,148	1,263,000	1,382,148
Finance Management Grant	2,200,000	1,979,792	2,200,000	1,979,792
Fuel levy	405,248,000	363,435,000	405,248,000	363,435,000
Municipal Disaster Relief Grant	1,156,549	-	1,156,549	-
Local Government Sector Education and Training Authority Grant	741,718	1,225,079	741,718	1,225,079
Programme and Project Preparation Support Grant	7,138,000	9,583,846	7,138,000	9,583,846
Urban Settlements Development Grant	137,690,042	9,300,000	137,690,042	9,300,000
	<b>1,598,645,345</b>	<b>1,328,072,878</b>	<b>1,598,645,345</b>	<b>1,328,072,878</b>

### Capital grants

Human Settlements Provincial Grant	30,931,271	-	30,931,271	-
Informal Settlements Upgrading Partnership Grant	132,002,181	89,388,228	132,002,181	89,388,228
Neighbourhood Development Partnership Grant	16,908,000	19,738,000	16,908,000	19,738,000
Public Transport Network Grant	78,119,962	104,440,374	78,119,962	104,440,374
Urban Settlements Development Grant	334,541,058	576,787,951	334,541,058	576,787,951
	<b>592,502,472</b>	<b>790,354,553</b>	<b>592,502,472</b>	<b>790,354,553</b>

### Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	748,235,817	816,609,431	748,235,817	816,609,431
Unconditional grants received	1,442,912,000	1,301,818,000	1,442,912,000	1,301,818,000
	<b>2,191,147,817</b>	<b>2,118,427,431</b>	<b>2,191,147,817</b>	<b>2,118,427,431</b>

### Equitable share

Current-year receipts	1,037,664,000	938,383,000	1,037,664,000	938,383,000
Conditions met - transferred to revenue	(1,037,664,000)	(938,383,000)	(1,037,664,000)	(938,383,000)
	-	-	-	-

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

### Fuel levy

Current-year receipts	405,248,000	363,435,000	405,248,000	363,435,000
Conditions met - transferred to revenue	(405,248,000)	(363,435,000)	(405,248,000)	(363,435,000)
	-	-	-	-

The fuel levy is allocated to the entity from the General Fuel Levy Revenue Fund.

### City of Ghent - Youth Development Grant

Balance unspent at beginning of year	-	481,950	-	481,950
Prior period correction	-	(481,950)	-	(481,950)
	-	-	-	-

Conditions still to be met - remain liabilities (see note 23).

The grant is given by the City of Ghent for youth development.

# Mangaung Metropolitan Municipality Group

Consolidated Annual Financial Statements for the year ended 30 June 2024

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2024	2023	2024	2023

#### 44. Government grants & subsidies (continued)

##### Expanded Public Works Programme Integrated Grant

Balance unspent at beginning of year	183,852	14,136	183,852	14,136
Surrendered to National Treasury	(183,852)	(14,136)	(183,852)	(14,136)
Current-year receipts	1,263,000	1,566,000	1,263,000	1,566,000
Conditions met - transferred to revenue	(1,263,000)	(1,382,148)	(1,263,000)	(1,382,148)
	-	<b>183,852</b>	-	<b>183,852</b>

Conditions still to be met - remain liabilities (see note 23).

The purpose of the grant is to expand work creation efforts through the use of labour incentives delivery methods in identified focus areas, in compliance with Expanded Public Works Programme (EPWP) guidelines.

##### Finance Management Grant

Balance unspent at beginning of year	120,208	104,467	120,208	104,467
Surrendered to National Treasury	(120,208)	(104,467)	(120,208)	(104,467)
Current-year receipts	2,200,000	2,100,000	2,200,000	2,100,000
Conditions met - transferred to revenue	(2,200,000)	(1,979,792)	(2,200,000)	(1,979,792)
	-	<b>120,208</b>	-	<b>120,208</b>

Conditions still to be met - remain liabilities (see note 23).

The purpose of the grant is to promote and support reforms to financial management and the implementation of the MFMA.

##### Local Government Sector Education and Training Authority Grant

Balance unspent at beginning of year	9,962,668	5,299,588	9,962,668	5,299,588
Current-year receipts	3,091,523	5,888,160	3,091,523	5,888,160
Conditions met - transferred to revenue	(741,718)	(1,225,080)	(741,718)	(1,225,080)
	<b>12,312,473</b>	<b>9,962,668</b>	<b>12,312,473</b>	<b>9,962,668</b>

Conditions still to be met - remain liabilities (see note 23).

The grant is a learnership grant from LGSETA for interns seconded at different entities.

##### Municipal Human Settlements Capacity Grant

Balance unspent at beginning of year	2,000,000	2,000,000	2,000,000	2,000,000
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Conditions still to be met - remain liabilities (see note 23).

The purpose of the grant is to build capacity in municipalities to deliver and subsidise the operational costs of administering human settlement programmes.

# Mangaung Metropolitan Municipality Group

Consolidated Annual Financial Statements for the year ended 30 June 2024

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2024	2023	2024	2023

#### 44. Government grants & subsidies (continued)

##### Municipal Systems Improvement Grant

Balance unspent at beginning of year	-	1,055,000	-	1,055,000
Prior period correction	-	(1,055,000)	-	(1,055,000)
	-	-	-	-

Conditions still to be met - remain liabilities (see note 23).

The purpose of the grant is to assist municipalities to perform their functions and stabilise institutional and governance systems as required in the Municipal System Act, the Municipal Rates Act and related legislation.

##### Programme and Project Preparation Support Grant

Balance unspent at beginning of year	4,089,154	1,454,500	4,089,154	1,454,500
Surrendered to National Treasury	(4,089,154)	(1,454,500)	(4,089,154)	(1,454,500)
Current-year receipts	7,138,000	13,673,000	7,138,000	13,673,000
Conditions met - transferred to revenue	(7,138,000)	(9,583,846)	(7,138,000)	(9,583,846)
	-	4,089,154	-	4,089,154

Conditions still to be met - remain liabilities (see note 23).

The grant provides funding to the metropolitan municipalities to enhance the performance of their urban built environment programmes by supporting programme and project preparation. It reflects commitments contained in the National Development Plan to streamline funding for urban public investments to support the restructuring of the urban built environment.

##### Department of Sports, Arts and Culture - Admin Libraries Grant

Balance unspent at beginning of year	6,036,893	5,320,906	6,036,893	5,320,906
Current-year receipts	3,000,000	3,500,000	3,000,000	3,500,000
Conditions met - transferred to revenue	(5,544,036)	(2,784,013)	(5,544,036)	(2,784,013)
	3,492,857	6,036,893	3,492,857	6,036,893

Conditions still to be met - remain liabilities (see note 23).

The purpose of the grant is to fund the administration of public libraries within the Mangaung Metropolitan Municipality area.

##### Informal Settlements Upgrading Partnership Grant

Balance unspent at beginning of year	115,228,772	132,207,474	115,228,772	132,207,474
Surrendered to National Treasury	(115,228,772)	(132,207,474)	(115,228,772)	(132,207,474)
Current-year receipts	175,532,000	204,617,000	175,532,000	204,617,000
Conditions met - transferred to revenue	(132,002,181)	(89,388,228)	(132,002,181)	(89,388,228)
	43,529,819	115,228,772	43,529,819	115,228,772

Conditions still to be met - remain liabilities (see note 23).

This is a conditional grant with a specific purpose to provide for the upgrading of informal settlements.

# Mangaung Metropolitan Municipality Group

Consolidated Annual Financial Statements for the year ended 30 June 2024

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2024	2023	2024	2023

#### 44. Government grants & subsidies (continued)

##### Neighbourhood Development Partnership Grant

Balance unspent at beginning of year	-	4,214,789	-	4,214,789
Surrendered to National Treasury	-	(4,214,789)	-	(4,214,789)
Current-year receipts	16,908,000	19,738,000	16,908,000	19,738,000
Conditions met - transferred to revenue	(16,908,000)	(19,738,000)	(16,908,000)	(19,738,000)
	-	-	-	-

Conditions still to be met - remain liabilities (see note 23).

This grant is to be used for the development of urban network plans, to improve the quality of life and access of residents in under-served neighbourhoods.

##### Public Transport Network Grant

Balance unspent at beginning of year	145,453,626	92,786,580	145,453,626	92,786,580
Surrendered to National Treasury	(145,453,626)	(92,786,580)	(145,453,626)	(92,786,580)
Current-year receipts	170,028,000	249,894,000	170,028,000	249,894,000
Conditions met - transferred to revenue	(78,119,962)	(104,440,374)	(78,119,962)	(104,440,374)
	<b>91,908,038</b>	<b>145,453,626</b>	<b>91,908,038</b>	<b>145,453,626</b>

Conditions still to be met - remain liabilities (see note 23).

The grant is allocated to the entity to improve public transport infrastructure and systems, in accordance with agreed project plans.

##### Human Settlements Provincial Grant

Balance unspent at beginning of year	53,746,060	53,746,060	53,746,060	53,746,060
Conditions met - transferred to revenue	(30,931,271)	-	(30,931,271)	-
	<b>22,814,789</b>	<b>53,746,060</b>	<b>22,814,789</b>	<b>53,746,060</b>

Conditions still to be met - remain liabilities (see note 23).

This is a conditional grant with a specific purpose to provide for the upgrading of informal settlements.

# Mangaung Metropolitan Municipality Group

Consolidated Annual Financial Statements for the year ended 30 June 2024

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2024	2023	2024	2023

#### 44. Government grants & subsidies (continued)

##### Urban Settlements Development Grant

Balance unspent at beginning of year	31,572,049	272,353,593	31,572,049	272,353,593
Surrendered to National Treasury	(31,579,848)	(146,453,593)	(31,579,848)	(146,453,593)
Current-year receipts	477,782,000	491,760,000	477,782,000	491,760,000
Conditions met - transferred to revenue	(472,231,100)	(586,087,951)	(472,231,100)	(586,087,951)
	<b>5,543,101</b>	<b>31,572,049</b>	<b>5,543,101</b>	<b>31,572,049</b>

Conditions still to be met - remain liabilities (see note 23).

The purpose of the grant is to supplement the capital revenues of metropolitan municipalities in order to support the national human settlements development programme, focusing on poor households.

##### Municipal Disaster Relief Grant

Current-year receipts	13,150,000	-	13,150,000	-
Conditions met - transferred to revenue	(1,156,549)	-	(1,156,549)	-
	<b>11,993,451</b>	<b>-</b>	<b>11,993,451</b>	<b>-</b>

Conditions still to be met - remain liabilities (see note 23).

To enable timely response to address community needs regarding impending or disastrous events classified by the National Disaster Management Centre, To provide for the immediate release of funds for disaster response if an occurrence cannot be adequately addressed in line with 2 (1)(b) of the Disaster Management Act.

# Mangaung Metropolitan Municipality Group

Consolidated Annual Financial Statements for the year ended 30 June 2024

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2024	2023	2024	2023

#### 44. Government grants & subsidies (continued)

##### Allocation-in-kind Grant

The following grants were allocated in-kind to the municipality as per the Division of Revenue Bill:

Integrated National Electrification Programme Grant (Eskom)	1,622,000	19,783,000	1,622,000	19,783,000
Municipal Systems Improvement Grant (CoGTA)	-	1,698,000	-	1,698,000
Regional Bulk Infrastructure Grant (Bloemwater)	13,500,000	-	13,500,000	-
	<b>15,122,000</b>	<b>21,481,000</b>	<b>15,122,000</b>	<b>21,481,000</b>

##### Other info:

These Schedule 6(B) grants is allocations-in-kind to municipalities for designated special programmes. These funds is not paid to the municipality directly but rather to implementing agents by different departments. Only when caital projects are completed a PFMA s.42 transfer will be done by the implementing department to the municipality.

##### Purpose of each grant is as follows:

##### Integrated National Electrification Programme (Eskom) Grant

To implement the Integrated National Electrification Programme by providing capital subsidies to Eskom to address the electrification backlog of all existing and planned residential dwellings (including informal settlements, farm dwellers, new and existing dwellings) and the installation of relevant bulk infrastructure in Eskom licensed areas. These funds were directly transferred to Eskom.

##### Municipal Systems Improvement Grant

To assist municipalities to perform their functions and stabilise institutional and governance systems as required in the Municipal Systems Act and related local government legislation. These funds were directly transferred to the Department of Cooperative Governance and Traditional Affairs (CoGTA).

##### Regional Bulk Infrastructure Grant

To develop new, refurbish, upgrade and replace ageing bulk water and sanitation infrastructure of regional significance that connects water resources to infrastructure serving extensive areas across municipal boundaries or large regional bulk infrastructure serving numerous communities over a large area within a municipality; to implement bulk infrastructure with a potential of addressing water conservation and water demand management projects or facilitate and contribute to the implementation of local water conservation and water demand management projects that will directly impact on bulk infrastructure requirements. These funds were directly transferred to Bloemwater.

##### Prior period errors:

Prior year figures were restated, refer to note 75.

##### Changes in level of government grants

Based on the allocations set out in the Division of Revenue Act, (Act 4 of 2020), no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

#### 45. Public contributions and donations

Capital donations	1,287,837	1,950,000	1,287,837	1,950,000
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# Mangaung Metropolitan Municipality Group

Consolidated Annual Financial Statements for the year ended 30 June 2024

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2024	2023	2024	2023
<b>46. Employee related costs</b>				
Basic salaries and wages	1,481,509,883	1,412,048,546	1,171,886,339	1,134,525,017
Contributions to Medical aid	138,556,528	128,612,852	108,899,690	102,760,174
Contributions to Pension funds	235,023,465	233,103,273	185,512,034	188,330,821
Contributions to UIF	8,337,675	8,575,721	6,745,157	7,092,805
Defined benefit plan - Service costs	32,714,000	35,561,000	24,090,000	26,086,000
Housing benefits and allowances	7,863,433	7,380,993	5,895,907	5,610,395
Leave pay	60,544,526	34,507,447	55,309,723	33,747,275
Overtime	246,048,912	204,337,528	173,676,748	142,160,203
Shift and standby allowances	39,681,730	38,509,691	39,681,730	38,509,691
Travel, motor car, accommodation, subsistence and other allowances	165,679,172	149,185,148	133,230,543	119,031,657
	<b>2,415,959,324</b>	<b>2,251,822,199</b>	<b>1,904,927,871</b>	<b>1,797,854,038</b>

### Changes to key management during the 2023/24 financial year:

- Dumalisile NR was appointed as Acting City Manager from 01 May 2023 to 31 August 2023;
- Ntshudisane MJ was seconded to act as Acting City Manager from 01 September 2023 to 31 October 2023;
- More SJ was appointed as City Manager on 01 November 2023.
- Denge LA was seconded to act as Acting Chief Financial officer from 19 December 2022 to 31 August 2023;
- Sitishi N was appointed as Acting Chief Financial Officer from 01 September 2023 to 31 March 2024;
- Pienaar GH was appointed as Acting Chief Financial Officer from 01 April 2024 to 31 May 2024;
- Thekisho Z was appointed as Chief Financial Officer from 01 June 2024.
- Duma MV was permanently appointed as Head of Corporate Services from 01 December 2023;
- Mpangane NG was seconded to act as Head of Corporate services from 20 April 2022 to 30 November 2023;
- Masobeng IR was appointed as acting Head of Technical Services from 15 August 2023 to 30 November 2023;
- Masobeng IR was permanently appointed as Head of Technical Services from 1 December 2023;
- Mcleod C was seconded to act as Head of Engineering Services from 02 May 2022 to 14 August 2023;
- Chakane N was permanently appointed as Head of Economic and Rural Development on 01 December 2023;
- Manyungwana XC was seconded to act as Head of Economic & Rural Development 16 May 2022 to 30 November 2023;
- Nel F was seconded to act as Head of Waste & Fleet from 01 June 2022 to 30 November 2023;
- Mabunda NP was seconded to act as Head of Planning, Human Settlement and Housing from 01 May 2023 to 30 November 2023;
- Thinda KT was permanently appointed as Head of Community Services from 01 December 2023;
- Mafisa MA was appointed as acting Head of Social Services & Public Safety from 13 February 2023 to 30 November 2023;
- Ntlabezo L was appointed as acting Head of Performance Management Office from 01 January 2024 to 31 May 2024;
- Kgamanyane KI was permanently appointed as Head of Public Safety and Security from 01 December 2023;
- Ntoyi L was appointed as Head of Performance Management Office from 01 June 2024.

### Changes to key management during the 2022/23 financial year:

- Dumalisile NR was appointed as Acting HOD: Human Settlements & Housing from 2 May 2022 to 30 April 2023 and as Acting City Manager from 1 May 2023;
- Mpangane NG was appointed as Acting HOD: Corporate Services from 20 April 2022;
- McLeod C was appointed as Acting HOD: Engineering Services from 2 May 2022;
- Mabunda NP was appointed as Acting HOD: Planning from 7 June 2022 and as Acting HOD: Human Settlements & Housing from 1 May 2023;
- Manyungwana XC was appointed as Acting HOD: Economic & Rural Development from 16 May 2022;
- Nel F was appointed as Acting HOD: Waste & Fleet Management from 1 June 2022;
- Mafisa MA was appointed as Acting HOD: Social Services & Public Safety from 13 February 2023;
- Motlashuping TD was appointed as Acting City Manager from 20 April 2022 to 30 April 2023;
- The fixed term contracts for Nkaiseng DSR expired on 14 July 2022. Included in the amount received for leave pay and other awards is an arbitration award granted in favour of Mr Nkaiseng to the amount of R1 055 815; and
- The fixed term contract of Kgamanyane KI expired on 31 December 2022.

### Other changes during the 2022/23 financial year:

The former HOD's received backpay payments as a result of the implementation of the new upper limits of the total remuneration packages approved by council on 13 February 2023 for the 2021/22 financial year.

### Other information:

Two employees were overpaid during the financial year, amounts overpaid amounted to R246,354.90



# Mangaung Metropolitan Municipality Group

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## Notes to the Consolidated Annual Financial Statements

Figures in Rand

### 46. Employee related costs (continued)

#### Detailed remuneration of key management

2024

Position	Name and Initials	Annual Remuneration	Car and other allowances	Leave pay and other awards	Contribution to UIF, Medical Aid and Pension Funds	Total
Acting City Manager (secondment)	Dumalisile NR	119,292	-	-	1,370	120,662
Acting City Manager (secondment)	Ntshudisane NJ	202,856	-	-	2,206	205,062
City Manager	More SJ	1,146,147	16,000	-	13,130	1,175,277
Acting Chief Financial Officer (Secondment)	Denge LA	382,370	-	-	3,824	386,194
Acting Chief Financial Officer	Sitishi N	777,032	129,274	-	187,753	1,094,059
Acting Chief Financial Officer	Pienaar GH	219,271	71,470	-	52,465	343,206
Chief Financial Officer	Thekisho ZL	117,791	1,600	-	1,383	120,774
Acting HOD: Corporate Services (Secondment)	Mpangane NG	287,255	-	-	3,581	290,836
HOD: Corporate Services	Duma MV	824,534	11,200	-	9,677	845,411
HOD: Technical Services	Masobeng IR	1,058,232	271,001	-	246,810	1,576,043
Acting HOD: Engineering Services (Secondment)	Mcleod C	138,776	-	-	1,565	140,341
HOD: Economic and Rural Development	Chakane N	808,154	11,200	-	26,057	845,411
Acting HOD: Human Settlements & Housing (Secondment)	Mabunda NP	529,314	-	-	6,002	535,316
Acting HOD: Economic & Rural Development (Secondment)	Manyungwana XC	238,199	-	-	3,090	241,289
Acting HOD: Waste and Fleet Management (Secondment)	Nel F	343,828	-	-	4,147	347,975
HOD: Community Services	Thinda KT	786,770	11,200	-	47,441	845,411
Acting HOD: Social Services & Public Safety	Mafisa MA	563,158	168,384	-	153,878	885,420
Acting HOD: Performance Management Office	Ntlabezo L	449,407	366,312	-	147,957	963,676
HOD: Performance Management Office	Ntoyi L	117,791	1,000	-	1,377	120,168
HOD: Public Safety and Security	Kgamanyane KI	500,544	234,410	-	77,000	811,954
		<b>9,610,721</b>	<b>1,293,051</b>	-	<b>990,713</b>	<b>11,894,485</b>

# Mangaung Metropolitan Municipality Group

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## Notes to the Consolidated Annual Financial Statements

Figures in Rand

### 46. Employee related costs (continued)

2023

Position	Name and Initials	Annual Remuneration	Car and other allowances	Leave pay and other awards	Contribution to UIF, Medical Aid and Pension Funds	Total
Acting City Manager (secondment)	Dumalisile NR	139,331	-	-	1,393	140,724
Acting HOD: Human Settlements & Housing (secondment)	Dumalisile NR	336,452	-	-	3,719	340,171
Acting HOD: Corporate Services (secondment)	Mpangane NG	833,323	-	-	10,104	843,427
Acting HOD: Engineering Services (secondment)	McLeod C	929,901	-	-	11,070	940,971
Acting HOD: Planning & Human Settlements & Housing (secondment)	Mabunda NP	973,999	-	-	11,511	985,510
Acting HOD: Economic & Rural Development (former)	Manyungwana XC	650,572	-	-	7,923	658,495
Acting HOD: Waste & Fleet Management (former)	Nel F	900,391	-	-	10,775	911,166
City Manager (Former)	Mutlashuping TD	900,782	-	-	10,602	911,384
Acting HOD: Social Services & Public Safety	Mafisa MA	484,058	36,000	-	112,931	632,989
City Manager (Former)	Adv Mea TB	4,702	-	-	94	4,796
HOD: Social Services (former)	Nkungwana MG	34,469	-	-	522	34,991
HOD: Economic & Rural Development (former)	Maine TA	34,292	-	-	520	34,812
HOD: Waste & Fleet Management (former)	More SJ	34,469	-	-	522	34,991
Chief Financial Officer (former)	Mofokeng SE	41,633	-	-	593	42,226
HOD: Human Settlements & Housing (former)	Adv Phaladi MJN	41,633	-	-	593	42,226
HOD: Engineering Services (former)	Ndlovu M	41,633	-	-	593	42,226
HOD: Planning (former)	Mthembu BS	41,633	-	-	593	42,226
HOD: Corporate Services (Former)	Nkaiseng DSR	159,554	37,339	1,055,815	26,554	1,279,262
Head of Police (former)	Kgamanyane KI	695,912	232,810	273,160	166,895	1,368,777
		<b>7,278,739</b>	<b>306,149</b>	<b>1,328,975</b>	<b>377,507</b>	<b>9,291,370</b>

# Mangaung Metropolitan Municipality Group

Consolidated Annual Financial Statements for the year ended 30 June 2024

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2024	2023	2024	2023
<b>47. Remuneration of councillors</b>				
Cell phone allowance	4,661,525	4,472,306	4,661,525	4,472,306
Councillors allowance	54,553,433	48,515,330	54,553,433	48,515,330
Councillors medical aid contributions	465,120	449,205	465,120	449,205
Councillors pension contributions	705,490	744,859	705,490	744,859
Housing allowance	18,000	43,497	18,000	43,497
Travel allowance	14,148,271	13,706,056	14,148,271	13,706,056
	<b>74,551,839</b>	<b>67,931,253</b>	<b>74,551,839</b>	<b>67,931,253</b>

### In-kind benefits

The Executive Mayor, Deputy Executive Mayor, Speaker, Chief Whip and Mayoral Committee Members are full-time employees of the entity and each is provided with an office and secretarial support at the cost of the Council.

The Mayor and the Deputy Mayor each have the use of separate Council owned vehicles for official duties.

The Executive Mayor and Deputy Executive Mayor have two bodyguards on a rotational basis and an official driver at the cost of Council.

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.

# Mangaung Metropolitan Municipality Group

Consolidated Annual Financial Statements for the year ended 30 June 2024

## Notes to the Consolidated Annual Financial Statements

Figures in Rand

### 47. Remuneration of councillors (continued)

#### Analysis of Councillors Remuneration

2024	Councillor Surname and Initials	Councillor allowance	Travel and other allowances	Pension and Medical aid	Total
<b>Council as at 30 June 2024</b>					
Executive Mayor	Nthatsi GMS	1,259,932	304,748	-	1,564,680
Deputy Executive Mayor	Titiodili LM	635,315	196,312	11,520	843,147
Speaker	Mathae BL	746,003	231,465	-	977,468
Chief Whip	Nikelo VE	920,446	286,038	14,400	1,220,884
MMC: Social Services until 19 October 2023 & Waste and Fleet Management from 19 October 2023	Mosala MT	926,745	286,038	17,280	1,230,063
MMC: Corporate Service until 19 October 2023 & Finance from 19 October 2023	Kruger CL	929,872	286,038	-	1,215,910
MMC: Waste and Fleet Management until 19 October 2023 & Corporate Services from 19 October 2023	Letawana MM	910,549	286,038	-	1,196,587
MMC: Public Safety until 19 October 2023 & IDP and Performance from 19 October 2023	Tsoleli SP	910,549	286,038	-	1,196,587
MMC: Human Settlements	Nhlapo NA	713,596	238,691	67,920	1,020,207
MMC: Infrastructure & Engineering	Soqaqa VS	893,269	286,038	17,280	1,196,587
MMC: Planning & Economic Development	Jonas-Malephane VE	926,741	286,038	17,280	1,230,059
MMC: Agriculture and Rural Development	Twala PS	944,025	286,038	-	1,230,063
MMC: Community Services	Qai A	743,306	238,691	38,209	1,020,206
S79 Chairperson: Rules Committee	Mokgothu TKW	920,027	286,038	-	1,206,065
S79 Chairperson: Petitions & Motions Committee	Morake MA	753,934	238,691	14,400	1,007,025
S79 Chairperson: Municipal Public Accounts Committee	Makoloane IJ	814,366	268,927	-	1,083,293
S79 Chairperson: Public Places & Street Naming Committee until 17 August 2023 - Resigned)	Nhlapo NA	125,755	47,348	12,312	185,415
S79 Chairperson: Public Places & Street Naming Committee	Mogotloana TJ	717,154	238,691	14,400	970,245
<b>Previous council:</b>					
Deputy Executive Mayor & MMC (IDP & Performance Management) (Expelled)	Mothibi-Nkoane MM	39,161	-	-	39,161
Speaker (Resigned from Council)	Lockman SB	35,245	-	-	35,245
Executive Mayor (Resigned from Council)	Siyonzana MA	38,378	-	-	38,378
Speaker (Removed as speaker)	Davies M	228,861	72,832	4,320	306,013
MMC: IDP & Performance	Morake MA	143,446	47,347	2,880	193,673
MMC: Finance	Titi-Odili LM	336,601	94,912	5,760	437,273
MMC: Human Settlements	Tladi MM	140,566	47,348	2,880	190,794
S79 Chairperson: Public Places & Street Naming Committee (Expelled)	Mokoakoa MI	39,592	-	-	39,592
S79 Chairperson: Municipal Public Accounts Committee	Tladi MM	761,046	238,691	14,400	1,014,137
S79 Chairperson: Public Places & Street Naming Committee	Seleke PL	35,993	-	-	35,993
S79 Chairperson: Petitions & motions Committee (Resigned 17 August 2023))	Qai A	125,755	47,348	12,312	185,415
Part-time councillors		37,837,211	13,701,416	903,047	52,441,674
		<b>54,553,439</b>	<b>18,827,800</b>	<b>1,170,600</b>	<b>74,551,839</b>

# Mangaung Metropolitan Municipality Group

Consolidated Annual Financial Statements for the year ended 30 June 2024

## Notes to the Consolidated Annual Financial Statements

Figures in Rand

### 47. Remuneration of councillors (continued)

2023 Council as at 30 June 2023	Councillor Surname and Initials	Councillor allowance	Travel and other allowances	Pension and Medical aid	Total
Acting Executive Mayor	Nthatsi GMS	201,117	47,348	-	248,465
Acting Chief Whip	Nikelo VE	310,955	95,602	-	406,557
Speaker	Davies M	230,301	72,832	4,320	307,453
MMC: Community & Social Services (July 2022 - February 2023) MMC: Human Settlements (from May 2023)	Tladi MM	734,497	236,082	14,400	984,979
MMC: Corporate Services (July 2022 - February 2023)	Mosala MT	724,781	236,082	14,400	975,263
MMC: Social Services (from May 2023)					
MMC: Infrastructure & Engineering	Soqaga VS	137,248	46,492	2,880	186,620
MMC: Waste & Fleet Management	Letawana MM	152,382	51,332	-	203,714
MMC: Corporate Services	Kruger CL	140,128	46,492	-	186,620
MMC: Finance	Titi-Odili LM	733,761	236,082	14,400	984,243
MMC: Infrastructure & Public Works (July 2022 - February 2023) & MMC: IDP & Performance Management (from May 2023)	Morake MA	736,641	236,082	14,400	987,123
MMC: Economic Development & Spatial Planning	Jonas-Malephane VE	734,773	236,052	14,400	985,225
MMC: Rural Development	Twala PS	742,382	236,082	1,440	979,904
MMC: Public Safety	Tsoleli SP	152,382	51,332	-	203,714
S79 Chairperson: Petitions & Motions Committee	Qai A	789,154	284,285	66,387	1,139,826
S79 Chairperson: Municipal Public Accounts Committee	Mokoakoa MI	742,216	244,143	-	986,359
S79 Chairperson: Public Places & Street Naming Committee	Seleke PL	747,196	227,468	14,400	989,064
S79 Chairperson: Remunerations Committee	Nhlapo NA	813,820	284,285	41,604	1,139,709
Executive Mayor (former)	Siyonzana MA	772,094	230,055	11,520	1,013,669
S79 Chairperson: Rules Committee	Mokgothu TKW	843,909	284,285	1,440	1,129,634
Deputy Executive Mayor (former)	Mothibi-Nkoane MM	813,756	234,657	-	1,048,413
Deputy Executive Mayor (former)	Masoetsa LA	6,877	-	-	6,877
Speaker (former)	Lockman SB	689,215	204,974	-	894,189
Chief Whip (former)	Mangcotywa ZE	6,468	-	-	6,468
MMC: Community & Social Services (former)	Mahase MM	6,468	-	-	6,468
MMC: Environmental Management (former)	Pongolo XD	6,468	-	-	6,468
MMC: Human Settlements (former)	Van der Ross KE	603,584	189,590	1,440	794,614
MMC: Human Settlements (former)	Thipenyane G	6,468	-	-	6,468
MMC: Rural Development (former)	Nothnagel J	6,468	-	-	6,468
MMC: Spatial Planning & Land Use Management (former)	Nkhabu M	6,468	-	-	6,468
MMC: Transport & Public Safety (former)	Mogotloane TJ	598,255	189,590	11,520	799,365
MMC: Waste & Fleet Management (former)	Matsoetlane MJ	616,788	189,590	-	806,378

# Mangaung Metropolitan Municipality Group

Consolidated Annual Financial Statements for the year ended 30 June 2024

## Notes to the Consolidated Annual Financial Statements

Figures in Rand

### 47. Remuneration of councillors (continued)

S79 Chairperson: Petitions & Motions Committee (former)	Nkoe J	5,799	-	-	5,799
S79 Chairperson: Remunerations Committee (former)	Shounyana MM	5,799	-	-	5,799
Part-time councillors		36,199,000	13,831,045	965,113	50,995,158
Prior period error		(1,502,288)	-	-	(1,502,288)
		<b>48,515,330</b>	<b>18,221,859</b>	<b>1,194,064</b>	<b>67,931,253</b>

Prior year figures were restated due to errors identified in the current financial year, refer to note 75.

#### Overpayments of councillors:

Councillors were overpaid due to upper limit differences during the current and prior financial year by R698,003 (2023: R1,493,896), the prior year overpayment was recovered during the current financial year.

#### Prior period errors:

Prior year figures were restated, refer to note 75.

# Mangaung Metropolitan Municipality Group

Consolidated Annual Financial Statements for the year ended 30 June 2024

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2024	2023	2024	2023
<b>48. Depreciation and amortisation</b>				
Property, plant and equipment	800,219,381	835,024,738	579,275,231	612,093,381
Living resources	224,793	278,294	224,793	278,294
Intangible assets	8,842,559	9,009,466	473,004	505,636
	<b>809,286,733</b>	<b>844,312,498</b>	<b>579,973,028</b>	<b>612,877,311</b>

Prior year figures were restated due to errors identified in the current financial year, refer to note 75.

### 49. Impairment loss

#### Impairments

Property, plant and equipment	57,939,775	54,891,459	54,865,657	13,505,529
Inventories	1,241,630	3,384,578	-	-
	<b>59,181,405</b>	<b>58,276,037</b>	<b>54,865,657</b>	<b>13,505,529</b>

#### Property, plant and equipment:

The recoverable amount of the asset was assessed at the end of the financial year and it was found to be less than the carrying amount of the asset and an impairment loss was raised.

The main events and circumstances that led to the recognition of these impairment losses are as follows:

- (a) Loss of service potential of assets due to lack of maintenance;
- (b) Vandalism and theft due to a lack of safeguarding of assets; and
- (c) Watermeters unaccounted for at yearend and to be investigated.

#### Inventories:

An assessment of the net realisable value against cost was performed and inventory was written down.

### 50. Finance costs

Borrowings	43,929,200	60,377,733	43,929,200	60,377,733
Employee benefit obligation	81,654,800	80,321,000	66,088,800	66,061,000
Finance lease obligation	55,645	839,300	-	568,993
Trade and other payables	119,787,233	117,322,480	112,344,400	68,178,683
Unwinding of provisions	85,162,618	73,142,384	85,162,618	73,142,384
	<b>330,589,496</b>	<b>332,002,897</b>	<b>307,525,018</b>	<b>268,328,793</b>

Prior year figures were restated due to errors identified in the current financial year, refer to note 75.

### 51. Auditors' remuneration

Fees	32,471,639	30,603,327	25,756,540	24,001,892
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### 52. Debt impairment and bad debt write off

Debt impairment - Consumer and other receivables	895,101,254	1,267,377,725	826,741,017	1,324,129,452
Debt impairment - Traffic fine receivables	7,619,996	773,530	7,619,996	773,530
Bad debts written off	692,488,067	286,549,814	692,488,067	286,549,814
	<b>1,595,209,317</b>	<b>1,554,701,069</b>	<b>1,526,849,080</b>	<b>1,611,452,796</b>

During the financial year, the write off amounting to R692,488,067 (2023: R286,549,814) related to the write off of indigent consumers' debt as at the date of registration on the indigent register. The amounts exclude VAT.

Prior year figures were restated due to errors identified, refer to note 75.

# Mangaung Metropolitan Municipality Group

Consolidated Annual Financial Statements for the year ended 30 June 2024

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2024	2023	2024	2023
<b>53. General expenses</b>				
Animal costs	929,303	329,463	929,303	329,463
Auditors remuneration	32,471,639	30,603,327	25,756,540	24,001,892
Bank charges and commissions	17,958,207	18,367,976	16,489,928	16,524,613
Bursaries to employees	2,382,260	1,758,264	1,971,586	1,539,516
Chemicals	17,067,794	11,474,720	17,067,794	11,474,720
Consumables	20,376,582	7,730,526	19,381,157	7,289,205
Electricity	1,790,556	958,015	194,811,083	163,273,518
Fines and penalties	-	87,315	-	-
Fuel and oil	38,754,804	37,440,657	25,975,676	25,102,114
Indigent relief - Free electricity	6,765,183	5,250,302	36,499,253	29,724,708
Insurance	28,682,835	34,554,298	17,736,943	25,457,691
Marketing and advertising	3,191,419	2,596,212	2,398,907	947,024
Motor vehicle expenses	6,702,982	4,920,860	5,499,774	3,767,206
Operating lease expenditure	27,340,376	52,273,908	26,329,606	51,355,026
Penalties - South African Revenue Service	-	301,138	-	301,138
Postage and courier	100,389	54,407	100,389	54,407
Printing and stationery	6,335,681	5,138,670	4,092,892	2,743,917
Remuneration of ward committees	8,454,845	9,955,965	8,454,845	9,955,965
Royalties and license fees	27,930,289	28,731,898	21,599,055	21,028,240
Skills development levy	20,553,418	19,156,542	16,383,111	15,431,660
Subscriptions and membership fees	24,281,484	17,592,294	24,105,126	17,432,402
Sundry expenses	3,096,091	925,986	289,133	56,092
Telephone and fax	10,310,431	10,720,879	4,897,321	4,769,777
Title deed search fees	436,351	3,550,556	436,351	3,550,556
Transport and freight	1,357,516	213,965	1,357,516	213,965
Travel - local	3,076,144	1,798,414	2,640,013	1,491,968
Water research	6,229,184	5,767,482	6,229,184	5,767,482
Workmen's compensation	8,618,056	5,911,722	1,588,994	163,966
Repairs and maintenance	141,625,038	98,954,525	-	-
	<b>466,818,857</b>	<b>417,120,286</b>	<b>483,021,480</b>	<b>443,748,231</b>

Prior year figures were restated due to errors identified in the current financial year, refer to note 75.

### 54. Bulk purchases

Electricity	2,470,251,136	2,140,676,408	-	-
Water	914,593,751	814,638,653	914,593,751	814,638,653
	<b>3,384,844,887</b>	<b>2,955,315,061</b>	<b>914,593,751</b>	<b>814,638,653</b>



# Mangaung Metropolitan Municipality Group

Consolidated Annual Financial Statements for the year ended 30 June 2024

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2024	2023	2024	2023

### 54. Bulk purchases (continued)

#### Electricity losses

Units purchased (kWh)	1,427,722,282	1,456,190,540	-	-
Units sold (kWh)	(1,318,215,983)	(1,313,338,248)	-	-
<b>Total loss (kWh)</b>	<b>109,506,299</b>	<b>142,852,292</b>	<b>-</b>	<b>-</b>

#### Rand value of loss:

Units loss (kWh)	109,506,299	142,852,292	-	-
Rand value per unit (kWh) (rounded)	1.85	1.50	-	-
<b>Total</b>	<b>202,219,217</b>	<b>213,876,959</b>	<b>-</b>	<b>-</b>

#### Percentage Loss:

Technical losses	7.67 %	9.81 %	-	-
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The annual electricity distribution losses are made up of technical and non-technical losses which are the difference between electricity purchased and electricity sold.

#### Non-technical losses:

Non-technical losses are amongst others the result of administrative and technical errors, negligence, theft of electricity, tampering with meters and connections which form part of illegal consumption, faulty meters, etc. Non-technical losses amounted to 36 502 099 kWh - units (2023: 47 617 431 kWh - units) with a Rand value of R 67 406 405 (2023: R 71 292 320).

#### Technical losses:

Technical losses are the result of electricity losses while being distributed from the source of generation through the transmission and distribution network to the final consumer. The wires (copper or aluminium) being used to distribute electricity have certain resistance which resist the throughput of current, as a result there is a certain portion of electricity that is lost due to distribution. Technical losses amounted to 73 004 200 kWh - units (2023: 95 234 861 kWh - units) with a Rand value of R 134 812 812 (2023: R 161 276 683).

#### Water losses

Units purchased (KL)	83,954,556	81,522,241	83,954,556	81,522,241
Units sold (KL)	(42,276,352)	(41,678,583)	(42,276,352)	(41,678,583)
<b>Total loss (KL)</b>	<b>41,678,204</b>	<b>39,843,658</b>	<b>41,678,204</b>	<b>39,843,658</b>

#### Rand value of loss:

Units loss (KL)	41,678,204	39,844,326	41,678,204	39,844,326
Rand value per unit (KL)	11.77	11.40	11.77	11.40
<b>Total rand value for loss</b>	<b>490,552,461</b>	<b>454,225,316</b>	<b>490,552,461</b>	<b>454,225,316</b>

#### Percentage Loss:

Technical losses	49 %	49 %	49 %	49 %
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Material bulk water losses are not recoverable. The main reason for incurring water losses relate to burst water pipes, leaks and illegal water connections.

# Mangaung Metropolitan Municipality Group

Consolidated Annual Financial Statements for the year ended 30 June 2024

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2024	2023	2024	2023
<b>55. Contracted services</b>				
<b>Outsourced Services</b>				
Burial services	1,115,840	1,153,035	1,115,840	1,153,035
Internal Auditors	2,321,560	-	-	-
Litter picking and street cleaning	694,850	-	694,850	-
Meter management services	14,800,841	9,545,301	3,068,327	6,632,014
Refuse removal services	89,368,717	37,628,502	89,368,717	37,628,502
Sewerage services	23,827,600	15,427,508	23,827,600	15,427,508
Transport services	4,667,010	-	4,667,010	-
<b>Consultants and Professional Services</b>				
Business and advisory services	87,143,658	80,618,237	68,628,114	63,845,895
Legal costs	29,981,040	31,991,552	21,273,028	13,873,441
<b>Contractors</b>				
Catering services	2,143,665	451,810	1,873,142	312,982
Electrical	1,105,905	962,664	1,105,905	962,664
Gardening services	2,012,564	1,226,732	2,012,564	1,226,732
Repairs and maintenance	245,412,637	247,859,329	232,080,974	235,045,104
Prepaid Electricity Vendors	60,876,544	56,919,571	-	-
Safeguard and security services	136,754,947	118,317,602	122,292,038	113,041,378
Uniform & protective clothing	11,500,338	7,481,817	9,781,483	4,798,780
Other contracted services	5,207,488	1,723,423	4,052,250	1,413,217
	<b>718,935,204</b>	<b>611,307,083</b>	<b>585,841,842</b>	<b>495,361,252</b>
Prior year figures were restated due to errors identified in the current financial year, refer to note 75.				
<b>56. Grants, transfers and subsidies</b>				
<b>Grants paid to municipal entity</b>				
Urban Settlements Development Grant	-	-	21,739,130	22,608,695
Informal Settlements Upgrading Partnership Grants	-	-	50,434,783	18,501,209
	-	-	<b>72,173,913</b>	<b>41,109,904</b>
<b>Urban Settlements Development Grant:</b>				
The urban settlements development grant is an integrated source of funding for infrastructure for municipal services and upgrades to urban informal settlements. The grant was transferred in part to Centlec (SOC) Ltd. The grant is used to provide capital subsidies to licensed distributors to address the national electrification programme in order to mitigate the risk of load shedding and supply interruptions.				
<b>Informal Settlements Upgrading Partnership Grants:</b>				
The informal settlements upgrading partnership grant is an integrated source of funding for infrastructure for municipal services and upgrades informal settlements. The grant was transferred in part to Centlec (SOC) Ltd. The grant is used to provide capital subsidies to licensed distributors to address the national electrification programme in order to mitigate the risk of load shedding and supply interruptions.				
<b>57. Fair value adjustments</b>				
Investment property (Fair value model)	3,241,585	1,813,000	3,241,585	1,813,000
Non-current receivables (Designated as at fair value through surplus or deficit)	23,256	19,511	23,256	19,511
	<b>3,264,841</b>	<b>1,832,511</b>	<b>3,264,841</b>	<b>1,832,511</b>

# Mangaung Metropolitan Municipality Group

Consolidated Annual Financial Statements for the year ended 30 June 2024

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2024	2023	2024	2023
<b>58. Gain/(loss) on disposal of assets and liabilities</b>				
Gain or (losses) arising from the disposal of property, plant and equipment	5,196,225	(53,901,149)	8,506,636	(25,618,885)
Prior year figures were restated due to errors identified in the current financial year, refer to the prior period error note 75.				
<b>59. Taxation</b>				
<b>Major components of the tax income</b>				
<b>Current</b>				
Prior year - (Over) / Under provision	-	485,308	-	-
<b>Deferred</b>				
Originating and reversing temporary differences	(41,058,138)	30,402,150	-	-
Changes in tax rates	-	546,211	-	-
Prior year - (Over) / Under provision	-	(485,308)	-	-
Assessed loss used	1,256,215,500	1,128,450,550	-	-
Assessed loss raised	(1,356,768,414)	(1,256,215,500)	-	-
	<b>(141,611,052)</b>	<b>(97,301,897)</b>	-	-
	<b>(141,611,052)</b>	<b>(96,816,589)</b>	-	-
<b>Reconciliation of the tax expense</b>				
Reconciliation between applicable tax rate and average effective tax rate.				
Applicable tax rate	27.00 %	27.00 %	- %	- %
<b>Reconciliation between accounting surplus and tax expense.</b>				
Accounting deficit	(455,621,447)	(348,434,640)	-	-
Tax at the applicable tax rate of 27% (2023: 27%)	(123,017,791)	(93,922,912)	-	-
<b>Tax effect of adjustments on taxable income</b>				
Non-taxable income	(19,486,957)	(11,099,674)	-	-
Non-deductible expenses	893,696	7,659,786	-	-
Change in rate	-	546,211	-	-
	<b>(141,611,052)</b>	<b>(96,816,589)</b>	-	-

# Mangaung Metropolitan Municipality Group

Consolidated Annual Financial Statements for the year ended 30 June 2024

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2024	2023	2024	2023
<b>60. Cash generated from operations</b>				
Surplus/(deficit)	157,577,528	32,344,663	471,400,545	283,962,714
<b>Adjustments for:</b>				
Depreciation and amortisation	809,286,733	844,312,498	579,973,028	612,877,311
Loss on disposal of assets	(5,196,225)	53,901,149	(8,506,636)	25,618,885
Remeasurement of provision	(100,360,677)	-	(100,360,677)	-
Fair value adjustments	(3,264,841)	(1,832,511)	(3,264,841)	(1,832,511)
Impairment loss	59,181,405	58,276,037	54,865,657	13,505,529
Movements in retirement benefit liabilities	57,233,400	(24,293,401)	41,679,400	(24,821,400)
Finance Charge	43,984,845	61,217,033	43,929,200	60,946,726
Public contributions and donations	(1,287,837)	(1,950,000)	(1,287,837)	(1,950,000)
Unwinding of FRESCHO liability	(14,127,897)	(14,127,896)	(14,127,896)	(14,127,896)
Unwinding of Land availability liability	(15,837,467)	(15,837,467)	(15,837,467)	(15,837,467)
Unwinding of Provisions	85,162,618	73,142,385	85,162,618	73,142,385
Living resources	(630,600)	(660,800)	(630,600)	(660,800)
Interest received	-	-	(181,833,999)	(170,133,783)
Taxation	(141,611,052)	(96,816,589)	-	-
Realisation of reserve	7	874	-	(3)
<b>Changes in working capital:</b>				
Inventories	(118,702,144)	146,149,550	(24,128,095)	148,152,663
Other receivables from exchange transactions	(41,929,220)	(59,345,495)	6,146,112	(44,864,123)
Consumer receivables from exchange transactions	(184,984,015)	82,840,378	(269,621,586)	104,000,149
Other receivables from non-exchange transactions	(2,684,864)	(350,426)	(2,684,864)	(350,426)
Consumer receivables from non-exchange transactions	(31,027,608)	(80,019,355)	(31,027,608)	(80,019,355)
Payables from exchange transactions	420,107,601	(221,490,123)	(175,291,198)	(203,259,444)
VAT	26,175,995	3,210,392	21,316,029	(27,182,986)
Payables from non-exchange transactions	(161,308,443)	(74,859,290)	(91,613,907)	(43,161,827)
Unspent conditional grants and receipts	(174,798,754)	(202,645,761)	(174,798,754)	(202,645,761)
Consumer deposits	(2,503,230)	30,690,418	(714,607)	568,427
Gentlec intercompany loan	-	-	180,364,580	169,352,512
	<b>658,455,258</b>	<b>591,856,263</b>	<b>389,106,597</b>	<b>661,279,519</b>

# Mangaung Metropolitan Municipality Group

Consolidated Annual Financial Statements for the year ended 30 June 2024

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2024	2023	2024	2023
<b>61. Financial instruments disclosure</b>				
<b>Categories of financial instruments</b>				
<b>Economic entity - 2024</b>				
<b>Financial assets</b>				
	At fair value	At amortised cost	Total	
Consumer receivables from exchange transactions	-	1,486,258,884	1,486,258,884	
Other receivables from exchange transactions	-	260,701,243	260,701,243	
Cash and cash equivalents	-	494,720,375	494,720,375	
Non-current receivables	167,026	80,849	247,875	
	<b>167,026</b>	<b>2,241,761,351</b>	<b>2,241,928,377</b>	
<b>Financial liabilities</b>				
		At amortised cost	Total	
Payables from exchange transactions		2,458,961,022	2,458,961,022	
Borrowings		435,763,358	435,763,358	
		<b>2,894,724,380</b>	<b>2,894,724,380</b>	
<b>Economic entity - 2023</b>				
<b>Financial assets</b>				
	At fair value	At amortised cost	Total	
Consumer receivables from exchange transactions	-	1,301,274,869	1,301,274,869	
Other receivables from exchange transactions	-	176,038,931	176,038,931	
Cash and cash equivalents	-	711,017,867	711,017,867	
Non-current receivables	143,770	311,764	455,534	
	<b>143,770</b>	<b>2,188,643,431</b>	<b>2,188,787,201</b>	
<b>Financial liabilities</b>				
		At amortised cost	Total	
Payables from exchange transactions		2,076,052,409	2,076,052,409	
Borrowings		727,705,848	727,705,848	
Finance lease obligation		1,511,179	1,511,179	
		<b>2,805,269,436</b>	<b>2,805,269,436</b>	

# Mangaung Metropolitan Municipality Group

Consolidated Annual Financial Statements for the year ended 30 June 2024

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2024	2023	2024	2023

### 61. Financial instruments disclosure (continued)

#### Controlling entity - 2024

##### Financial assets

	At fair value	At amortised cost	At cost	Total
Consumer receivables from exchange transactions	-	1,036,913,368	-	1,036,913,368
Other receivables from exchange transactions	-	94,024,932	-	94,024,932
Centlec intercompany loan	-	821,949,485	-	821,949,485
Centlec receivables	-	844,799,741	-	844,799,741
Cash and cash equivalents	-	483,609,826	-	483,609,826
Non-current receivables	167,026	14,664	-	181,690
Investment in controlled entity	-	-	100	100
	<b>167,026</b>	<b>3,281,312,016</b>	<b>100</b>	<b>3,281,479,142</b>

##### Financial liabilities

	At amortised cost	Total
Payables from exchange transactions	1,414,667,553	1,414,667,553
Borrowings	306,823,065	306,823,065
	<b>1,721,490,618</b>	<b>1,721,490,618</b>

#### Controlling entity - 2023

##### Financial assets

	At fair value	At amortised cost	At cost	Total
Consumer receivables from exchange transactions	-	767,291,782	-	767,291,782
Other receivables from exchange transactions	-	40,386,996	-	40,386,996
Centlec intercompany loan	-	813,925,650	-	813,925,650
Centlec receivables	-	851,354,157	-	851,354,157
Cash and cash equivalents	-	686,722,783	-	686,722,783
Non-current receivables	143,770	12,007	-	155,777
Investment in controlled entity	-	-	100	100
	<b>143,770</b>	<b>3,159,693,375</b>	<b>100</b>	<b>3,159,837,245</b>

##### Financial liabilities

	At amortised cost	Total
Payables from exchange transactions	1,542,316,834	1,542,316,834
Borrowings	469,825,263	469,825,263
	<b>2,012,142,097</b>	<b>2,012,142,097</b>

Comparative figures were restated due to prior period errors affecting other financial line items. Refer to note 75 for further detail on prior period errors.

Payable from non-exchange transactions and consumer deposits were not disclosed as financial instruments, due to the line items not satisfying the updated requirements of GRAP 104.

# Mangaung Metropolitan Municipality Group

Consolidated Annual Financial Statements for the year ended 30 June 2024

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2024	2023	2024	2023
<b>62. Commitments</b>				
<b>Commitments in respect of capital expenditure</b>				
<b>Already contracted for but not provided for</b>				
• Infrastructure	249,757,510	121,866,565	249,757,510	121,866,565
<b>The capital expenditure will be financed from</b>				
Unspent conditional grants	247,676,195	121,866,565	247,676,195	121,866,565
Own funding	2,081,315	-	2,081,315	-
	<b>249,757,510</b>	<b>121,866,565</b>	<b>249,757,510</b>	<b>121,866,565</b>
<b>Operating leases - as lessor (income)</b>				
<b>Minimum lease payments due</b>				
- within one year	5,471,297	7,343,990	5,471,297	7,343,990
- in second to fifth year inclusive	12,180,113	16,599,435	12,180,113	16,599,435
- later than five years	2,426,513	3,478,488	2,426,513	3,478,488
	<b>20,077,923</b>	<b>27,421,913</b>	<b>20,077,923</b>	<b>27,421,913</b>

The entity leases various fixed properties under non-cancellable operating leases to various institutions. The lease agreements have escalations between 4% to 12% per year with the agreements varying between 2 and 50 years.

Rental income, for these agreements, to the value of R38,459,032 (2023: R31,463,207) has been recognised in the Statement of Financial Performance during the year. Renewal options have been taken into account during the calculation of the deferred lease.

There were no purchase options or contingent rent during the year.

**Prior period error:**

Prior year figures were restated due to errors identified in the commitment register.

# Mangaung Metropolitan Municipality Group

Consolidated Annual Financial Statements for the year ended 30 June 2024

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2024	2023	2024	2023

### 63. Contingencies

#### Contingent liabilities

##### Guarantees

Housing guarantees	349,014	471,969	349,014	471,969
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The entity has provided housing guarantees for bonds of municipal officials. The certainty and the timing of the outflow of these guarantees are uncertain. The amounts disclosed are the possible outflow amounts.

##### Other contingent liabilities

Labour cases and employee related matters	920,000	800,000	-	-
Claims by individuals due to property damages in various incidents	7,520,740	4,848,790	5,166,560	4,806,434
Claims by individuals due to various incidents	28,616,092	33,574,386	18,760,033	28,427,988
	<b>37,056,832</b>	<b>39,223,176</b>	<b>23,926,593</b>	<b>33,234,422</b>

The entity is involved in the abovementioned classes of pending claims. These include labour, insurance claims, breaches in supply chain management and other small related claims. All the claims are being contested based on legal advice. The certainty and timing the outflow of these liabilities are uncertain. The amounts disclosed are possible outflow amounts.

Legal firms assisting the municipality are rate based and therefore the legal cost to the municipality in such matters cannot be determined.

#### Contingent assets

##### Guarantees

Quarry rehabilitation guarantee	9,800,493	9,800,493	9,800,493	9,800,493
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Petra quarry is owned by the municipality but is leased and operated by a private firm. It should be noted that the lease agreement with the current operator states that the tenant is responsible for rehabilitation costs. However, in the event that the tenant cannot fulfil the rehabilitation duties, the municipality were guaranteed for the amount of R9,800,493 (2023: R9,800,493) during the 2023 evaluations, to ensure that the Petra quarry will be rehabilitated. Perta Quarry has a financial guarantee in place that covers rehabilitation. This was renewed on 04 November 2021.



# Mangaung Metropolitan Municipality Group

Consolidated Annual Financial Statements for the year ended 30 June 2024

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2024	2023	2024	2023

### 64. Related parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions or if the related party entity and another entity are subject to common control.

Related parties include:

- entities that are directly or indirectly controlled by the municipality;
- associates;
- joint ventures and management;
- key management personnel, and close members of the family of key management personnel;
- entities in which a substantial ownership interest is held, directly or indirectly, by key management personnel or entities over which such a person is able to exercise significant influence;
- entities that control or exert significant influence over the municipality; and
- management entities providing key management services.

Relationships

Accounting Officers	Refer to accounting officers' report note
Ultimate controlling entity	Mangaung Metropolitan Municipality Group (Municipal entity Centlec included)
Controlling entity	Mangaung Metro Municipality
Controlled entities	Centlec (SOC) Limited - Refer to note 15
Members of key management	Refer to note 46
Members of the mayoral committee	Refer to note 47

The entity was placed under administration under Section 139(5)(a) and 139(5)(c) of the Constitution of the Republic of South Africa effective from 1 January 2020, and as per the terms of reference, the administrators had significant influence over the metro.

Thus, during this period of temporary control, the Metro (and any entities it controls) is required to include as per GRAP 20 all related party disclosures in its financial statements from the date that it was placed under administration.

#### The interim intervention team is comprised of the following members and their assumed positions:

1. Motlashuping T (National CoGTA) - Acting City Manager (term ended on 30 April 2023).
2. Dumalisile NR (Department of Human Settlements) - Acting City Manager (from 25 April 2023 till 31 August 2023).
3. Sediti T (National Treasury) - Acting Chief Financial Officer (term ended on 18 December 2022).
4. Denge L (National Treasury) - Acting Chief Financial Officer (from 19 December 2022 till 31 August 2023).
5. Adv Mpangane N (National CoGTA) - Acting HOD Corporate Services till 30 November 2023.
6. McLeod WR (MISA) - Acting HOD Engineering Services till 14 August 2023.
7. Manyungwana XC seconded from Department of Transport.
8. Nel F (Department of Forestry, Fisheries and the Environment) - Waste and Fleet Management till 30 November 2023.
9. Mabunda N (MISA) - Acting HOD Human Settlements and Housing (from 25 April 2023) till 30 November 2023.

#### The National intervention team were as follows:

1. Malaza G - National Cabinet Representative
2. Kunene V - Finance Specialist
3. Cibane T - Governance Specialist
4. Nkosi M - Governance Specialist

There were no related party transactions with any of the administrators listed above during the current or prior year. All transactions with provincial and national departments were within normal operating parameters.

#### Related party balances - Controlling entity

##### Investment in controlled entities

Centlec (SOC) Limited	100	100
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Refer to note 15 for further details for the above investments.

##### Loan accounts - Owning by related parties

Centlec (SOC) Limited - Capital advances	41,190,373	47,744,789
Centlec (SOC) Limited - Intercompany loan	821,949,485	813,925,650
Centlec (SOC) Limited - Shareholders loan	803,609,368	803,609,368

# Mangaung Metropolitan Municipality Group

Consolidated Annual Financial Statements for the year ended 30 June 2024

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2024	2023	2024	2023
<b>64. Related parties (continued)</b>				
Refer to Notes 9 and 16 for further details for the above loan accounts.				
<b>Related party transactions - Controlling entity</b>				
<b>Interest received from related parties</b>				
Centlec (SOC) Limited - Capital advances			(5,610,013)	(4,483,787)
Centlec (SOC) Limited - Intercompany loan			(90,783,581)	(64,188,863)
Centlec (SOC) Limited - Shareholders loan			(176,223,986)	(165,649,995)
<b>Expenses paid to / (income received from) related parties</b>				
Centlec (SOC) Limited - Grants paid - Urban Settlements Development Grant.			21,739,130	22,608,696
Centlec (SOC) Limited - Grants paid - ISPUG			50,434,783	18,501,209
Centlec (SOC) Limited - Free basic electricity			29,734,070	24,472,706
Centlec (SOC) Limited - Streetlight electricity consumption			117,449,370	99,876,206
Centlec (SOC) Limited - Municipal building electricity consumption			75,571,157	62,439,297
Centlec (SOC) Limited - Capital advance redemption			(6,554,416)	(6,604,149)
Centlec (SOC) Limited - Fuel issued to MMM by Centlec (SOC) Ltd			174,136	13,037
<b>Receipts on behalf of related parties</b>				
Centlec (SOC) Limited - Bank Receipts			176,802	33,157
<b>Transfers made to / (received from) related parties</b>				
Centlec (SOC) Limited - Cash transfers			-	(10,000,000)
MMM - Cash transfers			16,878,167	8,000,000
Refer to Note 38 for further details for Interest received from related parties.				
The sale of business and service level agreement which govern the relationship between Mangaung Metropolitan Municipality and Centlec (SOC) Ltd were reviewed by Council. As a result the recoverability of certain intercompany loan balances and -receivables (included as part of the trade receivables) relating to revenue from streetlighting and electricity usage by Mangaung Metropolitan Municipality properties are also subject to review by Council.				
<b>Remuneration of management</b>				
<b>Councillors / Mayoral committee members:</b>				
Refer to note 47 for details relating to remuneration of councillors.				
Councillors have accounts with the entity for the provision of normal municipal services. These are not disclosed as related parties as it is done on terms and conditions which is no more or less favourable than those which it is reasonable to expect the entity to have adopted if dealing with that individual entity or person in the same circumstances and those terms and conditions are within the normal operating parameters established by the reporting entity's legal mandate.				
<b>Executive management:</b>				
Refer to note 46 for details relating to the remuneration of executive management.				
Executive management have accounts with the entity for the provision of normal municipal services. These are not disclosed as related parties as it is done on terms and conditions which is no more or less favourable than those which it is reasonable to expect the entity to have adopted if dealing with that individual entity or person in the same circumstances and those terms and conditions are within the normal operating parameters established by the reporting entity's legal mandate.				
No further transactions took place between the entity and key management personnel or their close family members during the reporting period.				
<b>Compensation to accounting officers and other key management (Centlec)</b>				
Annual remuneration	9,259,304	8,227,796	-	-
Travel, motor car, accommodation, subsistence and other allowances	996,600	1,199,044	-	-

# Mangaung Metropolitan Municipality Group

Consolidated Annual Financial Statements for the year ended 30 June 2024

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2024	2023	2024	2023
<b>64. Related parties (continued)</b>				
Contributions to UIF, medical and pension funds	113,771	105,431	-	-
Acting allowance	244,954	213,583	-	-
Directors fee	1,138,301	-	-	-
	<b>11,752,930</b>	<b>9,745,854</b>	-	-

### Key management information - Centlec (SOC) Limited

Class	Description	Number
Non-executive board members	Not regarded as key management of the economic entity	6
Executive board members	Not regarded as key management of the economic entity	2
Executive management	Not regarded as key management of the economic entity	6

### Remuneration of management

#### Compensation to directors and other key management

##### 2024

Name	Annual remuneration	Travel, motor car, accommodation, subsistence and other allowances	Contributions to UIF, medical and pension funds	Acting allowance	Directors fee	Total
<b>Non-executive directors</b>						
Mokitlane MC (Chairperson)	-	-	-	-	268,746	268,746
Mfanta MB (Deputy Chairperson)	-	-	-	-	243,660	243,660
Mohanoe G	-	-	-	-	151,160	151,160
Barlow DR	-	-	-	-	170,055	170,055
Baloyi NT	-	-	-	-	164,857	164,857
Mopeli MA	-	-	-	-	139,823	139,823
<b>Key management</b>						
Chief Executive Officer - Sekoboto MS	2,479,770	144,000	28,260	-	-	2,652,030
Chief Financial Officer - Williams ZSN	666,328	156,000	9,533	-	-	831,861
Chief Financial Officer (Acting) - Lenka MJ	-	-	-	118,842	-	118,842
Executive Manager: Compliance and Performance - Mahao MD	694,607	6,000	7,949	-	-	708,556
Executive Manager: Compliance and Performance (prior) - Leteno NA	455,113	106,000	6,354	-	-	567,467
Company Secretary - Tsitsi KC	833,529	12,000	9,586	-	-	855,115
Executive Manager: Retail - Motshwene B	640,699	131,000	8,318	110,143	-	890,160
Executive Manager: Retail - Mokoena SS	423,113	138,000	6,290	-	-	567,403
Executive Manager: Wires - Mojaje LJ	1,636,309	158,400	19,921	-	-	1,814,630
Executive Manager: Human Resources (resigned) - Tsoai SSC	1,429,836	145,200	17,560	-	-	1,592,596

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## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2024	2023	2024	2023
<b>64. Related parties (continued)</b>				
Executive Manager:	-	-	-	15,969
Human Resources (acting)				
- Molemela M				
	<b>9,259,304</b>	<b>996,600</b>	<b>113,771</b>	<b>244,954</b>
			<b>1,138,301</b>	<b>11,752,930</b>

Mr. S.K. Zziwa was appointed as the acting Chief Financial Officer in July 2021 and acted until February 2023. Me. M.J. Lenka was appointed as the acting Chief Financial Officer in March 2023 and acted until January 2024. Me. Z.S.N. Williams was appointed as the new Chief financial Officer in February 2024.

Me. N.A. Leteno's employment contract came to an end during November 2023. During February 2024 Mr. M.D. Mahao was appointed as the new Executive Manager: Compliance and Performance.

Mr. T. Malgas resigned as the Company Secretary during June 2023. During January 2024, Mr K.C. Tsitsi was appointed as the new Company Secretary.

Me. B. Motshwene was appointed as the Acting Executive Manager: Retail in March 2023 until January 2024. From February 2024 Me. B. Motshwene was appointed as the new Executive Manager: Retail during February 2024.

Me. S.S.C. Tsoai resigned as Executive Manager: Human Resources during May 2024. Me. M. Molemela was appointed as acting Executive Manager: Human Resources during June 2024.

### 2023

Name	Annual remuneration	Travel, motor car, accommodation, subsistence and other allowances	Contributions to UIF, medical and pension funds	Acting allowance	Total
<b>Key management</b>					
Chief Executive Officer - Sekoboto MS	2,222,965	144,244	25,685	-	2,392,894
Chief Financial Officer (acting) - Zziwa SK	-	-	-	87,329	87,329
Chief Financial Officer (acting) - Lenka MJ	-	-	-	65,654	65,654
Executive Manager: Compliance and Performance (prior) - Leteno NA	981,072	254,400	14,130	-	1,249,602
Company Secretary (resigned) - Malgas T	1,218,503	152,400	15,528	-	1,386,431
Executive Manager: Retail - Motshwene B	904,272	331,200	13,976	60,600	1,310,048
Executive Manager: Wires - Mojaje LJ	1,450,492	158,400	18,056	-	1,626,948
Executive Manager: Human Resources (resigned) - Tsoai SSC	1,450,492	158,400	18,056	-	1,626,948
	<b>8,227,796</b>	<b>1,199,044</b>	<b>105,431</b>	<b>213,583</b>	<b>9,745,854</b>

Mr. S.K. Zziwa was appointed as the acting Chief Financial Officer in July 2021 and acted until February 2023. Me. M.J. Lenka was appointed as the acting Chief Financial Officer in March 2023.

Me. N.A. Leteno's employment contract came to an end during November 2023.

Mr. T. Malgas resigned as the Company Secretary during June 2023.

Me. B. Motshwene was appointed as the Acting Executive Manager: Retail in March 2023.

# Mangaung Metropolitan Municipality Group

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## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2024	2023	2024	2023

### 65. Risk management

#### Financial risk management

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

This note presents information about the entity's exposure to each of the financial risks below and the entity's objectives, policies and processes for measuring and managing the financial risks. Further quantitative disclosures are included throughout the annual financial statements.

The Council has overall responsibility for the establishment and oversight of the entity's risk management framework.

The entity's audit committee oversees the monitoring of compliance with the entity's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the entity. The audit committee is assisted in its oversight role by the entity's internal audit function.

The entity monitors and manages the financial risks relating to the operations of the entity through internal risk reports which analyse exposures by degree and magnitude of risks.

The entity seeks to minimise the effects of these risks in accordance with the entity's policies approved by the Council. The policies provide written principals on interest rate risk, credit risk and the investment of excess liquidity.

Compliance with policies and exposure limits is reviewed by the internal auditors on a continuous basis. The entity does not enter into or trade in financial instruments for speculative purposes.

The board of directors and the NCR have overall responsibility for the establishment and oversight of the municipal entity's risk management framework. The municipal entity's audit committee oversees the monitoring of compliance with the municipal entity's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the municipal entity. The audit committee is assisted in its oversight role by the municipal entity's internal audit function.

The municipal entity's exposure to risk is similar to that of the previous year. The municipal entity still faces the same risks as in the previous financial year.

The municipal entity monitors and manages the financial risks relating to operations through internal risk reviews which analyse exposures by degree and magnitude of risks. These risks include the following:

- liquidity risk;
- credit risk; and
- market risk (including interest rate risk).

# Mangaung Metropolitan Municipality Group

Consolidated Annual Financial Statements for the year ended 30 June 2024

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2024	2023	2024	2023

### 65. Risk management (continued)

#### Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions.

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions.

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

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

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

The entity is exposed to a number of guarantees for housing loans to employees. Refer to Note 63 for additional details.

Liquidity risk is the risk that the municipal entity will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

The municipal entity's exposure to liquidity risk is as a result of the funds not being available to cover future commitments. The municipal entity manages liquidity risk through ongoing review of commitments.

The municipal entity has replaced most of the rotational meters within its service area with prepaid meters to improve the cash funds available.

The municipal entity manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The municipal entity has not defaulted on payables and lease commitment payments.

All of the municipal entity's financial assets have been reviewed for indicators of impairment. Certain receivables were found to be impaired and a provision has been recorded accordingly. The impaired receivables are mostly due from customers defaulting on service costs levied by the municipal entity.

#### Economic entity

At 30 June 2024	Less than 1 year	Between 1 and 5 years	Over 5 years
Borrowings	311,305,155	421,865,000	-
Payables from exchange transaction	2,819,944,672	-	-
Payables from non-exchange transactions	208,971,193	-	-
At 30 June 2023			
Borrowings	206,747,419	733,354,136	-
Finance lease obligation	1,511,179	-	-
Payables from exchange transaction	2,399,837,054	-	-
Payables from non-exchange transactions	290,116,341	-	-

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## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2024	2023	2024	2023

### 65. Risk management (continued)

#### Controlling entity

At 30 June 2024

	Less than 1 year	Between 1 and 5 years	Over 5 years
Borrowings	182,364,862	163,984,415	-
Payables from exchange transaction	1,726,878,524	-	-
Payables from non-exchange transactions	172,979,509	-	-

At 30 June 2023

Borrowings	206,747,419	346,533,258	-
Payables from exchange transaction	1,823,415,483	-	-
Payables from non-exchange transactions	264,593,416	-	-

#### Credit risk

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

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. 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.

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

#### Financial instruments

Consumer receivables from exchange transactions	1,486,258,884	1,301,274,869	1,036,913,368	767,291,782
Other receivables from exchange transactions	260,701,243	176,038,931	115,663,079	121,809,191
Centlec intercompany loan	-	-	821,949,485	813,925,650
Centlec receivables	-	-	844,799,741	851,354,157
Cash and cash equivalents	494,720,375	711,017,867	483,609,826	686,722,783
Investment in controlled entity	-	-	100	100
Non-current receivables - at fair value	167,026	143,770	167,026	143,770
Non-current receivables - at amortised cost	80,849	311,764	14,664	12,007

These balances represent the maximum exposure to credit risk.

There has been no change, since the previous financial year, to the entity's exposure to credit risks or the manner in which it manages and measures the risks.

# Mangaung Metropolitan Municipality Group

Consolidated Annual Financial Statements for the year ended 30 June 2024

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2024	2023	2024	2023

### 65. Risk management (continued)

#### Market risk

#### Interest rate risk

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

The entity's policy is to minimise interest rate cash flow risk exposures on long-term financing. Longer term borrowings are therefore usually at fixed rates.

At year end, the financial instruments exposed to interest rate risk were as follows:

- Call, notice and fixed deposits
- Development Bank of South Africa, Standard Bank of South Africa Limited and ABSA loans
- Finance lease obligations

The entity's interest rate risk arises from long-term borrowings and finance leases. Borrowings and finance leases issued at variable rates expose the entity to cash flow interest rate risk.

Borrowings and finance leases issued at fixed rates expose the entity to fair value interest rate risk. Entity policy is to maintain the majority of its borrowings and finance leases in fixed rate instruments. During 2024 and 2023, the entity's borrowings and finance leases at variable rate were denominated in the Rand.

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the municipal entity's revenue or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

There has been no change, since the previous financial year to the municipal entity's exposure to market risks or the manner in which it manages and measures the risk.

Market risk consists of the following risks:

#### Foreign currency risk

The municipal entity does not enter into significant foreign currency transactions and has had very limited exposure to foreign currency 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 changes. The municipal entity's policy is to minimise interest rate cash flow risk exposures on long-term financing. Long term borrowings are therefore usually at fixed rates. The municipal entity's exposures to interest rates on financial assets and financial liabilities are detailed below:

At year-end, financial instruments exposed to interest rate risk due to being linked to prime interest rate were as follows:

- Call and notice deposits
- Current bank accounts
- Interest charged on consumer receivables from exchange transactions overdue
- Other financial liabilities



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## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2024	2023	2024	2023

### 65. Risk management (continued)

The municipal entity's interest rate risk arises from the above financial instruments being linked to the prime interest rate. The prime interest rate is used as a factor in calculating the interest received or interest charged on these financial instruments. Fluctuations in the prime interest rate during the year give rise to a possible interest rate risk affecting the entity.

Interest charged on the intercompany loans are calculated using the prime rate at the beginning of the financial year on a weighted average basis. Since this interest rate is only based on prime rate at one point during the financial year, fluctuations in prime during the year will not have a material effect on these loans.

#### Fair values

The municipal entity's financial instruments consist mainly of cash and cash equivalents, investments, trade receivables, trade payables and long term debt.

No financial asset was carried at an amount in excess of its fair value. The following methods and assumptions are used to determine the fair value of each class of financial instrument:

#### Cash and cash equivalents

The carrying amount of cash and cash equivalents approximates fair value due to the relatively short-term maturity of these financial assets and financial liabilities.

#### Investments

Investments are carried at their original cost in the statement of financial position, except for those where the interest received are capitalised.

#### Receivables from exchange transactions

The carrying amount of trade receivables, net of provision for impairment (provision for bad debt) approximates fair value due to the relatively short-term maturity of these financial assets.

#### Trade payables

The carrying amount of trade payables approximates fair value due to the relatively short-term maturity of this financial liability.

#### Interest bearing loans

Subsequent to initial recognition, interest bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in surplus or deficit over the period of the borrowings on an effective interest basis. The fair value of interest bearing borrowings with variable interest rates approximates their carrying amounts.

### Foreign exchange risk

The entity does not enter into significant foreign currency transactions and has had very limited exposure to foreign currency risk.

The entity does not hedge foreign exchange fluctuations.

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

### Price risk

The entity is exposed to equity securities price risk because of investments held by the entity and classified on the statement of financial position either as available-for-sale or at fair value through surplus or deficit. The entity is not exposed to commodity price risk.

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

Price risk is the risk that the fair value of future cash flows of financial instruments will fluctuate because of changes in market prices. These changes are caused by factors specific to the individual financial instruments for its users or by factors affecting all similar financial instruments in the market. The municipal entity's financial instruments are affected by the whole sale price of electricity from ESKOM.

# Mangaung Metropolitan Municipality Group

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## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2024	2023	2024	2023

### 66. Going concern

The consolidated annual financial statements have been prepared on the basis of accounting policies applicable to a going concern.

This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

We draw attention to the fact that at 30 June 2024, the economic entity had an accumulated surplus of R12,002,304,257 (2023: R11,830,824,320) and that the economic entity's total assets exceed its total liabilities by R17,080,251,081 (2023: R16,928,131,555).

The economic entity had a surplus of R157,577,527 (2023: R32,344,664) for the year. The current liabilities exceed the current assets by R468,209,598 (2023: R406,626,568).

However, the following events or conditions, along with other matters as set forth in this note indicates that a material uncertainty exists that may cast significant doubt on the economic entity's ability to continue as a going concern:

The economic entity is under financial distress requiring the implementation of a mandatory financial recovery plan (FRP) during the year ended 30 June 2024. There is slow progress in dealing with financial difficulties, as only 28% of the activities contained in the FRP have been fully implemented.

The outstanding amount owed for bulk water supplies is R921,667,119 (2023: R821,395,331) which was long overdue and the economic entity incurred material water losses, refer to note 54 for further detail.

The outstanding amount owed for bulk electricity supplies is R1,099,284,804 (2023: R737,644,103) which was long overdue and the economic entity incurred material electricity losses, refer to note 54 for further detail.

As disclosed in note 20, the economic entity is taking an average period of 229 days (2023: 223 days) to pay their creditors. This indicates that the economic entity is not adequately managing its working capital and effective internal controls are not in place to ensure prompt payments. In addition, the economic entity is experiencing cash flow problems, which may be indicative of or lead to possible financial viability difficulties.

The average number of days required for the economic entity to receive payment from its consumers for bills/invoices issued to them for goods and/or services is 85 days (2023: 99 days). In addition to this, the economic entity is expecting that 80% (2023: 78%) of their receivables will be uncollectable. The extensive period in collecting debt, coupled with the significant un-collectability rate, indicates that economic entity's credit control policy is not effective or properly implemented.

This is further confirmed by the fact that only 2% (2023: 2%) of the economic entity's expenditure was channelled to repairs and maintenance of critical service delivery infrastructure and the current overall spending on critical service delivery infrastructure amounts to 7% (2023: 8%) of total expenditure, leading growing service delivery backlogs. The costs incurred by the economic entity in relation to refurbishment, rehabilitation and reconstruction of service delivery assets to ensure the sustainability of service delivery amounts to 29% (2023: 31%) of total capital expenditure. The economic entity is not investing enough in service delivery infrastructure to improve the condition of existing infrastructure, that will ensure the continued delivery of services.

The combination of slow recovery of payments for consumer bills/invoices and the period taken to pay creditors indicates that the economic entity is experiencing challenges in the collection of outstanding amounts due to it. This exposes it to cash flow risk and likely liquidity problems, which may lead to continued financial health difficulties, because a significant amount of potential cash is tied up in consumer debtors which in turn is required to pay creditors.

The economic entity's current liabilities exceed its current assets, the economic entity will not be able to settle all its current and short-term obligations with cash and investments (i.e. liquid assets) as they fall due at any specific point. This is caused by the economic entity not adequately managing its operating activities and working capital, as the economic entity tends to over commit itself and not managing cash-flow in line with the approved budget.

Thus, there is a risk that that non-current assets will need to be liquidated to settle current liabilities or that additional government funding may be required. An unfavourable liquidity position may therefore be indicative of an inability to continue operating optimally.

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Consolidated Annual Financial Statements for the year ended 30 June 2024

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2024	2023	2024	2023

### 66. Going concern (continued)

Furthermore, there was a net decrease in cash and cash equivalents per cash flow statement of R216,299,991 (2023: R20,130,009).

Currently, 45% (2023: 50%) of the economic entity's current liabilities will have to be funded by next year's budget. This highlights possible additional future cash flow problems/shortfall that may lead to financial viability difficulties in future and a failure by the entity to fund its current and future operations. To implement next year's planned activities and realising its objectives, the shortfall may have to be funded by some other means such as additional government funding.

There is a real risk that the economic entity and its service delivery requirements may be unsustainable, unless additional government funding is obtained.

The economic entity has received a credit rating of Caa1 – stable from Moody's Rating Agency. This rating reflects the city's weak operating performance and fragile liquidity as well as a low likelihood that the Government of South Africa (Ba2 stable) would provide support if the economic entity were to face acute liquidity stress. The credit profile is further supported by the economic entity's low debt levels compared to those of other rated Metropolitan Municipality's in the country and its medium-sized economic base.

The following areas and key activities will be focussed on within the next 6-12 months after year end to improve on the financial situation of the economic entity:

**Funded Budget Status: Capital Budget –** Ring-fencing and monitoring of unspent conditional grants. Monthly progress reports detailing the implementation of both the procurement plan and project implementation plans to be provided for monitoring purposes.

**Revenue management –** The economic entity is planning to implement revenue enhancement initiatives including robust billing, collection, and credit control procedures that must be adhered to. Furthermore, aggressive debt collection mechanisms will be implemented by taking legal action. Payment agreements will be entered into with all revenue owing government departments where the entity will be seeking Provincial Treasury intervention if necessary. The economic entity will also engage with debtors to agree on payment arrangements.

**Indigent Management -** Updating and cleansing of data on the system to provide correct details of customers. A review of the data captured on the system will be done by senior personnel to ensure accuracy and completeness with correction of accounts done on a monthly basis.

**Supply Chain Management Compliance and Value for Money Procurement –** The economic entity will embark on a process to interrogate all UIF&W expenditure with reasons therefore and which will be submitted to Council for their decision on what action should be taken based on management's recommendations. Appropriate legal action to be instituted and consequence management taken based on the outcomes of the investigations.

**Cost Containment and Realistic Cash Flow Management –** The economic entity will implement a system of expenditure control where no expenditure/ order is authorised unless it is provided for in the cash flow management system.

**Revenue Raising Measures -** To increase revenue, an audit will be conducted on all Municipal owned billboards and facilities that can generate revenue, implement by-laws and charge penalties where there is transgression and implement billing at the landfill sites once the weighbridges are operational.

**Creditor Management –** The Service Level Agreement with Bloem Water will be reviewed and the bulk supply tariffs will be renegotiated as well as renegotiating parts of amounts owed such as penalties relating to Eskom.

**Financial Control Environment –** Conduct a review on the audit action plan immediately after the issue of the audit report, provide practical action plan and track progress thereof.

**Debt Restructuring –** ESKOM: Apply for MFMA Circular No. 124 – Municipal Debt Relief through National Treasury.

# Mangaung Metropolitan Municipality Group

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## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2024	2023	2024	2023
<b>67. Unauthorised expenditure</b>				
Opening balance as previously reported	6,994,306,759	5,639,510,990	6,456,556,095	5,257,878,732
Add: Unauthorised expenditure - identified during the current year	1,811,858,259	1,354,795,769	1,343,141,552	1,198,677,363
<b>Closing balance</b>	<b>8,806,165,018</b>	<b>6,994,306,759</b>	<b>7,799,697,647</b>	<b>6,456,556,095</b>
<b>Unauthorised expenditure per department</b>				
<b>Unauthorised expenditure - OPEX</b>				
Vote 1 - Office of the City manager	1,952,763	-	1,952,763	-
Vote 3 - Corporate Services	210,289,212	79,578,637	210,289,212	79,578,637
Vote 4 - Finance	292,924,983	28,548,474	292,924,983	28,548,474
Vote 5 - Community Services	-	22,657,252	-	22,657,252
Vote 7 - Human Settlement	42,061,035	82,032,497	42,061,035	82,032,497
Vote 8 - Technical Services	629,991,074	574,117,124	629,991,074	574,117,124
Vote 9 - Water	-	46,931,978	-	46,931,978
Vote 10 - Miscellaneous	74,201,703	250,432,077	74,201,703	250,432,077
Vote 11 - Public Safety	53,819,725	47,258,240	53,819,725	47,258,240
Vote 12 - Centlec	468,716,707	156,118,406	-	-
Vote 15 - Other (Naledi and Soutpan)	-	67,121,084	-	67,121,084
<b>Unauthorised expenditure - CAPEX</b>				
Vote 3 - Corporate Services	37,898,758	-	37,898,758	-
Vote 4 - Finance	2,299	-	2,299	-
	<b>1,811,858,259</b>	<b>1,354,795,769</b>	<b>1,343,141,552</b>	<b>1,198,677,363</b>
<b>Analysed as follows: non-cash</b>				
Debt Impairment	323,496,091	583,736,053	323,496,091	583,736,053
Depreciation and amortisation	282,524,139	342,469,230	282,524,139	342,469,230
Inventories losses/write-downs	1,995,706	1,929,971	1,995,706	1,929,971
Impairment loss	54,865,231	-	54,865,231	-
	<b>662,881,167</b>	<b>928,135,254</b>	<b>662,881,167</b>	<b>928,135,254</b>
<b>Analysed as follows: cash</b>				
Bulk purchases	386,735,751	280,638,653	386,735,751	280,638,653
Contracted services	47,377,516	14,577,731	47,377,516	14,577,731
Centlec	468,716,707	156,118,406	-	-
Employee related costs	40,180,910	-	40,180,910	-
Finance costs	262,464,609	203,904,915	262,464,609	203,904,915
General expenditure	189,720,379	148,840,588	189,720,379	148,840,588
Grants, transfers and subsidies	72,149,413	40,700,731	72,149,413	40,700,731
<b>AFS Line item - Capex</b>				
Intangible assets	31,624,473	-	31,624,473	-
	<b>1,498,969,758</b>	<b>844,781,024</b>	<b>1,030,253,051</b>	<b>688,662,618</b>
<b>Disciplinary steps taken/criminal proceedings</b>				
No investigations were performed or disciplinary steps taken during the year.				
<b>Other information</b>				
Unauthorised expenditure figures disclosed above have been presented in this set of AFS exclusive of VAT, for both the current and prior financial years.				
<b>Prior period errors:</b>				
Prior year figures were restated due to the impact of prior period errors.				

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## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2024	2023	2024	2023
<b>68. Fruitless and wasteful expenditure</b>				
Opening balance as previously reported	430,207,190	240,258,729	325,987,004	185,299,155
Add: Fruitless and wasteful - current year	124,990,291	189,948,461	117,547,457	140,687,849
Add: Previous year detected in current year	4,972,283	-	4,972,283	-
<b>Closing balance</b>	<b>560,169,764</b>	<b>430,207,190</b>	<b>448,506,744</b>	<b>325,987,004</b>

The amounts disclosed is including VAT.

Expenditure identified in the current year include those listed below:

Class of expenditure	Details				
Interest (late payments)	ABSA	-	682,671	-	682,671
	Auditor General of South Africa	-	369,808	-	369,808
	Benede Modderrivier	35,166	24,240	35,166	24,240
	Benetech	581,289	-	581,289	-
	Bloemwater	103,152,811	65,310,812	103,152,811	65,310,812
	Dithale Development Services	102,043	-	102,043	-
	Down Touch Investments	325,462	-	325,462	-
	Eskom	7,518,173	49,352,345	98,827	242,002
	FSPG: Police Road and Transport	448,411	422,818	448,411	422,818
	Khanya Lesedi Trading	440,738	-	440,738	-
	Maine Management Consultants	1,243,201	-	1,243,201	-
	Molefi Thoabala	874,369	-	874,369	-
	Mosupatsela	-	3,900	-	3,900
	Phill Mchardy and Herbst	-	1,352	-	1,352
	Octarok	300,752	-	300,752	-
	Other payables and suppliers	253,684	1,251,830	253,684	1,251,830
	Phatshoane Henney Attorneys	78,535	-	78,535	-
	Phiriphiri Security Services	664,663	-	664,663	-
	Razzmatazz	1,152,288	-	1,152,288	-
	SALA Pensionfund	3,246,752	-	3,246,752	-
	Sherrif	44,522	-	44,522	-
	Telkom	32,320	61,689	8,832	28,235
	Terin Sign Attorneys	-	23,445	-	23,445
Vemisani Security Services	640,692	-	640,692	-	
Vista park phase 1	351,190	-	351,190	-	
Overpayments	To Suppliers due garnishes - Rampai Attorneys	-	1,762,232	-	1,762,232
	To Various suppliers	2,115,072	19,351,080	2,115,072	19,351,080
Fines	Paid to (DESTEA)	-	300,000	-	300,000
	Free State Traffic	850	-	850	-
Penalties	To SARS for late payment on PAYE	-	123,863	-	7,046
Performance audit	Due to delays in projects.	-	46,910,315	-	46,910,315
	Projects not properly managed	-	3,603,623	-	3,603,623
ISA audit	Use of licenses and IT related infrastructure	-	392,438	-	392,438
Delays on capital projects	Widening of Vereeniging Avenue Duel Carriage Way T1534B (Interest and standing time paid)	6,043,223	-	6,043,223	-
	Refurbishment of Hamilton Water Pump Station ( Standing time paid)	316,368	-	316,368	-
		<b>129,962,574</b>	<b>189,948,461</b>	<b>122,519,740</b>	<b>140,687,847</b>

No investigations were performed during the year and no amounts were approved to be written off.

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## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2024	2023	2024	2023
<b>69. Irregular expenditure</b>				
Opening balance as previously reported	3,467,929,717	3,269,577,268	3,123,242,828	2,925,148,371
Add: Irregular Expenditure - current year	278,004,236	197,924,362	277,156,250	197,666,370
Add: Irregular expenditure - prior year	-	428,087	-	428,087
Less: Amounts recovered - Prior year	(1,493,896)	-	(1,493,896)	-
<b>Closing balance</b>	<b>3,744,440,057</b>	<b>3,467,929,717</b>	<b>3,398,905,182</b>	<b>3,123,242,828</b>

**Incidents/cases identified in the current and prior year include those listed below:**

Description	2024	2023	2024	2023
Expenditure items identified where supply chain processes were not followed	276,458,248	196,172,474	276,458,248	196,172,474
Expenditure items identified where supply chain processes were not followed - Prior year expenditure	-	428,087	-	428,087
Councillors whose remuneration was overpaid contrary to the requirements of the Remuneration of Public Office Bearers Act 20 of 1998	698,002	1,493,896	698,002	1,493,896
Procurement in contravention with Supply Chain Management policy, Municipal Financial Management Act and Municipal Systems Act.	847,986	225,819	-	-
Irregular payment of employee related costs	-	32,173	-	-
	<b>278,004,236</b>	<b>198,352,449</b>	<b>277,156,250</b>	<b>198,094,457</b>

The amounts disclosed is including VAT.

### Disciplinary steps taken/criminal proceedings:

No investigations were performed or disciplinary steps taken during the year.

### Amounts recovered:

The overpayment of councillors during 2023 was recovered by way of salary deductions during the 2024 financial year.

### Other information:

The nature, cause and circumstances of the irregular identified are indicative of other similar irregular expenditure in the population. The irregular expenditure disclosed is not complete as management is still in the process of quantifying the full extent of irregular expenditure. Accordingly, the entire population will be investigated during the next financial year, to determine the full extent of irregular expenditure.

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## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2024	2023	2024	2023
<b>70. Additional disclosure in terms of Municipal Finance Management Act</b>				
<b>Contributions to organised local government</b>				
Current year subscription / fee	18,592,903	17,231,606	18,592,903	17,231,606
Amount paid - current year	(18,592,903)	(17,231,606)	(18,592,903)	(17,231,606)
	-	-	-	-
Contributions to organised local government consists of annual subscriptions paid to SALGA.				
<b>Audit fees</b>				
Opening balance	837,857	2,054,181	593,437	1,629,239
Immaterial prior year difference	(30,358)	-	(30,358)	-
Amount paid - previous years	(807,499)	(2,054,181)	(563,079)	(1,629,239)
Current year audit fee	32,002,221	30,749,708	25,287,122	24,148,273
Amount paid - current year	(31,739,619)	(29,911,851)	(25,112,852)	(23,554,836)
	<b>262,602</b>	<b>837,857</b>	<b>174,270</b>	<b>593,437</b>
Amount excludes VAT.				
<b>PAYE, UIF and SDL</b>				
Opening balance	22,820,876	36,416,991	22,821,028	36,456,015
Non adjusting prior period error	13,215	-	13,215	-
Current year subscription / fee	458,490,895	416,519,657	362,526,335	331,302,327
Amount paid - current year	(362,542,474)	(393,692,938)	(362,542,474)	(308,470,632)
Penalties and interests	1,055	2,549	1,055	2,549
Unallocated payments allocated	(95,968,174)	43,848	-	-
Amount paid - previous years	(22,834,243)	(36,469,231)	(22,834,243)	(36,469,231)
	<b>(18,850)</b>	<b>22,820,876</b>	<b>(15,084)</b>	<b>22,821,028</b>
<b>Pension and Medical Aid Deductions</b>				
Opening balance	37,131,135	35,685,893	37,135,285	35,778,313
Amount paid - previous years	(37,131,135)	(35,685,892)	(37,135,285)	(35,778,312)
Current year payroll deductions and council contributions	590,404,625	553,166,223	465,762,683	442,673,288
Amount paid - current year	(590,390,397)	(516,035,089)	(465,762,683)	(405,538,004)
	<b>14,228</b>	<b>37,131,135</b>	<b>-</b>	<b>37,135,285</b>
<b>VAT</b>				
VAT receivable (payables)	(75,684,169)	(49,508,174)	176,699,187	198,015,216

All VAT returns have been submitted by the due date throughout the year.

### Grants withheld

The following amounts were withheld by National Treasury due to the slow implementation of projects. The amounts were subsequently forfeited.

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

Expanded Public Works Programme Incentive Grant	183,852	14,136	183,852	14,136
Finance Management Grant	120,208	104,467	120,208	104,467
Informal Settlements Upgrading Partnership Grant	115,228,772	132,207,474	115,228,772	132,207,474
Neighbourhood Development Partnership Grant	-	4,214,789	-	4,214,789
Programme and Project Preparation Support Grant	4,089,154	1,454,500	4,089,154	1,454,500
Public Transport Network Grant	145,453,626	92,786,580	145,453,626	92,786,580
Urban Settlement Development Grant	31,579,848	146,453,593	31,579,848	146,453,593
	<b>296,655,460</b>	<b>377,235,539</b>	<b>296,655,460</b>	<b>377,235,539</b>

### 71. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

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

For the current financial year there were instances where goods and services were procured and deviated from the normal Supply Management Policy, as provided for in section 15.8.3 and 16.3.1 of the Supply Chain Management Policy:

#### Class of deviation in amounts

Exceptional case	14,121,725	17,369,068	14,121,725	17,369,068
Impractical	-	101,608	-	101,608
Other	3,047,750	499,849	-	-
Sole supplier	10,629,517	8,770,863	5,442,086	5,504,652
Urgent	591,472	1,259,413	-	-
	<b>28,390,464</b>	<b>28,000,801</b>	<b>19,563,811</b>	<b>22,975,328</b>



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### 71. Deviation from supply chain management regulations (continued)

#### Class of deviation in numbers

Exceptional case	350	383	350	383
Impractical	-	1	-	1
Other	10	14	-	-
Sole supplier	24	43	13	7
Urgent	1	6	-	-
	<b>385</b>	<b>447</b>	<b>363</b>	<b>391</b>

#### Rewards to a person in the service of the state:

In terms of Section 45 of the Municipal Supply Chain Management Regulations the municipal entity must disclose particulars of any award more than R 2 000 to a person who is a spouse, child or parent of a person in the service of the state, or has been in the service of the state in the previous 12 months.

For the period under review there were instances where the municipal entity made awards more than R 2 000 to a person who is a spouse, child or parent of a person in the service of the state as set out below:

#### Incident

NB Mechanicals	3,151,899
Ice-cloud SA/Mosima SA	38,586,981
Bluestone Developers SA	1,245,270
Da Vinci Institute for technology	102,000
CBD Platinum Solutions	69,000
	<b>43,155,150</b>

#### NB Mechanicals:

The spouse of one of the directors, Shaun Barnes, is employed as an assistant librarian at the Department of Sports, Arts and Culture.

#### Ice-cloud SA/Mosima SA:

The spouse of one of the directors, Victor Motatung, is employed as a medical officer at the department of health.

#### Bluestone Developers SA:

The spouse of one of the directors, Amanda Collison, is employed in the revenue department at Centlec (SOC) Ltd.

#### Da Vinci Institute for technology:

One of the shareholder companies, Business Venture Investments No. 428 PTY Ltd, of the service provider has a director, Edward Kieswetter, who is the Commissioner of SARS

#### CBD Platinum Solutions:

The mother of one of the directors, Mpho Sebidi, is employed as an electrician in the engineering department of Centlec (SOC) Ltd

### 72. Subsequent events

Management is not aware of any subsequent events.

# Mangaung Metropolitan Municipality Group

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## Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2024	2023	2024	2023

### 73. Budget differences

#### Material differences between budget and actual amounts

The following are explanations for material variances of more than 10% between budget and actual amounts for the controlling entity and more than 5% between budget and actual amounts for the municipal entity. This is due to a larger budget allocation to the controlling entity than to the municipal entity.

Financial Performance:

#### 73.1 Service charges:

The variance is attributed to customers consuming less due to current economic conditions and the high cost of living. The variance is further attributed to the impact of frequent loadshedding experienced during the year as well as customers converting to alternative energy sources due to the inconvenience of load shedding and escalating electricity tariffs.

#### 73.2 Rental of facilities and equipment:

The variance is due to less rental revenue generated than anticipated due to current economic conditions and the high cost of living.

#### 73.3 Other income from exchange transactions:

The variance is due to lower revenue collected for rendering services than anticipated and the service concession arrangement referred to below, which was budgeted as part of other income from exchange transactions. The variance is also attributed to streetlight consumption revenue not originally being budgeted for under other income but rather under service charges due to mSCOA requirements.

#### 73.4 Interest received from exchange transactions:

The variance is mainly due to increased consumer receivables from exchange transactions, especially on the debtors over 90 days due, increasing the interest charged on consumer receivables. The total actual interest levied on consumer receivables from exchange transactions being higher than initially anticipated and budgeted for.

#### 73.5 Agency services:

The entity did not separately budget for agency services.

#### 73.6 Dividends received:

The variance is due to more dividends declared by the investment holder than anticipated.

#### 73.7 Service concession arrangements:

The service concession arrangements were budgeted for as part of other income from exchange transactions but remained consistent year to year.

#### 73.8 Commissions received:

The variance is due to the increased commission received by the fresh produce market.

#### 73.9 Property Rates

The difference is due to a conservative budgeting approach to property rates and new developments and building alterations during the year.

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### 73. Budget differences (continued)

#### 73.10 Interest received from non-exchange transactions:

The variance is due to an increase in accounts receivable from non-exchange transactions, especially on the debtors over 90 days due, resulting in an increase in interest received from non-exchange transactions, which was not anticipated with the budget.

#### 73.11 Government grants and subsidies (Operational):

The variance is due to funds surrendered to the Treasury and the decreased budget allocations from the Treasury, which was below the expected norm.

For the municipal entity the variance is due to the fact that the amount budgeted for included VAT while the actual amount recognized for the grant revenue excludes VAT.

#### 73.12 Public contributions and donations:

Immaterial amount.

#### 73.13 Fines, penalties and forfeits:

Council approved the write-off of the unallocated or unclaimed deposits of the suspense accounts older than three years. In addition, various sundry accounts were prescribed. These amounts were not budgeted for as they were not anticipated. At the time of preparing the budget the unclaimed money forfeits were not budgeted for as it requires a lapse of three years before the unknown funds are considered as revenue.

Unclaimed money forfeits - For the municipal entity at the time of preparing the budget the unclaimed money forfeits were not budgeted for as it requires a lapse of three years before the unknown funds are considered as revenue.

#### 73.14 Living resources:

The variance is due to revaluation adjustments and natural attrition of the living resources, which were not budgeted for.

#### 73.15 Employee related cost

The variance is due to annual salary increases, overtime, and leave pay provisions, which were slightly more than anticipated. It is further due to a larger than initially expected increase of newly appointed staff members during the current financial year.

#### 73.16 Remuneration of councillors

The variance is due to the less-than-anticipated adjustment of the upper limits of counsellors in terms of the SALGA resolution.

#### 73.17 Depreciation and amortisation

The variance is due to an insufficient budget for depreciation and amortisation and to the underestimation of the depreciation and amortisation values, which are influenced by the condition assessment of individual assets at year-end and the revaluation of assets at the end of the prior financial year. The variance at the entity is due to the cutting down of the entity's budget on consolidation as per the prescribed budget related requirements of the parent municipality.

#### 73.18 Finance cost:

The variance is due to an insufficient budget for borrowings, trade payables and the employee benefit obligation.

For the municipal entity the variance is due to the concession reached between the entity and the parent municipality on how to temporarily deal with the impact of the Sale of business agreements whilst the definitive agreement is being reviewed. The budget considered only R120 000 000 as set out in the budget guidelines received from the parent municipality, while the sale of business agreement refers to the full amount as per the agreement terms which is far higher than the prescribed R120 000 000 from the parent municipality.

#### 73.19 Debt impairment & bad debt write-off:

The variance is due to an insufficient budget for debt impairment. It was also a result of the high rate of collectability of debtors and the unpredictable movement of the consumer debtors' accounts. The variance is also as a result of national treasury requiring the budget for debt impairment being based on an actual collection rate percentage of the total budgeted sales while the actual value is based on a GRAP compliant debt impairment accounting methodology which tests all consumer debtors individually for potential impairment.

#### 73.20 Bulk purchases

The variance is due to the high unexpected water losses incurred due to the ageing water infrastructure. The variance is further due to the tariff increase disparity between the implemented ESKOM tariff and the awarded NERSA approved tariffs of the municipal entity.

#### 73.21 Contracted services:

The variance is attributable to increased costs of services linked to increased fuel prices and the current economic conditions. At the municipal entity the variance was due to increase in actual repairs and maintenance to the electrical network. The increase in the vandalism was a major factor for the increase in actual expenditure and in turn also resulted in a larger increase in security expenses than initially budgeted for in an attempt to curb the vandalism.

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Figures in Rand	Economic entity		Controlling entity	
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### 73. Budget differences (continued)

#### 73.22 Grants and subsidies paid (Operational):

Transfer of completed electrical infrastructure to the municipal entity was not anticipated during the budget process.

#### 73.23 General expenses:

The main reason for the variance was due to the fact that the municipal entity experienced a decline in its customer base that required stringent controls and reactive management over expenditure which resulted in a lower than anticipated expense on the individual general expenditure items.

#### 73.24 Inventory losses:

The conditions that give rise to losses are unpredictable when preparing the budget and therefore the variance is mainly due to the unpredictable nature of potential stock adjustments at the time of preparing the budget.

#### 73.25 Remeasurements of the net defined benefit liability:

The variance is due to unplanned estimates from actuaries.

#### 73.26 Impairment loss:

The entity did not expect to lose any value in assets through impairment and thus did not budget for this type of expenditure, but it is also linked to the inventory valuation process at year end that is not taken into account during the budget preparation process. Other items include the impairment of PPE whose recoverable amounts are not readily available at the time of budget preparation thus are not taken into account.

#### 73.27 Fair value adjustments:

The variance is mainly due to an increase in the valuation of Investment Property, which was not anticipated when the budget was prepared.

#### 73.28 Loss on disposal of assets:

The proceeds on disposals are unpredictable at the time of preparing the budget. Asset disposals have decreased since the prior year. The variance at the municipal entity is mainly attributed to the wear and tear effect that the constant loadshedding is having on the electrical infrastructure assets. These assets are put under a lot of strain due to loadshedding resulting in a lot of them having to be replaced. This in turn results in a larger than anticipated disposal of damaged assets.

#### 73.29 Remeasurement of provision:

The variance is mainly due to the upward revaluation of the quarries and landfill sites which was not anticipated when the budget was prepared.

#### 73.30 Government grants and subsidies (Capital):

The variance is mainly due to underspending of capital grants.

#### 73.31 Taxation:

The variance is mainly due to non budget of taxation.

Financial Position:

#### 73.32 Current assets:

The municipality and entity do not budget for current portions of long term assets. The current portion as reflected on the face of the statement of financial position is budgeted for as part of the non-current assets.

Inventories - A large volume of high value items were received towards the end of the year resulting in a larger actual balance for inventory than initially budgeted for. Furthermore, the operations of the municipal entity were also impacted by the impact of loadshedding resulting in more store items needed to be on hand for power failures and maintenance.

Other financial assets - The variance is attributed to the fact that no budget was prepared for this item as it is an accounting entry between the municipal entity and the Southern Free State towns receivable.

Other receivables from exchange transactions - The unpredictable nature of the various line items that make up the total balance makes it impossible to estimate a reasonable and credible budget value for this item.

Consumer receivables from exchange transactions - The final actual impact of the debt impairment could not have been reliably predicted at the time of preparing the budget thus the reason for the variance.

Cash and cash equivalents - The variance is mainly attributed to creditor payments being done close to year end resulting in a lower than budgeted balance as at year end.

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## Notes to the Consolidated Annual Financial Statements

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### 73. Budget differences (continued)

#### 73.33 Non-current assets:

The budget process is affected by unpredictability in the revaluation of investment property, landfill sites, and quarries, the timing of asset completion that affects the depreciation charge, and impairment losses. There was also an underspending of capital grants.

Property, plant and equipment - The variance is mainly due to large downward adjustments due to asset conditions and large additions (completion of work in progress projects at the end of the prior financial year) that increased the depreciation expense in the current year.

Intangible assets - The increase is due to new software procured during the year and more licenses being maintained and paid than originally budgeted for.

Deferred Tax - The variance is mainly attributed to the larger than anticipated taxable loss resulting in a large temporary tax difference.

#### 73.34 Current liabilities:

The variance can be attributable to an increase in bulk water purchases, comprising the price per kilo-liter, the increase in quantity, and significant water losses. Additionally, the variance is aligned with the increased contracted services and general expenses. In addition, the current portion of provisions and employee benefits is unpredictable at the time of preparing the budget due to estimations. The municipal entity does not budget for current portions of long term liabilities. The current portion as reflected on the face of the statement of financial position is budgeted for as part of the non-current liability.

Payables from exchange transactions - The main reason for the variance at the entity is the ESKOM Circular 124 debt relief granted to Centlec (SOC) Ltd which could not be taken into consideration when the budget was prepared as insufficient guidance was provided on the treatment in the entity's accounting system.

VAT liability - VAT is not provided for in the budget process due to the nature of the item which makes it impossible to estimate a reasonable and credible budget value for this item.

Consumer deposits - The variance is due consumer deposits being higher than anticipated following the completion of a number of public connections projects. The lower budgeted value was in anticipation of a decrease in deposits due to prepaid meter conversions and customers seeking alternative power solutions due to loadshedding.

#### 73.35 Non-current liabilities:

The variance is due to the budget on Freshco and land availability service concessions. Provisions and defined employee benefit liabilities are unpredictable during budget preparation due to the estimations involved.

Employee benefit obligation of the municipal entity - This was a new item only accounted for the first time in the current financial year in response to a prior year audit finding, hence no budget was made for this item. A budget will be considered for this new item going forward.

Deferred tax of the municipal entity - The deferred tax final figure is influenced by the actual movements in the timing differences that cannot be reliably predicted.

Long service awards of the municipal entity - The parameters used to arrive at the figure for long services are influenced by the actuarial records at the year end while the budget is based on the adjusted projections prior year.

#### 73.36 Reserves:

The variance is due to the impact of over- and underperformance on revenue and expenditure items, as indicated above under financial performance and financial position.

Revaluation reserve - The variance is mainly attributed to the revaluation of infrastructure assets resulting in a large increase in the asset value from the prior year. The adjusted budget did not fully accommodate this increase.

#### 73.37 Cash flow:

The variance is due to the impact of the over and under performance on revenue and expenditure items as indicated above under financial performance and financial position.

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### 74. Change in estimate

#### Property, plant and equipment

##### Controlling entity:

For the following classes of property, plant and equipment the remaining useful lives were adjusted to a minimum remaining useful life of 3 years.

Condition assessments were also performed on the community assets therefore also change in estimate effect.

It is impracticable to estimate the effect on future periods as the remaining useful lives are reviewed at each reporting date.

The effect of the change in the controlling entity has resulted in a change in depreciation as follows:

#### Asset Class Depreciation

	Depreciation before change in estimate	Change in Depreciation	Depreciation after change in estimate
Community - Landfill sites and quarries	19,423,875	(12,032,384)	7,391,491
Community - Other	46,612,105	(14,555,443)	32,056,662
Fleet	3,063,510	(842,524)	2,220,986
Infrastructure - Roads and roads related	81,728,859	(24,215,440)	57,513,419
Infrastructure - Sanitation network	9,219,421	(2,694,201)	6,525,220
Infrastructure - Water network	6,282,587	(2,027,082)	4,255,505
Intangible assets	184,979	(41,368)	143,611
Other property, plant and equipment	7,285,669	(1,938,447)	5,347,222
Infrastructure - Water meters	2,428,986	(6,637)	2,422,349
	<b>176,229,991</b>	<b>(58,353,526)</b>	<b>117,876,465</b>

#### Property, plant and equipment

##### Municipal entity:

During the year, the municipal entity changed its accounting estimates with respect to property, plant and equipment. In order to conform with the benchmark treatment of GRAP17, the residual values, estimated useful lives and depreciation method were reviewed at 30 June 2024. Adjustments to the useful lives affect the amount of depreciation for the current year and is expected to affect future periods as well.

The aggregate effect of the changes in accounting estimate on the financial statements for the year ended 30 June 2024 is as follows:

Depreciation expense before remaining useful lives review	232,164,125	-	-	-
Future decrease in depreciation due to review	(6,416,432)	-	-	-
<b>Depreciation expense after remaining useful lives review</b>	<b>225,747,693</b>	<b>-</b>	<b>-</b>	<b>-</b>

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### 74. Change in estimate (continued)

#### Property rates

During the financial year the Valuation Appeal Board concluded on property rates value change for the National Government of RSA (Tempe). The property value decreased from R1,1 Billion to R110 Million as per the decision of the Appeal Board. This change is considered as a change in estimate as per GRAP 3.

It is impractical to estimate the effect of future periods as the revenue rates is approved annually with the annual budget.

#### The effect of the change is as follows:

Decrease in revenue from non-exchange transactions (property rates)	161,811,000	-	161,811,000	-
Decrease in revenue from exchange transactions (sewerage and sanitation charges)	27,104,626	-	27,104,626	-
Decrease in VAT output	3,700,740	-	3,700,740	-
Decrease in interest received from exchange transactions	5,673,748	-	5,673,748	-
Decrease in consumer receivables from non-exchange transactions	(161,811,000)	-	(161,811,000)	-
Decrease in consumer receivables from exchange transactions	(36,479,114)	-	(36,479,114)	-
	-	-	-	-

## Notes to the Consolidated Annual Financial Statements

### 75. Prior period errors

The prior year has been amended to account for prior period errors.

Below is a summary of the total effect that the prior period errors and reclassifications had on the amount previously disclosed in the annual financial statements, followed by a description of each individual prior period error with the amount involved.

### Statement of Financial Position

	Audited 2023	Prior year adjustments	Reclassifying adjustments	Restated 2023
<b>Assets</b>				
<b>Current Assets</b>				
Inventories	689,192,951	(160,598,615)	-	528,594,336
Other receivables from exchange transactions	292,095,459	(22,926,610)	-	269,168,849
	<b>981,288,410</b>	<b>(183,525,225)</b>	-	<b>797,763,185</b>
<b>Non-Current Assets</b>				
Property, plant and equipment	17,476,707,363	56,881,610	-	17,533,588,973
Heritage assets	254,696,007	3,664,333	-	258,360,340
	<b>17,731,403,370</b>	<b>60,545,943</b>	-	<b>17,791,949,313</b>
<b>Total Assets</b>	<b>18,712,691,780</b>	<b>(122,979,282)</b>	-	<b>18,589,712,498</b>
<b>Liabilities</b>				
<b>Current Liabilities</b>				
Payables from exchange transactions	(2,387,846,171)	(8,986,334)	(3,004,563)	(2,399,837,062)
Payables from non-exchange transactions	(291,824,955)	(1,295,957)	3,004,563	(290,116,349)
Unspent conditional grants and receipts	(369,930,232)	1,536,950	-	(368,393,282)
Employee benefit obligation	(35,206,000)	(17,208,000)	-	(52,414,000)
VAT payable	(41,037,036)	(8,471,138)	-	(49,508,174)
	<b>(3,125,844,394)</b>	<b>(34,424,479)</b>	-	<b>(3,160,268,867)</b>
<b>Non-Current Liabilities</b>				
Employee benefit obligation	(553,437,600)	(73,505,000)	-	(626,942,600)
	<b>(553,437,600)</b>	<b>(73,505,000)</b>	-	<b>(626,942,600)</b>
<b>Total Liabilities</b>	<b>(3,679,281,994)</b>	<b>(107,929,479)</b>	-	<b>(3,787,211,467)</b>
<b>Net Assets</b>				
Reserves				
Revaluation reserve	(5,006,137,617)	(3,785,913)	-	(5,009,923,530)
Accumulated surplus	(12,065,518,986)	234,694,669	-	(11,830,824,317)
<b>Total Net Assets</b>	<b>(17,071,656,603)</b>	<b>230,908,756</b>	-	<b>(16,840,747,847)</b>



## Notes to the Consolidated Annual Financial Statements

### 75. Prior period errors (continued)

#### 75.1. Assets written off

Loss on disposal of assets and liabilities	2,394
Property, plant and equipment	(2,394)
	<u>-</u>

During the year under review, specific furniture and office equipment assets were identified as either stolen or in a non-working condition. The adjustments were made retrospectively to the 2022/23 figures.

#### 75.2 Cricket Stadium

Accumulated surplus	(8,658,853)
Other receivables from exchange transactions	8,658,853
	<u>-</u>

The accounting treatment for the lease of the cricket stadium was incorrectly accounted for. The agreement for the sale of the cricket stadium to the Free State Cricket Union lapsed on 30 June 2022, and payment was not received. The receivable was subsequently derecognised as at 1 July 2022. The adjustments were made retrospectively to the 2022/23 figures.

#### 75.3 Deferred lease

Accumulated surplus	5,041,330
Other receivables from exchange transactions	(5,464,316)
Rental of facilities and equipment	422,986
	<u>-</u>

Certain leases were identified during the year, which were incorrectly accounted for. The population was revisited, and the adjustments were retrospectively affected to the 2022/23 figures.

#### 75.4 Fleet

Accumulated surplus	185,890
Depreciation and amortisation	(16,883)
Property, plant and equipment	(169,007)
	<u>-</u>

During the year under review, specific fleet assets were identified as either stolen or written off due to accidents. Insurance payouts were received for those assets. The adjustments were made retrospectively to the 2022/23 figures.

#### 75.5 Furniture and equipment

Accumulated surplus	60
Depreciation and amortisation	(691)
Payables from exchange transactions	(60)
Property, plant and equipment	691
	<u>-</u>

During the year under review, all "one-liner" assets were unbundled. The population was revised to determine the extent. The adjustments were made retrospectively to the 2022/23 figures.

## Notes to the Consolidated Annual Financial Statements

### 75. Prior period errors (continued)

#### 75.6 Heritage assets

Accumulated surplus	121,873
Depreciation and amortisation	(80)
Heritage assets	3,664,333
Property, plant and equipment	(212)
Revaluation reserve	(3,785,914)
	-
	-

During the year under review, previously unaccounted heritage assets were identified. The population was revised to determine the full extent. The adjustments were made retrospectively to the 2022/23 figures.

#### 75.7 Inventory

Accumulated surplus	106,901,406
Inventories	(160,598,615)
Property, plant and equipment	53,697,209
	-
	-

Certain stands that were previously sub-divided were derecognised and the land availability charges was changed that only 30% of funds spent on the project should be recognised as work in progress in property plant and equipment. The population was revised to determine the full extent. The adjustments were made retrospectively to the 2022/23 figures.

#### 75.8 Land

Accumulated surplus	(791,000)
Property, plant and equipment	791,000
	-
	-

Certain land parcels that were previously sub-divided were derecognised. The population was revised to determine the full extent. The adjustments were made retrospectively to the 2022/23 figures.

#### 75.9 Expenditure capitalised which should be expensed

Accumulated surplus	176,767
Contracted services	28,622,833
Depreciation and amortisation	33,670
Property, plant and equipment	(28,833,270)
	-
	-

During the year under review, certain expenditure items were identified which were incorrectly capitalised in the prior year. The population was revised to determine the full extent. The adjustments were made retrospectively to the 2022/23 figures.

#### 75.10 Property, plant and equipment capitalised

Accumulated surplus	102,851
Depreciation and amortisation	(629,997)
Loss on disposal of assets and liabilities	59,816
Payables from exchange transactions	189,848
Property, plant and equipment	301,161
VAT receivables	(23,679)
	-
	-

During the year under review, certain assets were identified which were incorrectly expensed in the prior year. The population was revised to determine the full extent. The adjustments were made retrospectively to the 2022/23 figures.

## Notes to the Consolidated Annual Financial Statements

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**75. Prior period errors (continued)**

**75.11 VAT apportionment**

Contracted services	349,340
General expenditure	654,690
VAT receivables	(1,004,030)
	<u>-</u>

The VAT apportionment was revisited, and certain errors were identified. Subsequently, it was adjusted retrospectively to the 2022/23 figures.

**75.12 Vista Park**

Accumulated surplus	(31,225,499)
Property, plant and equipment	31,225,499
	<u>-</u>

During the year under review, previously unaccounted accruals for HDA were identified. These accruals were subsequently raised. The adjustments were made retrospectively to the 2022/23 figures.

**75.13 SALA Pensionfund**

Accumulated surplus	6,293,813
Payables from exchange transactions	(12,631,081)
Employee cost	5,062,279
Finance cost	1,274,989
	<u>-</u>

During the year under review, previously unaccounted accruals for SALA Pension fund were identified. These accruals were subsequently raised. The adjustments were made retrospectively to the 2022/23 figures.

**75.14 Salary control account**

Accumulated surplus	(4,515,552)
Payables from exchange transactions	7,484,714
Other income from exchange transactions	(2,969,162)
	<u>-</u>

During the year under review it was identified that commission received on third party salary related transactions was not recorded and accounted for in the salary control account. The adjustments were made retrospectively to the 2021/22 figures.

## Notes to the Consolidated Annual Financial Statements

### 75. Prior period errors (continued)

#### Statement of Financial Performance

	Audited 2023	Prior year adjustments	Reclassifying adjustments	Restated
<b>Revenue</b>				
<b>Revenue from exchange transactions</b>				
Service charges	(4,518,111,687)	7,670,287	-	(4,510,441,400)
Rental of facilities and equipment	(48,083,550)	422,986	14,128,471	(33,532,093)
Commissions received	-	-	(29,212,348)	(29,212,348)
Other income	(100,696,135)	(3,152,725)	45,049,815	(58,799,046)
Service concession arrangements	-	-	(29,965,938)	(29,965,938)
<b>Total revenue from exchange transactions</b>	<b>(4,666,891,372)</b>	<b>4,940,548</b>	<b>-</b>	<b>(4,661,950,825)</b>
<b>Expenditure</b>				
Employee related costs	2,240,778,607	11,043,592	-	2,251,822,199
Remuneration of councillors	69,433,541	(1,502,288)	-	67,931,253
Depreciation and amortisation	844,584,495	(271,996)	-	844,312,499
Finance costs	320,027,179	11,975,718	-	332,002,897
General Expenses	423,992,190	606,356	(7,478,260)	417,120,286
Contracted services	568,837,839	34,990,986	7,478,260	611,307,085
<b>Total expenditure</b>	<b>4,467,653,851</b>	<b>56,842,368</b>	<b>-</b>	<b>4,524,496,219</b>
<b>Operating surplus</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Loss on disposal of assets and liabilities	53,838,941	62,209	-	53,901,150
Actuarial gains/(losses)	(89,263,470)	(16,430,319)	-	(105,693,789)
	<b>(35,424,529)</b>	<b>(16,368,110)</b>	<b>-</b>	<b>(51,792,639)</b>

## Notes to the Consolidated Annual Financial Statements

### 75. Prior period errors (continued)

#### 75.15 Accruals

Accumulated surplus	2,755,316
Contracted services	6,018,812
Depreciation and amortisation	341,986
Finance costs	(320,269)
General expenditure	163,856
Other receivables from exchange transactions	(2,641,788)
Payables from exchange transactions	(3,411,128)
Payables from non-exchange transactions	(1,502,286)
Property, plant and equipment	(129,068)
Remuneration of councillors	(1,502,288)
VAT receivables	226,857
	-
	-

During the year under review, expenditure items that should have been accrued for in the prior year were identified, as were accruals with incorrect amounts. The errors were subsequently fixed, and the adjustments were made retrospectively to the 2022/23 figures.

#### 75.16 Billing integration

Accumulated surplus	3,750,186
General expenditure	(22,765)
Other income	(183,563)
Other receivables from exchange transactions	(4,548,020)
Payables from exchange transactions	797,834
Payables from non-exchange transactions	206,328
	-
	-

Errors were identified with the billing integration. The population was revisited and the errors were subsequently corrected. The adjustments were made retrospectively to the 2022/23 figures.

#### 75.17 Home owners insurance

Accumulated surplus	2,568
Other receivables from exchange transactions	(2,568)
	-
	-

A previously unaccounted receivable in terms of a home-owners insurance claim was subsequently recognised. The errors were subsequently fixed, and the adjustments were made retrospectively to the 2022/23 figures.

#### 75.18 Human settlement income

Accumulated surplus	(911,487)
Other receivables from exchange transactions	911,487
	-
	-

Subsequently, a previously unaccounted receivable was recognised. The error was fixed, and the adjustments were made retrospectively to the 2022/23 figures.

#### 75.19 Insurance premiums

Accumulated surplus	2,973,572
Other receivables from exchange transactions	(2,973,572)
	-
	-

A previously unaccounted receivable in terms of an insurance claim was subsequently recognised. The errors were subsequently fixed, and the adjustments were made retrospectively to the 2022/23 figures.

## Notes to the Consolidated Annual Financial Statements

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**75. Prior period errors (continued)**

**75.20 Prescribed amounts**

Accumulated surplus	68,936
Payables from exchange transactions	(1,605,886)
Unspent conditional grants and receipts	1,536,950
	<u>                    -</u>

During the year under review, amounts due or payable, which prescribed as there were no movements for a period of at least three years, have been derecognised. The adjustments were made retrospectively to the 2022/23 figures.

**75.21 Pre-paid water meter income**

Service charges	7,670,287
VAT receivable	(7,670,287)
	<u>                    -</u>

During the year under review it was identified that VAT output was included in pre-paid water sales of the 2023 financial year. The adjustments were made retrospectively to the 2022/23 figures.

**75.22 Employee benefit obligation - Post employment medical aid liability**

Employee benefit obligation	(90,713,000)
Employee related costs	572,000
Accumulated surplus	90,141,000
	<u>                    -</u>

During the period under review an employee benefit obligation for post employment medical aid contributions was raised for in accordance with GRAP 25 which had not been accounted for in previous financial years. Actuarial valuations were obtained for the current and prior years. A correction was made and the comparative statements for the 2022/23 and prior financial years have been restated.

# Mangaung Metropolitan Municipality Group

Consolidated Annual Financial Statements for the year ended 30 June 2024

## Notes to the Consolidated Annual Financial Statements

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### 76. Segment information

#### General information

##### Identification of segments

The economic entity considers internal sources of information in identifying reportable segments. These include the IDP, SDBIP, Budget and monthly and quarterly reporting.

For management purposes, the economic entity is organised and operates in eight key functional segments (or business units) as well as governance and administration units. To this end, management monitors the operating results of these segments for the purpose of making decisions about resource allocations and assessment of performance. Segments were aggregated for reporting purposes.

Revenue and expenditure relate to segments are allocated at a transactional level.

##### Aggregated segments

The economic entity operates throughout the Free State Province. Segments were aggregated on the basis of services delivered as management considered that the economic characteristics of the segments throughout the Free State were sufficiently similar to warrant aggregation.

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

##### Types of goods and/or services by segment

##### The eight key functional segments comprise of:

##### Electricity

The principal activity of the municipal entity, Centlec (SOC) Ltd, is the distribution of electricity to industries, businesses and households mainly in the Mangaung and Southern Free state area.

##### Finance

Finance department is charged with the responsibility of budget and treasury. It is also responsible for the financial wellness of the economic entity including generating revenue and billing, maintaining financial records, financial reporting and encourages responsible spending in terms of relevant legislations. It incorporates organisational billing process and generate tax revenue such as property rates and other tax.

##### Water services

The economic entity provides water as one of the basic services to the community. This is one of main revenue stream of the economic entity billed on a monthly basis in some cases when used. There is availability charge and additionally billing based on usage (pre-paid water or conventional meters billed monthly).

##### Waste water and sanitation services

The economic entity provides sewer infrastructure for residents, businesses and government as one of the basic services. This is one of main revenue stream of the economic entity billed on a monthly basis in on the bases of property value.

##### Human Settlement and Rural development

The directorate is charged with the responsibility of developing and providing housing and dwellings for the residents of the city. Funding is generated mainly through grants and internally generated revenue.

# Mangaung Metropolitan Municipality Group

Consolidated Annual Financial Statements for the year ended 30 June 2024

## Notes to the Consolidated Annual Financial Statements

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### 76. Segment information (continued)

#### Road and Infrastructure

The department is charged with developing and maintaining strategic infrastructure that mainly provides service delivery (e.g. Roads, Water, Sewer, Refuse, etc.). Revenue is mainly generated through grants.

#### Community Services and Public Safety

The department is charged with the responsibility of improving the well-being of every individual in society so they can reach their full potential. Social development means investing in people (e.g. maintaining of parks, zoo and museums, interactions, wellness and health).

Public Safety is charged with the responsibility of keeping order in the city and ensuring compliance with relevant legislation (e.g. Criminal Procedures act). Public Safety includes traffic department and law enforcement. Social and Public Safety includes the Mangaung Metro Unit.

#### Refuse Collection services

The economic entity provides refuse collections as one of the basic services to the community. This is one of main revenue stream of the municipality billed on a monthly basis in some cases when provided. Refuse removal is billed based on the nature of collections, business, government, complex or residential.

#### Public Transport (IPTN)

Public transport network, is a transport management system developed by the economic entity to assist the city in improving the means of transport and the traffic flow within the City.

#### Other units:

The following following non-economic unit (i.e. indirectly responsible for service delivery) is not included in the segment report, but the total surplus/(deficit) is included for purpose of reconciling the segment totals to the financial statements.

#### Governance and Administration

Support and administration is obtained from corporate services, office of the City Manager, Political offices, economical and rural development, Town planning and similar functions. Ensuring that structures and governance processes are in place and aligned to achieve the strategic objectives of the economic entity in line with the relevant legislations. It also ensures that citizens are given sufficient information, opportunity and encouragement to participate in and influence the affairs of the economic entity.

#### Change in composition of the reportable segments:

The composition of the reportable segments changed during the current financial year and the corresponding items of segment information was restated for the prior period.



# Mangaung Metropolitan Municipality Group

Consolidated Annual Financial Statements for the year ended 30 June 2024

## Notes to the Consolidated Annual Financial Statements

Figures in Rand

### 76. Segment information (continued)

#### Segment surplus or deficit, assets and liabilities

##### Economic entity - 2024

	Finance	Water services	Waste water and sanitation services	Human Settlements and rural development	Roads and infrastructure	Community services and public safety	Refuse removal services	Public transport (IPTN)	Electricity (Centlec)	Total
<b>Revenue</b>										
Revenue from exchange transactions	8,491,109	1,267,373,127	475,633,599	49,257,153	15,837,467	9,841,688	182,417,091	-	3,120,941,969	5,129,793,203
Revenue from non-exchange transactions	1,773,667,238	354,352,180	154,794,246	652,072,552	405,248,000	315,147,638	-	78,119,962	3,739,234	3,737,141,050
Interest revenue	258,459,650	375,479,382	102,444,308	-	-	-	47,793,605	-	41,458,312	825,635,257
<b>Total segment revenue</b>	<b>2,040,617,997</b>	<b>1,997,204,689</b>	<b>732,872,153</b>	<b>701,329,705</b>	<b>421,085,467</b>	<b>324,989,326</b>	<b>230,210,696</b>	<b>78,119,962</b>	<b>3,166,139,515</b>	<b>9,692,569,510</b>
<b>Entity's revenue</b>										<b>9,692,569,510</b>
<b>Expenditure</b>										
Employee related costs	205,437,898	144,384,393	123,156,520	94,025,320	132,507,359	653,583,041	9,472,953	15,761,309	511,031,453	1,889,360,246
Depreciation	10,105,457	85,981,229	119,980,592	-	279,335,733	43,253,170	-	-	229,313,705	767,969,886
Finance costs	112,344,400	-	35,693,363	-	-	-	-	-	23,064,479	171,102,242
Debt Impairment	324,637,931	826,411,965	34,727,032	37,602,766	-	7,619,996	295,944,898	-	68,360,237	1,595,304,825
General Expenses	120,742,695	1,408,693	3,725,719	12,385,762	52,632,283	27,610,148	(1,267,435)	237,599	177,005,283	394,480,747
Bulk purchases	-	910,222,228	-	-	-	4,371,524	-	-	2,470,251,136	3,384,844,888
Contracted services	16,513,426	47,622,890	117,675,983	18,869,771	56,056,662	222,588,562	-	22,049,154	133,093,362	634,469,810
Gains and losses	1,850,146	14,169,662	-	(3,241,585)	10,119,598	48,451,752	-	-	2,218,169	73,567,742
Taxation	-	-	-	-	-	-	-	-	(141,611,052)	(141,611,052)
<b>Total segment expenditure</b>	<b>791,631,953</b>	<b>2,030,201,060</b>	<b>434,959,209</b>	<b>159,642,034</b>	<b>530,651,635</b>	<b>1,007,478,193</b>	<b>304,150,416</b>	<b>38,048,062</b>	<b>3,472,726,772</b>	<b>8,769,489,334</b>
<b>Total segmental surplus/(deficit)</b>	<b>1,248,986,04</b>	<b>(32,996,37</b>	<b>297,912,94</b>	<b>541,687,67</b>	<b>(109,566,16</b>	<b>(682,488,86</b>	<b>(73,939,72</b>	<b>40,071,90</b>	<b>(306,587,25</b>	<b>923,080,176</b>
Add: Governance and administration										(765,502,649)
<b>Entity's surplus (deficit) for the period</b>										<b>157,577,527</b>

# Mangaung Metropolitan Municipality Group

Consolidated Annual Financial Statements for the year ended 30 June 2024

## Notes to the Consolidated Annual Financial Statements

Figures in Rand

	Finance	Water services	Waste water and sanitation services	Human Settlements and rural development	Roads and infrastructure	Community services and public safety	Refuse removal services	Public transport (IPTN)	Electricity (Centlec)	Total
<b>76. Segment information (continued)</b>										
<b>Surplus reconciliation</b>										
Total segment surplus	-	-	-	-	-	-	-	-	-	157,577,527
Total entity surplus	-	-	-	-	-	-	-	-	-	157,577,527
<b>Reconciling differences</b>	-	-	-	-	-	-	-	-	-	-

# Mangaung Metropolitan Municipality Group

Consolidated Annual Financial Statements for the year ended 30 June 2024

## Notes to the Consolidated Annual Financial Statements

Figures in Rand

### 76. Segment information (continued)

#### Economic entity - 2023

	Finance	Water services	Waste water and sanitation services	Human Settlements and rural development	Roads and infrastructure	Community services and public safety	Refuse removal services	Public transport (IPTN)	Electricity (Centlec)	Total
<b>Revenue</b>										
Revenue from exchange transactions	7,018,799	1,133,341,294	476,352,088	42,448,398	15,837,467	10,084,016	171,471,569	-	2,762,105,344	4,618,658,975
Revenue from non - exchange transactions	1,740,248,511	319,284,062	139,983,934	695,214,180	363,435,000	15,559,865	259,902,156	104,440,374	26,173,105	3,664,241,187
Interest revenue	189,304,955	300,991,538	80,250,510	-	-	-	35,549,236	-	27,142,718	633,238,957
<b>Total segment revenue</b>	<b>1,936,572,265</b>	<b>1,753,616,894</b>	<b>696,586,532</b>	<b>737,662,578</b>	<b>379,272,467</b>	<b>25,643,881</b>	<b>466,922,961</b>	<b>104,440,374</b>	<b>2,815,421,167</b>	<b>8,916,139,119</b>
<b>Entity's revenue</b>										<b>8,916,139,119</b>
<b>Expenditure</b>										
Employee related costs	160,714,783	126,811,912	111,567,015	85,981,539	94,847,217	400,997,600	215,340,549	13,405,194	453,968,161	1,663,633,970
Depreciation	9,427,545	86,569,928	121,475,321	-	259,073,851	49,214,323	45,229,277	-	231,435,187	802,425,432
Finance costs	68,178,683	-	47,949,283	78,730,271	-	-	(5,587,886)	-	63,674,104	252,944,455
Debt Impairment	288,310,640	1,021,324,668	182,609,583	18,593,932	-	9,134,624	91,266,480	-	(56,751,727)	1,554,488,200
General Expenses	116,909,052	(12,225,675)	2,850,250	19,507,492	1,338,656	16,801,884	1,656,196	364,641	135,687,558	282,890,054
Bulk purchases	-	810,881,498	-	-	-	3,757,155	-	-	2,140,676,408	2,955,315,061
Contracted services	35,328,598	57,448,263	104,782,861	2,932,263	58,579,290	119,090,964	35,204,229	7,890,352	115,945,832	537,202,652
Gains and losses	1,927,874	1,214,385	428,800	(1,813,000)	22,036,627	1,157,943	14,663,649	-	48,323,047	87,939,325
Taxation	-	-	-	-	-	-	-	-	(96,816,589)	(96,816,589)
<b>Total segment expenditure</b>	<b>680,797,175</b>	<b>2,092,024,979</b>	<b>571,663,113</b>	<b>203,932,497</b>	<b>435,875,641</b>	<b>600,154,493</b>	<b>397,772,494</b>	<b>21,660,187</b>	<b>3,036,141,981</b>	<b>8,040,022,560</b>
<b>Total segmental surplus/(deficit)</b>	<b>1,255,775,09</b>	<b>(338,408,08</b>	<b>124,923,41</b>	<b>533,730,08</b>	<b>(56,603,17</b>	<b>(574,510,61</b>	<b>69,150,46</b>	<b>82,780,18</b>	<b>(220,720,81</b>	<b>876,116,559</b>
Add: Governance and administration										(843,771,895)
<b>Entity's surplus (deficit) for the period</b>										<b>32,344,664</b>

# Mangaung Metropolitan Municipality Group

Consolidated Annual Financial Statements for the year ended 30 June 2024

## Notes to the Consolidated Annual Financial Statements

Figures in Rand

	Finance	Water services	Waste water and sanitation services	Human Settlements and rural development	Roads and infrastructure	Community services and public safety	Refuse removal services	Public transport (IPTN)	Electricity (Centlec)	Total
<b>76. Segment information (continued)</b>										
<b>Surplus reconciliation</b>										
Total segment surplus	-	-	-	-	-	-	-	-	-	32,344,664
Total entity surplus	-	-	-	-	-	-	-	-	-	32,344,664
<b>Reconciling differences</b>	-	-	-	-	-	-	-	-	-	-

# Mangaung Metropolitan Municipality Group

Appendix A to the Consolidated Annual Financial Statements for the year ended 30 June 2024

## Councillors' arrear consumer accounts (over 90 days)

<b>Surname &amp; Initials</b>	<b>July 23</b>	<b>August 23</b>	<b>September 23</b>	<b>October 23</b>	<b>November 23</b>	<b>December 23</b>	<b>January 24</b>	<b>February 24</b>	<b>March 24</b>	<b>April 24</b>	<b>May 24</b>	<b>June 24</b>
Bouwer CL	-	-	-	-	-	-	-	16,807	18,037	19,277	17,525	15,784
Denner JH	2,412	2,429	2,446	2,462	2,479	2,496	2,512	2,529	2,546	2,562	2,579	2,596
De Kock VB	-	-	-	-	-	-	-	-	-	-	1,749	-
Jonas-Malephane V	1,929	3,007	4,095	5,252	5,293	4,218	4,961	5,036	5,111	5,175	4,872	4,569
Kruger CL	160,332	162,691	165,107	167,603	170,118	172,645	163,367	160,374	157,101	154,947	151,479	153,988
Letawana MM	51,728	57,342	58,678	64,682	70,767	82,835	86,994	93,368	99,216	106,986	97,184	87,852
Makau PE	106,475	105,925	105,413	105,953	105,524	104,124	104,389	104,047	103,744	103,456	103,207	102,987
Maliela ME	82,584	83,769	84,981	86,238	87,502	88,773	90,051	91,336	92,628	93,928	95,235	96,549
Matsoetlane MJ	1,981	2,044	2,101	2,165	2,226	3,138	514	1,226	1,949	8,836	8,539	7,227
MatsosoMF	9,217	9,359	9,499	9,645	9,790	9,936	10,059	10,184	9,116	9,241	8,888	9,124
Mohatle MS	91,173	93,348	95,568	97,879	100,205	102,546	104,903	107,277	109,666	112,071	114,492	116,929
Mohibidu PM	49,881	51,483	53,114	54,824	56,546	58,281	60,029	61,789	63,562	65,347	67,146	68,957
Mokoena JI (MMM)	5,170	4,065	5,441	6,902	-	58	1,538	3,033	4,443	3,743	3,057	2,387
Mokoena JI	40,527	40,527	40,527	40,527	40,527	40,527	40,527	40,527	40,527	40,527	40,527	40,527
Nthatisi GMS (MMM)	2,814	3,668	4,526	5,408	6,345	7,290	8,555	9,814	11,098	12,379	11,406	10,473
Nthatisi GMS	70,588	70,588	70,588	70,588	70,588	70,588	70,588	70,588	70,588	70,588	70,588	70,588
Nyaphudi LJ	170,687	173,441	176,254	179,150	182,091	185,048	188,175	191,313	186,544	189,718	183,672	193,675
Pretorius JC	11,770	14,187	16,632	-	-	-	2,677	5,140	-	-	-	-
Pretorius S	6,887	6,149	7,757	12,313	12,921	15,531	18,165	15,825	18,510	21,221	23,956	26,668
Rasoeu LER	584	584	584	584	584	584	584	584	584	584	584	584
Soqaga VS (MMM)	7,664	7,313	6,961	6,961	6,259	5,907	5,907	5,205	4,853	4,502	4,151	3,799
Soqaga VS	408	408	408	408	408	408	408	408	408	408	408	408
Nhlapo NA	-	-	-	-	-	1,844	3,135	4,445	5,768	7,104	6,229	5,368
Kganakga M	-	-	-	-	-	-	-	-	-	-	-	-
Tsoleli SP	-	-	-	-	-	-	-	14	39	-	-	-
Van Der Ross KE	8,103	9,064	10,036	11,066	12,105	13,153	14,211	15,278	13,715	12,162	10,618	9,083
Viviers BJ	4,574	3,431	(1,307)	1,396	796	901	1,300	1,081	3,397	1,198	348	1,099
<b>Total</b>	<b>887,488</b>	<b>904,822</b>	<b>919,409</b>	<b>932,006</b>	<b>943,074</b>	<b>970,831</b>	<b>983,549</b>	<b>1,017,228</b>	<b>,023,150</b>	<b>,045,960</b>	<b>1,028,439</b>	<b>,031,221</b>

# Mangaung Metropolitan Municipality Group

Appendix A to the Consolidated Annual Financial Statements for the year ended 30 June 2023

## Councillors' arrear consumer accounts (over 90 days)

<b>Surname &amp; Initials</b>	<b>July 22</b>	<b>August 22</b>	<b>September 22</b>	<b>October 22</b>	<b>November 22</b>	<b>December 22</b>	<b>January 23</b>	<b>February 23</b>	<b>March 23</b>	<b>April 23</b>	<b>May 23</b>	<b>June 23</b>
Denner JH	2,232	2,245	2,258	2,272	2,286	2,301	2,316	2,332	2,347	2,363	2,379	2,396
Ferreira TI	-	-	261	530	802	1,076	1,352	2,495	4,667	-	-	-
Jonas-Malephane V	-	-	-	-	-	-	-	-	-	-	-	860
Lelala MC	-	523	753	931	1,111	1,293	1,476	1,661	1,848	2,036	2,227	-
Letawana MM	11,496	16,128	1,534	5,984	9,475	13,983	19,148	25,161	30,366	35,615	40,929	46,306
Makau PE	124,799	115,721	113,267	109,641	107,506	106,506	105,506	108,744	108,997	107,319	106,677	107,053
Matsoetlane MJ	37,122	30,345	34,039	26,180	17,875	1,981	1,861	1,918	1,981	1,981	1,981	1,981
Mathae BL	-	-	-	-	-	-	-	-	29,509	16,036	9,299	-
Mohibidu PM	32,743	33,797	34,869	36,288	37,731	39,184	40,666	42,159	43,661	45,174	46,726	48,290
Mokoakoa MI	9,461	9,806	10,156	10,527	10,906	11,286	11,675	12,066	12,459	12,855	-	-
Mokoena JI (MMM)	4,488	3,783	3,963	5,307	1,163	-	479	1,873	3,230	4,569	2,422	3,788
Mokoena JI	40,527	40,527	40,527	40,527	40,527	40,527	40,527	40,527	40,527	40,527	40,527	40,527
Mothibi-Nkoane MM	9,288	9,765	10,249	10,974	11,709	12,449	13,201	13,959	14,723	15,492	-	-
Nthatisi GMS (MMM)	-	-	-	-	-	-	-	-	-	-	-	1,703
Nthatisi GMS	70,588	70,588	70,588	70,588	70,588	70,588	70,588	70,588	70,588	70,588	70,588	70,588
Nyaphudi LJ	139,401	140,236	142,621	145,128	147,961	150,548	152,953	155,499	158,099	160,716	165,007	167,818
Pretorius JC	-	-	-	-	-	-	-	-	2,328	4,655	7,004	9,375
Pretorius S	-	-	-	-	-	-	-	-	-	3,665	4,056	8,458
Rasoeu LER	584	584	584	584	584	584	584	584	584	584	584	584
Sebolao JE	28,769	23,142	19,576	16,297	13,492	10,544	7,509	4,365	5,104	1,385	2,760	1,607
Soqaga VS	-	-	-	-	-	-	-	-	-	8,718	8,367	8,327
Thwala ZJ	2,607	1,629	-	-	-	-	-	-	-	-	-	-
Tsoleli SP	168	168	177	-	-	-	-	-	-	1,281	601	-
Van Der Ross KE	-	-	-	-	-	-	2,544	3,438	4,352	5,275	6,208	7,150
<b>Total</b>	<b>514,273</b>	<b>498,987</b>	<b>485,422</b>	<b>481,758</b>	<b>473,716</b>	<b>462,850</b>	<b>472,385</b>	<b>487,369</b>	<b>535,370</b>	<b>540,834</b>	<b>518,342</b>	<b>526,811</b>