



Polokwane Municipality  
Unaudited Consolidated Annual Financial Statements  
for the year ended 30 June 2023

# Polokwane Municipality

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2023

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# Polokwane Municipality

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2023

## General Information

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|                                                             |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
|-------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Country of incorporation and domicile</b>                | South Africa                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| <b>Legal form of entity</b>                                 | Municipality in terms of Section 1 of the Local Government: Municipal Structures Act (Act 117 of 1998) read with Section 155 (1) of the Constitution of the Republic of South Africa (Act 108 of 1996)                                                                                                                                                                                                                                                                                                                                                                                                                   |
| <b>Legislation governing the municipality's operations</b>  | The Constitution of the Republic of South Africa, 1996<br>The Local Government: Municipal Structures Act, 1998 (Act 117 of 1998)<br>The Local Government: Municipal Systems Act, 2000 (Act 32 of 2000)<br>The Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003)<br>Local Government: Municipal Property Rates Act, 2004 (Act 6 of 2004)<br>Municipal Fiscal Powers and Functions Act, 2007 (Act 12 of 2007)<br>Local Government: Municipal Demarcation Act, 1998 (Act 27 of 1998)<br>Intergovernmental Relations Framework Act, 2005 (Act 13 of 2005)<br>Division of Revenue Act (Act 1 of 2007) |
| <b>Executive mayor and chairperson of mayoral committee</b> |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| <b>Portfolio</b>                                            | <b>Councillor</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| Honourable Mayor and chairperson of mayoral committee       | MJ Mpe                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| Speaker                                                     | KW Modiba                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| Chief WIP                                                   | PA Rapetswa                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| MMC Finance                                                 | T Nkwe                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| MMC Water and Sanitation                                    | MA Moakamedi                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| MMC Roads, Transport and Stormwater                         | MK Kgare                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| MMC LED, Land use and Spatial Planning                      | PR Mashangoane                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| MMC Admin and Governance                                    | FZ Mashalane                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| MMC Housing                                                 | J Pemma                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| MMC Sports, Arts, Culture and Special Focus                 | TJ Mamabolo                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| MMC Energy Provision                                        | TD Moloto                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| MMC Waste and Environment                                   | SJ Malope                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| MMC Community Services                                      | RV Shadung                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |

# Polokwane Municipality

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2023

## General Information

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### Council Members

| Nr | Surname    | Initials | Nr | Surname      | Initials |
|----|------------|----------|----|--------------|----------|
| 1  | Baloyi     | KJ       | 2  | Bologo       | N        |
| 3  | Botha      | AH       | 4  | Chidi        | TDR      |
| 5  | Choshi     | PP       | 6  | Clarke       | S        |
| 7  | Dikgale    | SJ       | 8  | Hamise       | HL       |
| 9  | Hiine      | PJ       | 10 | Hopane       | ME       |
| 11 | Joubert    | FJ       | 12 | Kalla        | SSMG     |
| 13 | Kganyago   | SM       | 14 | Komape       | MP       |
| 15 | Leballo    | MM       | 16 | Lebogo       | MJ***    |
| 17 | Legodi     | NP       | 18 | Lephalala    | LF       |
| 19 | Letsoalo   | MF**     | 20 | Lourens      | RF       |
| 21 | Lubbe      | H        | 22 | Mabasa       | WM       |
| 23 | Mabote     | MG       | 24 | Mahladisa    | MJ***    |
| 25 | Mahlatji   | MS       | 26 | Mahopo       | MS       |
| 27 | Mailula    | KE       | 28 | Makhafola    | MD       |
| 29 | Malatji    | KM       | 30 | Malope       | SJ       |
| 31 | Mamadi     | E        | 32 | Marx         | HF       |
| 33 | Mashabela  | AS       | 34 | Matoho       | K        |
| 35 | Mathye     | MV       | 36 | Matonzi      | MT       |
| 37 | Modiba     | MD       | 38 | Modiba       | MT       |
| 39 | Mogoboya   | ML       | 40 | Mohlapamaswi | E        |
| 41 | Mahloana   | TK       | 42 | Mokgohloa    | TS       |
| 43 | Mokobodi   | MV       | 44 | Mokome       | MS       |
| 45 | Molepo     | FJ       | 46 | Malope       | MM       |
| 47 | Moloto     | MH       | 48 | Morifi       | TJ       |
| 49 | Morotoba   | FM       | 50 | Moshoeu      | PE       |
| 51 | Mothapo    | M        | 52 | Mothiba      | TP       |
| 53 | Mphelo     | MD       | 54 | Murwa        | TPK      |
| 55 | Muthabine  | MR       | 56 | Nchabeleng   | MM       |
| 57 | Ngoasheng  | LH       | 58 | Ntlemo       | TJ       |
| 59 | Pheedi     | MR       | 60 | Phoshoko     | MS       |
| 61 | Phukubje   | D        | 62 | Pretorius    | M        |
| 63 | Radise     | CM       | 64 | Ralefatane   | MR       |
| 65 | Ramakgolo  | MM       | 66 | Ramaphakela  | MF       |
| 67 | Ramaselele | MS       | 68 | Ramoraswi    | MJ       |
| 69 | Raphela    | MP       | 70 | Ratsoma      | M        |
| 73 | Retters    | HJ       | 74 | Sathekge     | MW***    |
| 75 | Sebati     | SA       | 76 | Segoale      | ML       |
| 77 | Seshoka    | JS*      | 78 | Shadung      | MA       |
| 79 | Shibambu   | KB       | 80 | Shivhabu     | NA       |
| 81 | Malebana   | CC^^     | 82 | Mohlabeng    | DM^^     |
| 83 | Mothapo    | JE^^     | 84 | Photo        | RD^^^    |
| 85 | Raphela    | TR^      |    |              |          |

\*Councillors who have been sworn in during February 2023.

\*\*Councillors who have been sworn in on 15 May 2023.

\*\*\*Councillors who have been sworn in on 23 June 2023.

^Councillors who have ceased to hold office on 18 April 2023. | ^^Councillors who have ceased to hold office on 19 June 2023

^^^Councillor deceased during October 2022.

# Polokwane Municipality

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2023

## General Information

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### Executive management

| <b>Position</b>                                               | <b>Name</b>    |
|---------------------------------------------------------------|----------------|
| Municipal Manager                                             | TLP Nemugumoni |
| Chief Financial Officer                                       | N Essa         |
| Deputy Chief Financial Officer                                | T Nonyane      |
| Director Planning and Economic Development                    | M Mashego      |
| Director Community Services                                   | E Hutamo       |
| Acting Director Corporate and Shared Services                 | PD Matsi       |
| Acting Director Strategic Planning, Monitoring and Evaluation | V Mthombeni    |
| Acting Director Transportation Services                       | D Ramakgwakgwa |
| Director Energy Services                                      | J Fourie       |
| Acting Director Water and Sanitation                          | M Thaba        |

### Members of the Audit Committee

|             |              |
|-------------|--------------|
| Chairperson | SAB Ngobeni  |
| Member      | R Maboe      |
| Member      | TA Lekoloane |
| Member      | KA Mabitsela |
| Member      | MD Mogano    |

**Accounting Officer** TLP Nemugumoni

**Chief Financial Officer (CFO)** N Essa

**Executive Mayor** M.J Mpe

**Grading of local authority** 10

### Attorneys

AM Carrim Attorneys  
Maboku Mangena Attorneys  
Kgatla Incorporated  
Matabane Incorporated  
Noko Maimela Incorporated  
Rachoene Attorneys  
Mohale Incorporated  
Popela Maake Incorporated

**Telephone** 015 023 5000

**Auditors** Auditor-General of South Africa (AGSA)

# Polokwane Municipality

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2023

## Abbreviations

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

# Polokwane Municipality

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2023

## Abbreviations

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|      |                                    |
|------|------------------------------------|
| SARS | South African Revenue Services     |
| SCM  | Supply Chain Management            |
| UIF  | Unemployment Insurance Fund        |
| VAT  | Value Added Tax                    |
| WSIG | Water Service Infrastructure Grant |

# Polokwane Municipality

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2023

## 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 is responsible for the content and integrity of the unaudited consolidated annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the unaudited 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 unaudited consolidated annual financial statements and was given unrestricted access to all financial records and related data.

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

The accounting officer acknowledges that she is ultimately responsible for the system of internal financial control established by the group 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 group and all employees are required to maintain the highest ethical standards in ensuring the group's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the group is on identifying, assessing, managing and monitoring all known forms of risk across the group. While operating risk cannot be fully eliminated, the group endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the unaudited 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 group's cash flow forecast for the year to 30 June 2024 and, in the light of this review and the current financial position, she is satisfied that the group has or has access to adequate resources to continue in operational existence for the foreseeable future.

I certify that the salaries, allowances and benefits of councillors as disclosed in Note 37 to these annual financial statements are within the upper limits of the framework envisaged in section 219 of the Constitution of the Republic of South Africa, read with the Remuneration of Public Office Bearers Act, Act 20 of 1998 and the Minister of Provincial and Local Government's determination in accordance with the Act.

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**Thuso Nemugumoni**  
**Municipal Manager**



# Polokwane Municipality

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2023

## Accounting Officer's Report

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The accounting officer submits her report for the year ended 30 June 2023.

### 1. Review of activities

#### Main business and operations

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

Net deficit of the group was R 331 702 784 (2022: deficit R 283 754 693).

### 2. Going concern

We draw attention to the fact that at 30 June 2023, the municipality had an accumulated surplus of R 5 432 925 497 and that the municipality's total assets exceed its liabilities by R16 170 032 026.

The unaudited 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. All impairments were measured and judged in line with past performances.

### 3. Subsequent events

The accounting officer is not aware of any matter or circumstance arising since the end of the financial year, that may need to be adjusted for or disclosed in the Financial Statements. The Chief Financial Officer, Naazim Essa resigned on the 30th August 2023.

The unaudited consolidated annual financial statements set out on pages 9 to 141, which have been prepared on the going concern basis, were approved by the accounting officer on 30 September 2023 and were signed on its behalf by:

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**Thuso Nemugumoni**  
Municipal Manager

# Polokwane Municipality

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2023

## Statement of Financial Position as at 30 June 2023

| Figures in Rand                              | Note(s) | Group                 |                       | Company               |                       |
|----------------------------------------------|---------|-----------------------|-----------------------|-----------------------|-----------------------|
|                                              |         | 2023                  | 2022<br>Restated*     | 2023                  | 2022<br>Restated*     |
| <b>Assets</b>                                |         |                       |                       |                       |                       |
| <b>Current Assets</b>                        |         |                       |                       |                       |                       |
| Cash and cash equivalents                    | 3       | 187 784 673           | 235 040 446           | 184 371 391           | 232 670 007           |
| Receivables from exchange transactions       | 4       | 723 147 192           | 796 823 669           | 723 147 192           | 796 823 669           |
| Other receivables from exchange transactions | 5       | 34 455 233            | 31 787 715            | 33 748 015            | 31 136 848            |
| Receivables from non-exchange transactions   | 6       | 346 407 367           | 295 297 700           | 346 399 818           | 295 294 041           |
| Inventories                                  | 7       | 93 995 322            | 122 652 833           | 93 995 322            | 122 652 833           |
| VAT receivable                               | 8       | 45 397 113            | 14 896 268            | 45 397 113            | 14 896 268            |
| VAT input accrual                            |         | 92 221 762            | 108 169 344           | 92 221 762            | 108 169 344           |
|                                              |         | <b>1 523 408 662</b>  | <b>1 604 667 975</b>  | <b>1 519 280 613</b>  | <b>1 601 643 010</b>  |
| <b>Non-Current Assets</b>                    |         |                       |                       |                       |                       |
| Investment property                          | 9       | 994 131 414           | 961 287 293           | 994 131 414           | 961 287 293           |
| Property, plant and equipment                | 10      | 15 100 334 043        | 12 968 557 112        | 14 679 379 626        | 12 593 252 488        |
| Biological assets                            | 11      | 14 905 421            | 14 872 363            | 14 905 421            | 14 872 363            |
| Heritage assets                              | 12      | 21 867 568            | 21 867 568            | 21 867 568            | 21 867 568            |
| Intangible assets                            | 13      | 35 118 295            | 38 612 063            | 35 093 576            | 38 578 911            |
| Investment in subsidiary                     | 14      | -                     | -                     | 1 000                 | 1 000                 |
| Living resources                             | 16      | 9 368 462             | 5 912 645             | 9 368 462             | 5 912 645             |
|                                              |         | <b>16 175 725 203</b> | <b>14 011 109 044</b> | <b>15 754 747 067</b> | <b>13 635 772 268</b> |
| <b>Total Assets</b>                          |         | <b>17 699 133 865</b> | <b>15 615 777 019</b> | <b>17 274 027 680</b> | <b>15 237 415 278</b> |
| <b>Liabilities</b>                           |         |                       |                       |                       |                       |
| <b>Current Liabilities</b>                   |         |                       |                       |                       |                       |
| Consumer deposits                            | 17      | 66 794 150            | 67 346 075            | 66 794 150            | 67 346 075            |
| Payables from exchange transactions          | 18      | 630 074 969           | 833 225 825           | 613 278 176           | 829 062 586           |
| Payables from non-exchange transactions      | 19      | 25 780 275            | 155 816 530           | 25 771 966            | 155 808 221           |
| Borrowings                                   | 20      | 25 088 400            | 22 587 835            | 25 088 400            | 22 587 835            |
| Finance Lease liabilities                    | 21      | 21 052 712            | 8 215 040             | 21 052 712            | 8 215 040             |
| Provisions                                   | 22      | -                     | 10 504 499            | -                     | 10 504 499            |
| Employee benefits                            | 23      | 9 640 921             | 12 932 007            | 9 116 740             | 11 902 119            |
| VAT output accrual                           |         | 135 527 215           | 137 432 402           | 135 527 215           | 137 432 402           |
|                                              |         | <b>913 958 642</b>    | <b>1 248 060 213</b>  | <b>896 629 359</b>    | <b>1 242 858 777</b>  |
| <b>Non-Current Liabilities</b>               |         |                       |                       |                       |                       |
| Borrowings                                   | 20      | 347 688 492           | 372 776 892           | 347 688 492           | 372 776 892           |
| Finance Lease liabilities                    | 21      | 4 576 739             | 14 569 432            | 4 576 739             | 14 569 432            |
| Provisions                                   | 22      | 117 269 606           | 123 129 315           | 117 269 606           | 123 129 315           |
| Employee benefits                            | 23      | 397 144 612           | 405 586 008           | 397 144 611           | 405 586 008           |
|                                              |         | <b>866 679 449</b>    | <b>916 061 647</b>    | <b>866 679 448</b>    | <b>916 061 647</b>    |
| <b>Total Liabilities</b>                     |         | <b>1 780 638 091</b>  | <b>2 164 121 860</b>  | <b>1 763 308 807</b>  | <b>2 158 920 424</b>  |
| <b>Net Assets</b>                            |         | <b>15 918 495 774</b> | <b>13 451 655 159</b> | <b>15 510 718 873</b> | <b>13 078 494 854</b> |
| <b>Net assets presented by:</b>              |         |                       |                       |                       |                       |
| Reserves and funds                           | 24      | 10 360 142 341        | 7 561 598 892         | 10 242 353 680        | 7 483 281 096         |
| Accumulated surplus                          |         | 5 558 353 451         | 5 890 056 257         | 5 268 365 211         | 5 595 213 747         |
| <b>Total Net Assets</b>                      |         | <b>15 918 495 792</b> | <b>13 451 655 149</b> | <b>15 510 718 891</b> | <b>13 078 494 843</b> |

\* See Note 63

# Polokwane Municipality

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2023

## Statement of Financial Performance

| Figures in Rand                           | Note(s) | Group                |                      | Company              |                      |
|-------------------------------------------|---------|----------------------|----------------------|----------------------|----------------------|
|                                           |         | 2023                 | 2022<br>Restated*    | 2023                 | 2022<br>Restated*    |
| <b>Revenue</b>                            |         |                      |                      |                      |                      |
| <b>Exchange Revenue</b>                   |         |                      |                      |                      |                      |
| Services charges - Electricity            | 29      | 1 180 205 665        | 1 217 848 859        | 1 180 205 665        | 1 217 848 859        |
| Services charges - Waste management       | 29      | 141 795 082          | 145 805 596          | 141 795 082          | 145 805 596          |
| Services charges - Waste water management | 29      | 156 210 029          | 163 146 829          | 156 210 029          | 163 146 829          |
| Services charges - Water                  | 29      | 264 634 375          | 288 397 039          | 264 634 375          | 288 397 039          |
| Rental                                    | 30      | 46 043 182           | 39 953 070           | 34 557 460           | 28 617 938           |
| Interests on investments                  | 31      | 38 814 996           | 9 640 821            | 38 814 996           | 9 640 821            |
| Interest earned from receivables          | 28      | 75 516 572           | 42 220 304           | 75 516 570           | 42 220 304           |
| Licences or permits                       | 32.1    | 13 788 739           | 13 494 592           | 13 788 739           | 13 494 592           |
| Agency services                           | 33      | 23 554 336           | 21 865 224           | 23 554 336           | 21 865 224           |
| Operational revenue                       | 34      | 41 536 510           | 3 963 751            | 41 536 510           | 3 963 751            |
| Sales of goods and rendering of services  | 35      | 26 360 476           | 21 251 054           | 26 360 476           | 21 251 054           |
| <b>Total Exchange Revenue</b>             |         | <b>2 008 459 962</b> | <b>1 967 587 139</b> | <b>1 996 974 238</b> | <b>1 956 252 007</b> |
| <b>Non-Exchange Revenue</b>               |         |                      |                      |                      |                      |
| Property rates                            | 25      | 573 341 488          | 528 048 588          | 573 341 488          | 528 048 588          |
| Transfers and subsidies                   | 26      | 2 016 138 369        | 1 871 344 458        | 2 016 138 370        | 1 871 344 458        |
| Fines, penalties and forfeits             | 27      | 42 532 264           | 32 030 491           | 42 451 266           | 31 864 937           |
| Interest earned from receivables          | 28      | 40 925 649           | 28 231 142           | 40 925 649           | 28 231 142           |
| <b>Total Non-Exchange Revenue</b>         |         | <b>2 672 937 770</b> | <b>2 459 654 679</b> | <b>2 672 856 773</b> | <b>2 459 489 125</b> |
| <b>Total Revenue</b>                      |         | <b>4 681 397 732</b> | <b>4 427 241 818</b> | <b>4 669 831 011</b> | <b>4 415 741 132</b> |
| <b>Expenditure</b>                        |         |                      |                      |                      |                      |
| Employee related cost                     | 36      | 1 082 073 685        | 1 037 529 538        | 1 072 016 183        | 1 026 750 358        |
| Remuneration of councillors               | 37      | 41 383 620           | 39 349 489           | 41 383 620           | 39 349 489           |
| Irrecoverable debts written off           | 38      | 328 701 294          | 206 268 071          | 324 015 241          | 199 542 544          |
| Depreciation and amortisation             | 39      | 728 502 944          | 764 758 804          | 723 166 105          | 762 176 405          |
| Finance costs                             | 40      | 57 837 288           | 59 736 932           | 57 837 288           | 59 736 932           |
| Bulk purchases                            | 41      | 856 611 259          | 878 180 154          | 856 611 259          | 878 180 154          |
| Inventory consumed                        | 42      | 225 856 708          | 254 051 865          | 225 856 708          | 254 051 865          |
| Contracted services                       | 43      | 840 914 461          | 1 004 805 958        | 840 315 341          | 1 004 312 682        |
| Transfers and subsidies                   | 44      | 480 000              | 440 000              | 9 671 404            | 45 240 000           |
| Operational cost                          | 45      | 263 276 242          | 246 261 811          | 258 345 313          | 239 559 789          |
| <b>Total Expenditure</b>                  |         | <b>4 425 637 501</b> | <b>4 491 382 622</b> | <b>4 409 218 462</b> | <b>4 508 900 218</b> |
| <b>Operating Surplus (deficit)</b>        |         | <b>255 760 231</b>   | <b>(64 140 804)</b>  | <b>260 612 549</b>   | <b>(93 159 086)</b>  |
| Gain/(losses) on disposal of assets       | 46      | (583 009 739)        | (68 287 563)         | (583 009 739)        | (68 287 563)         |
| Fair value adjustments                    | 47      | 114 834 361          | (16 671 055)         | 114 834 361          | (16 671 055)         |
| Inventories (write-down)                  | 48      | (88 136 885)         | (116 111 663)        | (88 136 885)         | (116 111 663)        |
| Impairment losses                         | 49      | (31 150 752)         | (18 543 608)         | (31 148 802)         | (18 527 940)         |
| <b>Deficit for the year</b>               |         | <b>(331 702 784)</b> | <b>(283 754 693)</b> | <b>(326 848 516)</b> | <b>(312 757 307)</b> |

\* See Note 63

# Polokwane Municipality

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2023

## Statement of changes in net assets

| Figures in Rand                             | Revaluation reserve   | Accumulated surplus  | Total net assets      |
|---------------------------------------------|-----------------------|----------------------|-----------------------|
| <b>Group</b>                                |                       |                      |                       |
| Opening balance as previously reported      | 7 703 503 193         | 5 961 309 654        | 13 664 812 847        |
| Adjustments                                 |                       |                      |                       |
| Correction of errors                        | (55 224 804)          | 212 501 296          | 157 276 492           |
| <b>Balance at 01 July 2021 as restated*</b> | <b>7 648 278 389</b>  | <b>6 173 810 950</b> | <b>13 822 089 339</b> |
| Surplus for the year                        | -                     | (283 754 693)        | (283 754 693)         |
| Increase in revaluation reserve             | (86 679 497)          | -                    | (86 679 497)          |
| Total changes                               | (86 679 497)          | (283 754 693)        | (370 434 190)         |
| <b>Restated* Balance at 01 July 2022</b>    | <b>7 601 069 756</b>  | <b>5 890 056 235</b> | <b>13 491 125 991</b> |
| Surplus for the year                        | -                     | (331 702 784)        | (331 702 784)         |
| Increase in revaluation reserve             | 2 759 072 585         | -                    | 2 759 072 585         |
| Total changes                               | 2 759 072 585         | (331 702 784)        | 2 427 369 801         |
| <b>Balance at 30 June 2023</b>              | <b>10 360 142 341</b> | <b>5 558 353 451</b> | <b>15 918 495 792</b> |
| Note(s)                                     | 24                    |                      |                       |
| <b>Company</b>                              |                       |                      |                       |
| Opening balance as previously reported      | 7 625 185 397         | 5 767 305 366        | 13 392 490 763        |
| Adjustments                                 |                       |                      |                       |
| Correction of errors                        | (55 224 804)          | 140 665 688          | 85 440 884            |
| <b>Balance at 01 July 2021 as restated*</b> | <b>7 569 960 593</b>  | <b>5 907 971 054</b> | <b>13 477 931 647</b> |
| Surplus/(Deficit) for the year              | -                     | (312 757 307)        | (312 757 307)         |
| Increase in revaluation reserve             | (86 679 497)          | -                    | (86 679 497)          |
| Total changes                               | (86 679 497)          | (312 757 307)        | (399 436 804)         |
| <b>Balance at 01 July 2022 as restated*</b> | <b>7 483 281 095</b>  | <b>5 595 213 727</b> | <b>13 078 494 822</b> |
| Surplus/(Deficit) for the year              | -                     | (326 848 516)        | (326 848 516)         |
| Increase in revaluation reserve             | 2 759 072 585         | -                    | 2 759 072 585         |
| Total changes                               | 2 759 072 585         | (326 848 516)        | 2 432 224 069         |
| <b>Balance at 30 June 2023</b>              | <b>10 242 353 680</b> | <b>5 268 365 211</b> | <b>15 510 718 891</b> |
| Note(s)                                     | 24                    |                      |                       |

\* See Note 63

# Polokwane Municipality

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2023

## Cash Flow Statement

| Figures in Rand                                     | Note(s) | Group                |                      | Company              |                      |
|-----------------------------------------------------|---------|----------------------|----------------------|----------------------|----------------------|
|                                                     |         | 2023                 | 2022<br>Restated*    | 2023                 | 2022<br>Restated*    |
| <b>Cash flows from operating activities</b>         |         |                      |                      |                      |                      |
| <b>Receipts</b>                                     |         |                      |                      |                      |                      |
| Cash receipts from customers                        |         | 2 252 913 103        | 2 177 349 308        | 2 245 587 845        | 2 154 908 023        |
| Transfers and Subsidies                             |         | 1 886 102 116        | 1 939 013 014        | 1 886 102 116        | 1 946 615 086        |
| Interest                                            |         | 37 479 152           | 9 640 820            | 37 479 150           | 9 640 821            |
| <b>Payments</b>                                     |         |                      |                      |                      |                      |
| Suppliers and employees                             |         | (3 504 854 880)      | (3 489 858 732)      | (3 499 283 941)      | (3 519 577 496)      |
| Finance charges                                     |         | (46 109 771)         | (59 772 752)         | (46 073 292)         | (59 736 932)         |
| <b>Net cash from(used) operating activities</b>     | 51      | <b>625 529 720</b>   | <b>576 371 658</b>   | <b>623 811 878</b>   | <b>531 849 502</b>   |
| <b>Cash flows from investing activities</b>         |         |                      |                      |                      |                      |
| <b>Receipts</b>                                     |         |                      |                      |                      |                      |
| Proceeds on disposal of fixed and intangible assets |         | 560 588              | -                    | 560 588              | -                    |
| <b>Payments</b>                                     |         |                      |                      |                      |                      |
| Capital assets                                      |         | (640 642 886)        | (614 505 920)        | (639 967 887)        | (570 508 003)        |
| <b>Net cash flows from investing activities</b>     |         | <b>(640 082 298)</b> | <b>(614 505 920)</b> | <b>(639 407 299)</b> | <b>(570 508 003)</b> |
| <b>Cash flows from financing activities</b>         |         |                      |                      |                      |                      |
| <b>Payments</b>                                     |         |                      |                      |                      |                      |
| Decrease in borrowing long-term                     |         | (22 587 835)         | (20 076 910)         | (22 587 835)         | (20 076 910)         |
| Decrease in finance lease                           |         | (10 115 360)         | (9 749 350)          | (10 115 360)         | (9 749 350)          |
| <b>Net cash flows from financing activities</b>     |         | <b>(32 703 195)</b>  | <b>(29 826 260)</b>  | <b>(32 703 195)</b>  | <b>(29 826 260)</b>  |
| <b>Net increase/(decrease) in cash</b>              |         | <b>(47 255 773)</b>  | <b>(67 960 522)</b>  | <b>(48 298 616)</b>  | <b>(68 484 761)</b>  |
| Cash and cash equivalents at year begin             |         | 235 040 446          | 303 000 968          | 232 670 007          | 301 154 768          |
| <b>Cash and cash equivalents at year end</b>        |         | <b>187 784 673</b>   | <b>235 040 446</b>   | <b>184 371 391</b>   | <b>232 670 007</b>   |

\* See Note 63

# Polokwane Municipality

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2023

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

|                                                 | Approved budget        | Adjustments          | Final Budget           | Actual amounts on comparable basis | Difference between final budget and actual | Reference |
|-------------------------------------------------|------------------------|----------------------|------------------------|------------------------------------|--------------------------------------------|-----------|
| Figures in Rand                                 |                        |                      |                        |                                    |                                            |           |
| <b>Group</b>                                    |                        |                      |                        |                                    |                                            |           |
| <b>Statement of Financial Performance</b>       |                        |                      |                        |                                    |                                            |           |
| <b>Revenue</b>                                  |                        |                      |                        |                                    |                                            |           |
| <b>Revenue from non exchange transactions</b>   |                        |                      |                        |                                    |                                            |           |
| Fines, penalties and forfeits                   | 40 161 631             | -                    | 40 161 631             | 42 532 264                         | 2 370 633                                  | BD1       |
| Licences or permits                             | 421 411                | -                    | 421 411                | -                                  | (421 411)                                  | BD2       |
| Property rates                                  | 587 175 644            | -                    | 587 175 644            | 573 341 488                        | (13 834 156)                               | BD1       |
| Transfers and subsidies                         | 2 156 803 000          | (119 790 640)        | 2 037 012 360          | 2 016 138 369                      | (20 873 991)                               | BD1       |
| Interest, dividend and rent on land             | 21 321 376             | -                    | 21 321 376             | 40 925 649                         | 19 604 273                                 | BD3       |
| <b>Total revenue from exchange transactions</b> | <b>2 805 883 062</b>   | <b>(119 790 640)</b> | <b>2 686 092 422</b>   | <b>2 672 937 770</b>               | <b>(13 154 652)</b>                        |           |
| <b>Revenue from exchange transactions</b>       |                        |                      |                        |                                    |                                            |           |
| Agency services                                 | 32 442 756             | -                    | 32 442 756             | 23 554 336                         | (8 888 420)                                | BD4       |
| Interests on investments                        | 20 000 000             | -                    | 20 000 000             | 38 814 996                         | 18 814 996                                 | BD5       |
| Interest earned from receivables                | 85 286 163             | (495)                | 85 285 668             | 75 516 572                         | (9 769 096)                                | BD6       |
| Operational revenue                             | 37 288 320             | -                    | 37 288 320             | 41 536 510                         | 4 248 190                                  | BD7       |
| Rental from Fixed Assets                        | 25 822 240             | (2 102 000)          | 23 720 240             | 46 043 182                         | 22 322 942                                 | BD8       |
| Sales of goods and rendering of services        | 13 549 771             | -                    | 13 549 771             | 26 360 476                         | 12 810 705                                 | BD9       |
| Services charges - Electricity                  | 1 556 068 914          | -                    | 1 556 068 914          | 1 180 205 665                      | (375 863 249)                              | BD10      |
| Services charges - Waste management             | 133 622 947            | -                    | 133 622 947            | 141 795 082                        | 8 172 135                                  | BD1       |
| Services charges - Waste water management       | 138 979 993            | -                    | 138 979 993            | 156 210 029                        | 17 230 036                                 | BD11      |
| Services charges - Water                        | 299 859 872            | -                    | 299 859 872            | 264 634 375                        | (35 225 497)                               | BD12      |
| Licences or permits                             | 13 465 044             | -                    | 13 465 044             | 13 788 739                         | 323 695                                    | BD1       |
| <b>Total revenue from exchange transactions</b> | <b>2 356 386 020</b>   | <b>(2 102 495)</b>   | <b>2 354 283 525</b>   | <b>2 008 459 962</b>               | <b>(345 823 563)</b>                       |           |
| <b>Total revenue</b>                            | <b>5 162 269 082</b>   | <b>(121 893 135)</b> | <b>5 040 375 947</b>   | <b>4 681 397 732</b>               | <b>(358 978 215)</b>                       |           |
| <b>Expenditure</b>                              |                        |                      |                        |                                    |                                            |           |
| Bad debts written off                           | (268 000 000)          | (3 524 017)          | (271 524 017)          | (328 701 294)                      | (57 177 277)                               | BD13      |
| Bulk purchases                                  | (976 579 780)          | 113 513 059          | (863 066 721)          | (856 611 259)                      | 6 455 462                                  | BD1       |
| Contracted services                             | (871 901 498)          | 31 025 981           | (840 875 517)          | (840 914 461)                      | (38 944)                                   | BD1       |
| Depreciation, amortisation and impairment       | (265 027 002)          | (185 396 176)        | (450 423 178)          | (728 502 944)                      | (278 079 766)                              | BD14      |
| Employee related costs                          | (1 181 205 927)        | 38 483 404           | (1 142 722 523)        | (1 082 073 685)                    | 60 648 838                                 | BD1       |
| Finance costs                                   | (42 336 217)           | (15 501 072)         | (57 837 289)           | (57 837 288)                       | 1                                          | BD1       |
| Inventory consumed                              | (307 541 119)          | 80 499 629           | (227 041 490)          | (225 856 708)                      | 1 184 782                                  | BD15      |
| Remuneration of councillors                     | (41 916 643)           | 533 022              | (41 383 621)           | (41 383 620)                       | 1                                          | BD1       |
| Operational cost                                | (271 802 802)          | (64 768 825)         | (336 571 627)          | (263 276 242)                      | 73 295 385                                 | BD16      |
| Transfers and subsidies                         | (3 000 000)            | 1 900 000            | (1 100 000)            | (480 000)                          | 620 000                                    | BD17      |
| <b>Total expenditure</b>                        | <b>(4 229 310 988)</b> | <b>(3 234 995)</b>   | <b>(4 232 545 983)</b> | <b>(4 425 637 501)</b>             | <b>(193 091 518)</b>                       |           |
| <b>Operating surplus</b>                        | <b>932 958 094</b>     | <b>(125 128 130)</b> | <b>807 829 964</b>     | <b>255 760 231</b>                 | <b>(552 069 733)</b>                       |           |

# Polokwane Municipality

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2023

## Comparison of Budget and Actual Amounts for the year ended 30 June 2023

|                                                                                                      | Original budget    | *Budget adjustments  | Final adjustments budget | **Shifting of funds  | ***Virement            | Final budget | Unauthorised expenditure |
|------------------------------------------------------------------------------------------------------|--------------------|----------------------|--------------------------|----------------------|------------------------|--------------|--------------------------|
| Figures in Rand                                                                                      |                    |                      |                          |                      |                        |              |                          |
| Loss on disposal of assets and liabilities                                                           | -                  | -                    | -                        | (583 009 739)        | <b>(583 009 739)</b>   |              |                          |
| Fair value adjustments                                                                               | -                  | -                    | -                        | 114 834 361          | <b>114 834 361</b>     |              |                          |
| Impairment loss                                                                                      | -                  | -                    | -                        | (31 150 752)         | <b>(31 150 752)</b>    |              |                          |
| Inventories (write-down)                                                                             | -                  | -                    | -                        | (88 136 885)         | <b>(88 136 885)</b>    |              |                          |
|                                                                                                      | -                  | -                    | -                        | <b>(587 463 015)</b> | <b>(587 463 015)</b>   |              |                          |
| <b>Deficit before taxation</b>                                                                       | <b>932 958 094</b> | <b>(125 128 130)</b> | <b>807 829 964</b>       | <b>(331 702 784)</b> | <b>(1 139 532 748)</b> |              |                          |
| <b>Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement</b> | <b>932 958 094</b> | <b>(125 128 130)</b> | <b>807 829 964</b>       | <b>(331 702 784)</b> | <b>(1 139 532 748)</b> |              |                          |

# Polokwane Municipality

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2023

## Comparison of Budget and Actual Amounts for the year ended 30 June 2023

|                                                     | Original budget        | *Budget adjustments  | Final adjustments budget | **Shifting of funds    | ***Virement          | Final budget | Unauthorised expenditure |
|-----------------------------------------------------|------------------------|----------------------|--------------------------|------------------------|----------------------|--------------|--------------------------|
| Figures in Rand                                     |                        |                      |                          |                        |                      |              |                          |
| <b>Company</b>                                      |                        |                      |                          |                        |                      |              |                          |
| <b>Statement of Financial Performance</b>           |                        |                      |                          |                        |                      |              |                          |
| <b>Revenue</b>                                      |                        |                      |                          |                        |                      |              |                          |
| <b>Revenue from non-exchange transactions</b>       |                        |                      |                          |                        |                      |              |                          |
| Fines, penalties and forfeits                       | 40 161 631             | -                    | 40 161 631               | 42 451 266             | 2 289 635            |              | BD1                      |
| Licences or permits                                 | 421 411                | -                    | 421 411                  | -                      | (421 411)            |              | BD2                      |
| Property rates                                      | 587 175 644            | -                    | 587 175 644              | 573 341 488            | (13 834 156)         |              | BD1                      |
| Transfers and subsidies                             | 2 156 803 000          | (119 790 640)        | 2 037 012 360            | 2 016 138 370          | (20 873 990)         |              | BD1                      |
| Interest, dividend and rent on land                 | 21 321 376             | -                    | 21 321 376               | 40 925 649             | 19 604 273           |              | BD3                      |
| <b>Total revenue from non-exchange transactions</b> | <b>2 805 883 062</b>   | <b>(119 790 640)</b> | <b>2 686 092 422</b>     | <b>2 672 856 773</b>   | <b>(13 235 649)</b>  |              |                          |
| <b>Revenue from exchange transactions</b>           |                        |                      |                          |                        |                      |              |                          |
| Agency services                                     | 30 442 756             | -                    | 30 442 756               | 23 554 336             | (6 888 420)          |              | BD4                      |
| Interest on investments                             | 20 000 000             | -                    | 20 000 000               | 38 814 996             | 18 814 996           |              | BD5                      |
| Interest earned from receivables                    | 85 285 503             | -                    | 85 285 503               | 75 516 570             | (9 768 933)          |              | BD6                      |
| Operational revenue                                 | 37 288 320             | -                    | 37 288 320               | 41 536 510             | 4 248 190            |              | BD7                      |
| Rental from Fixed Assets                            | 11 950 240             | -                    | 11 950 240               | 34 557 460             | 22 607 220           |              | BD8                      |
| Sales of goods and rendering of services            | 13 549 771             | -                    | 13 549 771               | 26 360 476             | 12 810 705           |              | BD9                      |
| Services charges - Electricity                      | 1 556 068 914          | -                    | 1 556 068 914            | 1 180 205 665          | (375 863 249)        |              | BD10                     |
| Services charges - Waste management                 | 133 622 947            | -                    | 133 622 947              | 141 795 082            | 8 172 135            |              | BD1                      |
| Services charges - Waste water management           | 138 979 993            | -                    | 138 979 993              | 156 210 029            | 17 230 036           |              | BD11                     |
| Services charges - Water                            | 299 859 872            | -                    | 299 859 872              | 264 634 375            | (35 225 497)         |              | BD12                     |
| Licences or permits                                 | 13 465 044             | -                    | 13 465 044               | 13 788 739             | 323 695              |              | BD1                      |
| <b>Total revenue from exchange transactions</b>     | <b>2 340 513 360</b>   | <b>-</b>             | <b>2 340 513 360</b>     | <b>1 996 974 238</b>   | <b>(343 539 122)</b> |              |                          |
| <b>Total revenue</b>                                | <b>5 146 396 422</b>   | <b>(119 790 640)</b> | <b>5 026 605 782</b>     | <b>4 669 831 011</b>   | <b>(356 774 771)</b> |              |                          |
| <b>Expenditure</b>                                  |                        |                      |                          |                        |                      |              |                          |
| Bad debts written off                               | (260 000 000)          | (4 524 017)          | (264 524 017)            | (324 015 241)          | (59 491 224)         |              | BD13                     |
| Bulk purchases                                      | (976 579 780)          | 113 513 059          | (863 066 721)            | (856 611 259)          | 6 455 462            |              | BD1                      |
| Contracted services                                 | (871 101 498)          | 31 025 981           | (840 075 517)            | (840 315 341)          | (239 824)            |              | BD1                      |
| Depreciation and amortisation                       | (260 000 002)          | (184 396 176)        | (444 396 178)            | (723 166 105)          | (278 769 927)        |              | BD14                     |
| Employee related costs                              | (1 167 116 768)        | 38 296 244           | (1 128 820 524)          | (1 072 016 183)        | 56 804 341           |              | BD1                      |
| Finance costs                                       | (42 336 217)           | (15 501 072)         | (57 837 289)             | (57 837 288)           | 1                    |              | BD1                      |
| Inventory consumed                                  | (307 541 119)          | 80 499 629           | (227 041 490)            | (225 856 708)          | 1 184 782            |              | BD15                     |
| Remuneration of councillors                         | (41 916 643)           | 533 022              | (41 383 621)             | (41 383 620)           | 1                    |              | BD1                      |
| Bad debts written off                               | (264 437 961)          | (65 366 666)         | (329 804 627)            | (258 345 313)          | 71 459 314           |              | BD16                     |
| Transfers and subsidies                             | (17 000 000)           | 5 900 000            | (11 100 000)             | (9 671 404)            | 1 428 596            |              | BD17                     |
| <b>Total expenditure</b>                            | <b>(4 208 029 988)</b> | <b>(19 996)</b>      | <b>(4 208 049 984)</b>   | <b>(4 409 218 462)</b> | <b>(201 168 478)</b> |              |                          |
| <b>Operating surplus</b>                            | <b>938 366 434</b>     | <b>(119 810 636)</b> | <b>818 555 798</b>       | <b>260 612 549</b>     | <b>(557 943 249)</b> |              |                          |
| Gains/(Losses) on disposal of assets                | -                      | -                    | -                        | (583 009 739)          | (583 009 739)        |              |                          |
| Fair value adjustments                              | -                      | -                    | -                        | 114 834 361            | 114 834 361          |              |                          |



# Polokwane Municipality

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2023

## Comparison of Budget and Actual Amounts for the year ended 30 June 2023

|                                                                                                      | Original budget    | *Budget adjustments  | Final adjustments budget | **Shifting of funds  | ***Virement            | Final budget | Unauthorised expenditure |
|------------------------------------------------------------------------------------------------------|--------------------|----------------------|--------------------------|----------------------|------------------------|--------------|--------------------------|
| Figures in Rand                                                                                      |                    |                      |                          |                      |                        |              |                          |
| Inventories (write-down)                                                                             | -                  | -                    | -                        | (88 136 885)         | (88 136 885)           |              |                          |
| Impairment losses                                                                                    | -                  | -                    | -                        | (31 148 802)         | (31 148 802)           |              |                          |
|                                                                                                      | -                  | -                    | -                        | (587 461 065)        | (587 461 065)          |              |                          |
| <b>Deficit before taxation</b>                                                                       | <b>938 366 434</b> | <b>(119 810 636)</b> | <b>818 555 798</b>       | <b>(326 848 516)</b> | <b>(1 145 404 314)</b> |              |                          |
| <b>Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement</b> | <b>938 366 434</b> | <b>(119 810 636)</b> | <b>818 555 798</b>       | <b>(326 848 516)</b> | <b>(1 145 404 314)</b> |              |                          |

# Polokwane Municipality

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2023

## Comparison of Budget and Actual Amounts for the year ended 30 June 2023

|                                                                | Original budget       | *Budget adjustments  | Final adjustments budget | **Shifting of funds   | ***Virement            | Final budget | Unauthorised expenditure |
|----------------------------------------------------------------|-----------------------|----------------------|--------------------------|-----------------------|------------------------|--------------|--------------------------|
| Figures in Rand                                                |                       |                      |                          |                       |                        |              |                          |
| <b>Statement of Financial Position</b>                         |                       |                      |                          |                       |                        |              |                          |
| <b>Assets</b>                                                  |                       |                      |                          |                       |                        |              |                          |
| <b>Current Assets</b>                                          |                       |                      |                          |                       |                        |              |                          |
| Cash and cash equivalents                                      | 359 027 033           | (93 442 354)         | <b>265 584 679</b>       | 184 371 391           | <b>(81 213 288)</b>    |              | BD18                     |
| Consumer debtors                                               | 521 627 881           | -                    | <b>521 627 881</b>       | 1 069 547 010         | <b>547 919 129</b>     |              | BD19                     |
| Other debtors                                                  | 66 000 000            | -                    | <b>66 000 000</b>        | 171 366 890           | <b>105 366 890</b>     |              | BD1                      |
| Inventories                                                    | 66 000 000            | 1 458 579            | <b>67 458 579</b>        | 93 995 322            | <b>26 536 743</b>      |              | BD20                     |
|                                                                | <b>1 012 654 914</b>  | <b>(91 983 775)</b>  | <b>920 671 139</b>       | <b>1 519 280 613</b>  | <b>598 609 474</b>     |              |                          |
| <b>Non-Current Assets</b>                                      |                       |                      |                          |                       |                        |              |                          |
| Biological assets                                              | 11 833 140            | -                    | <b>11 833 140</b>        | 14 905 421            | <b>3 072 281</b>       |              | BD21                     |
| Intangible assets                                              | 24 883 052            | 100 000              | <b>24 983 052</b>        | 35 093 576            | <b>10 110 524</b>      |              | BD22                     |
| Investment in subsidiary                                       | 1 000                 | -                    | <b>1 000</b>             | 1 000                 | -                      |              |                          |
| Investment property                                            | 730 892 499           | (172 328)            | <b>730 720 171</b>       | 994 131 414           | <b>263 411 243</b>     |              | BD23                     |
| Property, plant and equipment                                  | 17 326 482 572        | (122 702 586)        | <b>17 203 779 986</b>    | 14 710 615 656        | <b>(2 493 164 330)</b> |              | BD24                     |
|                                                                | <b>18 094 092 263</b> | <b>(122 774 914)</b> | <b>17 971 317 349</b>    | <b>15 754 747 067</b> | <b>(2 216 570 282)</b> |              |                          |
| <b>Total Assets</b>                                            | <b>19 106 747 177</b> | <b>(214 758 689)</b> | <b>18 891 988 488</b>    | <b>17 274 027 680</b> | <b>(1 617 960 808)</b> |              |                          |
| <b>Liabilities</b>                                             |                       |                      |                          |                       |                        |              |                          |
| <b>Current Liabilities</b>                                     |                       |                      |                          |                       |                        |              |                          |
| Consumer deposits                                              | 70 565 261            | -                    | <b>70 565 261</b>        | 66 794 150            | <b>(3 771 111)</b>     |              | BD1                      |
| Trade and other payables                                       | 811 813 625           | (150 832 652)        | <b>660 980 973</b>       | 804 746 809           | <b>143 765 836</b>     |              | BD1                      |
| Borrowings                                                     | 22 587 835            | -                    | <b>22 587 835</b>        | 25 088 400            | <b>2 500 565</b>       |              | BD25                     |
| Provisions                                                     | 10 277 842            | -                    | <b>10 277 842</b>        | -                     | <b>(10 277 842)</b>    |              | BD26                     |
|                                                                | <b>915 244 563</b>    | <b>(150 832 652)</b> | <b>764 411 911</b>       | <b>896 629 359</b>    | <b>132 217 448</b>     |              |                          |
| <b>Non-Current Liabilities</b>                                 |                       |                      |                          |                       |                        |              |                          |
| Borrowings                                                     | 351 198 722           | -                    | <b>351 198 722</b>       | 352 265 231           | <b>1 066 509</b>       |              | BD1                      |
| Provisions                                                     | 419 067 578           | -                    | <b>419 067 578</b>       | 514 414 217           | <b>95 346 639</b>      |              | BD27                     |
|                                                                | <b>770 266 300</b>    | <b>-</b>             | <b>770 266 300</b>       | <b>866 679 448</b>    | <b>96 413 148</b>      |              |                          |
| <b>Total Liabilities</b>                                       | <b>1 685 510 863</b>  | <b>(150 832 652)</b> | <b>1 534 678 211</b>     | <b>1 763 308 807</b>  | <b>228 630 596</b>     |              |                          |
| <b>Net Assets</b>                                              | <b>17 421 236 314</b> | <b>(63 926 037)</b>  | <b>17 357 310 277</b>    | <b>15 510 718 873</b> | <b>(1 846 591 404)</b> |              |                          |
| <b>Net Assets</b>                                              |                       |                      |                          |                       |                        |              |                          |
| <b>Net Assets Attributable to Owners of Controlling Entity</b> |                       |                      |                          |                       |                        |              |                          |
| <b>Reserves</b>                                                |                       |                      |                          |                       |                        |              |                          |
| Revaluation Reserve                                            | 10 302 713 865        | -                    | <b>10 302 713 865</b>    | 10 242 353 680        | <b>(60 360 185)</b>    |              | BD1                      |
| Accumulated surplus                                            | 7 118 522 439         | (63 926 684)         | <b>7 054 595 755</b>     | 5 268 365 211         | <b>(1 786 230 544)</b> |              |                          |
| <b>Total Net Assets</b>                                        | <b>17 421 236 304</b> | <b>(63 926 684)</b>  | <b>17 357 309 620</b>    | <b>15 510 718 891</b> | <b>(1 846 590 729)</b> |              |                          |
| <b>Cash Flow Statement</b>                                     |                       |                      |                          |                       |                        |              |                          |
| <b>Cash flows from operating activities</b>                    |                       |                      |                          |                       |                        |              |                          |

# Polokwane Municipality

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2023

## Comparison of Budget and Actual Amounts for the year ended 30 June 2023

|                                                         | Original budget        | *Budget adjustments  | Final adjustments budget | **Shifting of funds    | ***Virement          | Final budget | Unauthorised expenditure |
|---------------------------------------------------------|------------------------|----------------------|--------------------------|------------------------|----------------------|--------------|--------------------------|
| Figures in Rand                                         |                        |                      |                          |                        |                      |              |                          |
| <b>Receipts</b>                                         |                        |                      |                          |                        |                      |              |                          |
| Sale of goods and services                              | 2 906 087 480          | -                    | <b>2 906 087 480</b>     | 2 245 587 845          | <b>(660 499 635)</b> |              | CF2                      |
| Grants                                                  | 2 156 803 000          | (119 790 000)        | <b>2 037 013 000</b>     | 1 886 102 116          | <b>(150 910 884)</b> |              | CF1                      |
| Interest income                                         | 20 000 000             | -                    | <b>20 000 000</b>        | 37 479 150             | <b>17 479 150</b>    |              | CF3                      |
|                                                         | <b>5 082 890 480</b>   | <b>(119 790 000)</b> | <b>4 963 100 480</b>     | <b>4 169 169 111</b>   | <b>(793 931 369)</b> |              |                          |
| <b>Payments</b>                                         |                        |                      |                          |                        |                      |              |                          |
| Suppliers and employees                                 | (3 911 546 521)        | (159 113 584)        | <b>(4 070 660 105)</b>   | (3 499 283 941)        | <b>571 376 164</b>   |              | CF4                      |
| Finance charges                                         | (40 219 406)           | (190 000)            | <b>(40 409 406)</b>      | (46 073 292)           | <b>(5 663 886)</b>   |              | CF5                      |
|                                                         | <b>(3 951 765 927)</b> | <b>(159 303 584)</b> | <b>(4 111 069 511)</b>   | <b>(3 545 357 233)</b> | <b>565 712 278</b>   |              |                          |
| <b>Net cash flows from operating activities</b>         | <b>1 131 124 553</b>   | <b>(279 093 584)</b> | <b>852 030 969</b>       | <b>623 811 878</b>     | <b>(228 219 091)</b> |              |                          |
| <b>Cash flows from investing activities</b>             |                        |                      |                          |                        |                      |              |                          |
| Proceeds on disposal of Property, plant and equipment   | -                      | -                    | -                        | 560 588                | <b>560 588</b>       |              | CF6                      |
| Purchases of capital assets                             | (926 295 739)          | 129 767 277          | <b>(796 528 462)</b>     | (639 967 887)          | <b>156 560 575</b>   |              | CF7                      |
| <b>Net cash flows from investing activities</b>         | <b>(926 295 739)</b>   | <b>129 767 277</b>   | <b>(796 528 462)</b>     | <b>(639 407 299)</b>   | <b>157 121 163</b>   |              |                          |
| <b>Cash flows from financing activities</b>             |                        |                      |                          |                        |                      |              |                          |
| Repayment of borrowing                                  | (22 587 835)           | -                    | <b>(22 587 835)</b>      | (32 703 195)           | <b>(10 115 360)</b>  |              | CF8                      |
| Net increase/(decrease) in cash and cash equivalents    | 182 240 979            | (149 326 307)        | <b>32 914 672</b>        | (48 298 616)           | <b>(81 213 288)</b>  |              | CF9                      |
| Cash and cash equivalents at the beginning of the year  | 176 786 054            | 55 883 953           | <b>232 670 007</b>       | 232 670 007            | -                    |              |                          |
| <b>Cash and cash equivalents at the end of the year</b> | <b>359 027 033</b>     | <b>(93 442 354)</b>  | <b>265 584 679</b>       | <b>184 371 391</b>     | <b>(81 213 288)</b>  |              |                          |

For explanation of material differences, refer to Annexure "Statement versus Actual

# Polokwane Municipality

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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

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

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 interim financial statements, are disclosed below.

These accounting policies are consistent with the previous period.

### 1. Summary of significant accounting policies

#### 1.1 Presentation currency

These unaudited consolidated annual financial statements are presented in South African Rand, which is the functional currency of the group and all values are rounded to the nearest rand.

#### 1.2 Going concern assumption

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

#### 1.3 Materiality

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

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

#### 1.4 Comparative figures

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

Where material accounting errors, which relate to prior periods, have been identified in the current 9 months, the correction is made retrospectively as far as is practicable and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable and the prior year comparatives are restated accordingly.

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

#### 1.5 Significant judgements and sources of estimation uncertainty

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

# Polokwane Municipality

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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

#### Receivables

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

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

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

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

#### Fair value estimation

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

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

#### Impairment testing

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

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

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

#### Provisions

Provisions were raised and management determined an estimate based on the information available. The provision is discounted when the time value of money is material. Additional disclosure of these estimates of provisions are included in note 22 and 23 - Provisions

# Polokwane Municipality

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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

#### Post-retirement benefits

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

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

Other key assumptions for post retirement and other long-term obligations are based on current market conditions. Additional information is disclosed in Note 23.

#### Effective interest rate

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

#### Allowance for doubtful debts

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

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

#### Service charges

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

### 1.6 Biological assets that form part of an agricultural activity

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

# Polokwane Municipality

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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

#### Initial and subsequent measurement

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

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

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

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

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

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

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

#### Derecognition

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

### 1.7 Investment property

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

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

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

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

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

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

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

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

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

# Polokwane Municipality

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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### 1.7 Investment property (continued)

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

#### Initial recognition

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

#### Subsequent measurement – fair value model

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

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

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

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

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

#### Derecognition/Disposal

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

### 1.8 Property, plant and equipment

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

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



# Polokwane Municipality

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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

#### Initial recognition and measurement

Property, plant and equipment are initially recognised at cost on its acquisition date. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the group. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

Where an asset is acquired by the group for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

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

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

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

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

#### Depreciation

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

---

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

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

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

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

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

# Polokwane Municipality

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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

#### Derecognition

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

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

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

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

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

#### Site rehabilitation and restoration costs

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

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

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

### 1.9 Intangible assets

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

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

#### Initial recognition and measurement

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

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

# Polokwane Municipality

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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### 1.9 Intangible assets (continued)

#### Subsequent measurement

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

#### Derecognition

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible assets is determined as the difference between the net disposals proceeds and the carrying value and is recognised in the Statement of financial performance.

### 1.10 Heritage assets

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

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

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

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

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

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

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

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

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

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

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

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

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

# Polokwane Municipality

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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### 1.10 Heritage assets (continued)

#### Initial recognition and measurement

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

Heritage assets are initially recognised at cost on its acquisition date or in the case of assets acquired by grant or donation, deemed cost, being the fair value of the asset on initial recognition. The cost of an item of heritage assets is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the group. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

Where an asset is acquired by the group for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired. The cost of an item of heritage assets acquired in exchange for a non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up.

#### Subsequent measurement

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

Subsequently all heritage assets are measured at cost less accumulated impairment losses. Heritage assets are not depreciated.

#### Dererecognition

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

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

### 1.11 Investment in controlled entities

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

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

### 1.12 Financial instruments

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

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

#### 1.12.1 Classification of financial instruments

##### Financial assets

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

# Polokwane Municipality

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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### 1.12 Financial instruments (continued)

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

Financial assets measured at fair value being financial assets that meet either of the following conditions:

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

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

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

| Type of financial asset                  | Classification in terms of GRAP 104 |
|------------------------------------------|-------------------------------------|
| Finance lease receivables                | Financial assets at amortised cost  |
| Long-term receivables                    | Financial assets at amortised cost  |
| Current portion of long-term receivables | Financial assets at amortised cost  |
| Consumer debtors                         | Financial assets at amortised cost  |
| Other debtors                            | Financial assets at amortised cost  |
| Bank balances and cash                   | Financial assets at amortised cost  |

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

### Financial liabilities

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

The following main categories of financial liabilities and the classification determining how they are measured exist:

- Financial liabilities measured at amortised cost; or
- Financial liabilities measured at fair value.

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

| Type of financial liability              | Classification in terms of GRAP 104   |
|------------------------------------------|---------------------------------------|
| Long-term liabilities                    | Financial liability at amortised cost |
| Current portion of long-term liabilities | Financial liability at amortised cost |
| Other creditors                          | Financial liability at amortised cost |

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

#### 1.12.2 Initial and subsequent measurement

##### Initial recognition and measurement

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

# Polokwane Municipality

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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### 1.12 Financial instruments (continued)

#### Subsequent measurement – Financial assets

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

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

A provision for impairment of receivables is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. Changes in the carrying amount of the provision is recognised in the Statement of financial performance. When a receivable is considered uncollectible, it is written off against the provision. Any gains or losses arising from the change in fair value of investments measured at fair value are recognised in the Statement of financial performance.

Residual interests that do not have a quoted market price in an active market, and the fair value of which cannot be reliably are subsequently measured at cost less any impairment. Impairment is considered when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected. Any calculated impairment is recognised in the Statement of financial performance.

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

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

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

#### Subsequent measurement – Financial liabilities

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

### 1.12.3 Impairment of financial assets

#### Consumer debtors

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

#### Other debtors

Other debtors are reviewed individually considering payment histories and disputes about certain amounts. Provision for impairment is made accordingly.

# Polokwane Municipality

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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### 1.12 Financial instruments (continued)

#### 1.12.4 Derecognition

##### Financial assets

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

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

##### Financial liabilities

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

### 1.13 Consumer deposits

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

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

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

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

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

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

### 1.14 Leases

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

#### Entity as lessee - Finance leases

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

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

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

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

#### Entity as lessor - operating leases

# Polokwane Municipality

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## Accounting Policies

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### 1.14 Leases (continued)

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

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

### 1.15 Inventories

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

#### Initial measurement:

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

#### Subsequent measurement:

##### *Land and water inventory:*

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

##### *Consumables:*

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

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

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

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

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

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

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

The group classifies all assets held with the primary objective of generating a commercial return as cash-generating assets. A commercial return means that the return charged by the entity is commensurate with the risk associated with holding the asset and the asset is intended to generate positive cash inflows. All other assets are classified as non-cash-generating assets.

### 1.17 Impairment of cash-generating assets

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

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



# Polokwane Municipality

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## Accounting Policies

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

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

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

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

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

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

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

#### Designation

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

The group designates an asset or a cash-generating unit as cash-generating when:

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

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

#### Identification

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

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

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

# Polokwane Municipality

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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

#### Basis for estimates of future cash flows

In measuring value in use the group:

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

#### Composition of estimates of future cash flows

Estimates of future cash flows include:

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

Estimates of future cash flows exclude:

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

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

#### Discount rate

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

#### Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the group 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.

# Polokwane Municipality

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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 group 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 group 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.

# Polokwane Municipality

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## Accounting Policies

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

#### Reversal of impairment loss

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

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

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

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

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

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

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

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

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

#### Redesignation

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

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

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

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

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

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

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

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

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

# Polokwane Municipality

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## Accounting Policies

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

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

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

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

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

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

#### Designation

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

The group designates an asset or a cash-generating unit as cash-generating when:

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

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

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

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

#### Identification

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

The group 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 group 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.

# Polokwane Municipality

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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

#### Value in use

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

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

#### Depreciated replacement cost approach

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

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

#### Restoration cost approach

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

#### Service units approach

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

#### Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the group 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.

## Accounting Policies

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

#### Reversal of an impairment loss

The group 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 group estimates the recoverable service amount of that asset.

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

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

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

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

### 1.19 Employee benefits

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

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

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

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

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

# Polokwane Municipality

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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### 1.19 Employee benefits (continued)

#### Short-term employee benefits

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

Short-term employee benefits include items such as:

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

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

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

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

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

#### Post-employment benefits

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

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

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



# Polokwane Municipality

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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### 1.19 Employee benefits (continued)

#### Post-employment benefits: Defined contribution plans

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

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

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

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

# Polokwane Municipality

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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### 1.19 Employee benefits (continued)

#### Post-employment benefits: Defined benefit plans

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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 unaudited consolidated annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

# Polokwane Municipality

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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### 1.19 Employee benefits (continued)

The entity recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

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:

- 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-measures 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.

# Polokwane Municipality

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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### 1.19 Employee benefits (continued)

#### Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

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

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

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

### 1.20 Provisions

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

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

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

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

# Polokwane Municipality

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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### 1.20 Provisions (continued)

#### Environmental rehabilitation provisions

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

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

As the related asset is measured using the cost model

- changes in the liability is 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 adjustments result in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may be fully recoverable. If there is such an indication, the municipality tests the asset for the impairment by estimating its recoverable amount or recoverable service amount, and accounts for any impairment loss, in accordance with the accounting policy on impairment of assets as described in the accounting policy on impairment of cash-generating assets and/ or impairment of non-cash generating assets.

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.

### 1.21 Contingent assets and contingent liabilities

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

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

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

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

### 1.22 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

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

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

### 1.23 Revenue

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

# Polokwane Municipality

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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### 1.23 Revenue (continued)

#### Recognition and measurement

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

Stage of completion is determined by a variety of methods. Depending on the nature of the transaction, the methods may include:

- surveys of work performed;
- services performed to date as a percentage of total services to be performed;
- the proportion that costs incurred to date bear to the estimated total costs of the transaction. Only costs that reflect services performed to date are included in costs incurred to date. Only costs that reflect services performed or to be performed are included in the estimated total costs of the transaction.

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

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

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

# Polokwane Municipality

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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### 1.23 Revenue (continued)

#### 1.23.1 Revenue from exchange transactions

##### Service charges

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

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

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

##### Pre-paid electricity

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

##### Interest earned and rentals received

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

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

##### Traffic charges

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

##### Income from agency services

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

##### Sale of goods

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

- the group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the group 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 group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

##### Revenue recognition of unclaimed deposits

Unclaimed deposits older than three (3) years are recognised as revenue.

# Polokwane Municipality

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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### 1.23 Revenue (continued)

#### 1.23.2 Revenue from non-exchange transactions

##### Rates and taxes

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

##### Fines

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

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

##### Donations and contributions

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

##### Transfers and subsidies

##### Unconditional grants

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

##### Conditional grants

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

##### Services received in-kind

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

##### Parking fee revenue

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

##### Revenue from bus fares

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

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



# Polokwane Municipality

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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### 1.24 Unspent conditional grants

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

### 1.25 Investment income

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

### 1.26 Borrowing costs

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

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

### 1.27 Unauthorised expenditure

Section 1 of the Municipal Finance Management Act (Act 56 of 2003) (MFMA), defines Unauthorised expenditure as follows:

- Overspending of the total amount appropriated in the group's approved budget;
- Overspending of the total amount appropriated for a vote in the approved budget;
- Expenditure from a vote unrelated to the department or functional area covered by the vote;
- Expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose;
- Spending of an allocation referred to in the above paragraphs of the definition of "allocation" otherwise than in accordance with any conditions of the allocation; or
- A grant by the group otherwise than in accordance with this Act.

Section 1 of the Municipal Finance Management Act (Act 56 of 2003) (MFMA) also defines a Vote as:

- One of the main segments into which a budget of a group is divided for the appropriation of money for the different departments or functional areas of the group; and
- Which specifies the total amount that is appropriated for the purposes of the department or functional area concerned.

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

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

### 1.28 Fruitless and wasteful expenditure

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

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

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

### 1.29 Irregular expenditure

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

# Polokwane Municipality

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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### 1.29 Irregular expenditure (continued)

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

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

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

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

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

### 1.30 Revaluation reserve

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

### 1.31 Segment information

A segment is an activity of an entity:

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

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

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

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

# Polokwane Municipality

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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### 1.31 Segment information (continued)

#### Measurement

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

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

### 1.32 Budget information

Group 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 group shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

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

The approved budget covers the fiscal period from 2022/07/01 to 2023/06/30.

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

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

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

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

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

### 1.33 Related parties and related party transactions

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control. Related party relationships where control exists are disclosed regardless of whether any transactions took place between the parties during the reporting period.

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

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

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

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

# Polokwane Municipality

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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### 1.33 Related parties and related party transactions (continued)

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

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

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

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

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

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

### 1.34 Events after reporting date

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

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

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

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

### 1.35 Statutory receivables

#### 1.35.1 Identification

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

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

- VAT receivables
- Rates debtors
- Traffic fine debtors
- Availability charges debtors:

#### 1.35.2 Recognition

The group 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.

# Polokwane Municipality

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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### 1.35 Statutory receivables (continued)

#### 1.35.3 Measurement

The group initially measures statutory receivables at their transaction amount.

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

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

#### 1.35.4 Impairment

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

A provision for impairment of receivables is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate.

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

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

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

#### 1.35.5 Derecognition

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

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

### 1.36 Value Added Tax

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

VAT is accounted for on an accrual basis in the annual financial statements.

### 1.37 Principal-agent arrangements

The group is party to a principal-agent arrangement for [include details here]. In terms of the arrangement the group is the and is responsible for [include details here].

# Polokwane Municipality

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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### 1.37 Principal-agent arrangements (continued)

#### Identification

An agent is an entity that has been directed by another entity (a principal), through a binding arrangement, to undertake transactions with third parties on behalf of the principal and for the benefit of the principal.

A principal is an entity that directs another entity (an agent), through a binding arrangement, to undertake transactions with third parties on its behalf and for its own benefit.

A principal-agent arrangement results from a binding arrangement in which one entity (an agent), undertakes transactions with third parties on behalf, and for the benefit of, another entity (the principal).

#### Binding arrangement

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

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

#### Assessing which entity benefits from the transactions with third parties

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

The group is an agent when, in relation to transactions with third parties, all three of the following criteria are present:

- It does not have the power to determine the significant terms and conditions of the transaction.
- It does not have the ability to use all, or substantially all, of the resources that result from the transaction for its own benefit.
- It is not exposed to variability in the results of the transaction.

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

#### Recognition

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

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

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

### 1.38 Living resources

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

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

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

#### Definitions

# Polokwane Municipality

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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### 1.38 Living resources (continued)

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

Living resources are those resources that undergo biological transformation.

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

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

#### Initial and subsequent measurement

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

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

Living resources are initially recognised at cost on its acquisition date. The cost of a living resource is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Subsequent expenditure relating to living is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the municipality and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset.

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

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

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

#### Subsequent measurement – revaluation model

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

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

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

#### Determining fair value

# Polokwane Municipality

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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### 1.38 Living resources (continued)

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

#### Depreciation

Living and non-living resources shall not be depreciated due to the nature in which they are held. These animals are kept in the reserves and are left to roam in the reserve without being traced or tagged. Therefore, the revalued amount will be used for the purpose of reporting until the next revaluation date.

#### Derecognition

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

### 1.39 Cash and cash equivalents

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

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

### 1.40 Change in accounting policies, estimates and errors

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

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

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

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



# Polokwane Municipality

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2023

## Notes to the Unaudited Consolidated Annual Financial Statements

| Figures in Rand | Group |      | Company |      |
|-----------------|-------|------|---------|------|
|                 | 2023  | 2022 | 2023    | 2022 |

### 2. New standards and interpretations

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

The group has not applied the following standards and interpretations, which have been published and are mandatory for the group's accounting periods beginning on or after 01 July 2023 or later periods:

| <b>Standard/ Interpretation:</b>                                                 | <b>Effective date:<br/>Years beginning on or<br/>after</b> | <b>Expected impact:</b>                  |
|----------------------------------------------------------------------------------|------------------------------------------------------------|------------------------------------------|
| • Guideline: Guideline on Accounting for Landfill Sites                          | 01 April 2023                                              | Unlikely there will be a material impact |
| • GRAP 25 (as revised): Employee Benefits                                        | 01 April 2023                                              | Unlikely there will be a material impact |
| • Guideline: Guideline on the Application of Materiality to Financial Statements | 01 April 2023                                              | Unlikely there will be a material impact |
| • GRAP 104 (as revised): Financial Instruments                                   | 01 April 2025                                              | Unlikely there will be a material impact |
| • iGRAP 21: The Effect of Past Decisions on Materiality                          | 01 April 2023                                              | Unlikely there will be a material impact |
| • GRAP 1 (amended): Presentation of Financial Statements                         | 01 April 2023                                              | Unlikely there will be a material impact |

# Polokwane Municipality

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2023

## Notes to the Unaudited Consolidated Annual Financial Statements

| Figures in Rand                                     | Group                                                        |                    | Company            |                    |                    |
|-----------------------------------------------------|--------------------------------------------------------------|--------------------|--------------------|--------------------|--------------------|
|                                                     | 2023                                                         | 2022               | 2023               | 2022               |                    |
| <b>3. Cash and cash equivalents</b>                 |                                                              |                    |                    |                    |                    |
| <b>3.1 Cash and cash equivalents</b>                |                                                              |                    |                    |                    |                    |
| Cash and cash equivalents consist of the following: |                                                              |                    |                    |                    |                    |
| <b>Call deposits and investments</b>                |                                                              |                    |                    |                    |                    |
| Other cash and cash equivalents                     | 513                                                          | 754                | -                  | -                  |                    |
| Short term deposits                                 | 1 793 849                                                    | 1 684 814          | -                  | -                  |                    |
|                                                     | <b>1 794 362</b>                                             | <b>1 685 568</b>   | -                  | -                  |                    |
| <b>Cash at bank</b>                                 |                                                              |                    |                    |                    |                    |
| Bank account                                        | 185 975 898                                                  | 233 340 465        | 184 357 038        | 232 655 654        |                    |
| Cash on hand                                        | 14 413                                                       | 14 413             | 14 353             | 14 353             |                    |
| <b>Total cash and cash equivalents</b>              | <b>187 784 673</b>                                           | <b>235 040 446</b> | <b>184 371 391</b> | <b>232 670 007</b> |                    |
| <b>3.2 Bank accounts</b>                            |                                                              |                    |                    |                    |                    |
| The group has the following bank accounts:          |                                                              |                    |                    |                    |                    |
| Standard Bank                                       | Business current account - 030172349                         | 183 765 763        | 232 095 304        | 183 765 763        | 232 095 282        |
| Standard Bank                                       | Business current account - DBSA - 80472818                   | -                  | (212)              | -                  | (212)              |
| Standard Bank                                       | Business current account - Housing account - 330535269       | 591 275            | 560 562            | 591 275            | 560 562            |
| First National Bank                                 | FNB Bank - Operational - cheque account - 62078322105        | 1 610 804          | 260 197            | -                  | -                  |
| First National Bank                                 | FNB Bank - Polokwane Ext 76 - cheque account - 62808279352   | 561                | 784                | -                  | -                  |
| First National Bank                                 | FNB Bank - Annedale Ext 2 - cheque account - 62808280490     | 7 495              | 423 830            | -                  | -                  |
| First National Bank                                 | FNB Bank - 32 day interest plus account - 74372485836        | 1 793 849          | 1 684 814          | -                  | -                  |
| First National Bank                                 | FNB Bank - Refundable Deposit - cheque account - 62118359191 | 513                | 754                | -                  | -                  |
| <b>Total</b>                                        |                                                              | <b>187 770 260</b> | <b>235 026 033</b> | <b>184 357 038</b> | <b>232 655 632</b> |

# Polokwane Municipality

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2023

## Notes to the Unaudited Consolidated Annual Financial Statements

| Figures in Rand | Group |      | Company |      |
|-----------------|-------|------|---------|------|
|                 | 2023  | 2022 | 2023    | 2022 |

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

#### 3.3 Difference between cash book and bank statement

##### 2023

|                                                                        | Group              |                    |                  | Company            |                    |                  |
|------------------------------------------------------------------------|--------------------|--------------------|------------------|--------------------|--------------------|------------------|
|                                                                        | Cash book          | Bank statement     | Difference       | Cash book          | Bank statement     | Difference       |
| Standard bank - Business current account - 030172349                   | 183 765 763        | 182 560 100        | 1 205 663        | 183 765 763        | 182 560 100        | 1 205 663        |
| Standard Bank - Business current account - DBSA - 80472818             | -                  | -                  | -                | -                  | -                  | -                |
| Standard Bank - Business current account - Grant account - 251753846   | -                  | -                  | -                | -                  | -                  | -                |
| Standard Bank - Business current account - Housing account - 330535269 | 591 275            | 591 275            | -                | 591 275            | 591 275            | -                |
| First National Bank - Operational - 62078322105                        | 1 610 804          | 1 610 804          | -                | -                  | -                  | -                |
| First National Bank - Polokwane Ext 76 - 62808279352                   | 561                | 561                | -                | -                  | -                  | -                |
| First National Bank - Annedale Ext 2 - 62808280490                     | 7 495              | 7 495              | -                | -                  | -                  | -                |
| First National Bank - 32 day notice - 74372485836                      | 1 793 849          | 1 793 849          | -                | -                  | -                  | -                |
| First National Bank - Refundable Deposit - 62118359191                 | 513                | 513                | -                | -                  | -                  | -                |
|                                                                        | <b>187 770 260</b> | <b>186 564 597</b> | <b>1 205 663</b> | <b>184 357 038</b> | <b>183 151 375</b> | <b>1 205 663</b> |

##### 2022

|                                                                        | Group       |                |            | Company     |                |            |
|------------------------------------------------------------------------|-------------|----------------|------------|-------------|----------------|------------|
|                                                                        | Cash book   | Bank statement | Difference | Cash book   | Bank statement | Difference |
| Standard Bank - Business current account - 030172349                   | 232 095 282 | 230 362 239    | 1 733 043  | 232 095 282 | 230 362 239    | 1 733 043  |
| Standard Bank - Business current account - DBSA - 80472818             | (212)       | (212)          | -          | (212)       | (212)          | -          |
| Standard Bank - Business current account - Grant account - 251753846   | -           | -              | -          | -           | -              | -          |
| Standard Bank - Business current account - Housing account - 330535269 | 560 562     | 560 562        | -          | 560 562     | 560 562        | -          |
| First National Bank - Operational - 62078322105                        | 260 197     | 260 197        | -          | -           | -              | -          |
| First National Bank - Polokwane Ext 76 - 62808279352                   | 784         | 784            | -          | -           | -              | -          |
| First National Bank - Annedale Ext 2 - 62808280490                     | 423 830     | 423 830        | -          | -           | -              | -          |
| First National Bank - 32 day notice - 74372485836                      | 1 684 814   | 1 684 814      | -          | -           | -              | -          |

# Polokwane Municipality

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2023

## Notes to the Unaudited Consolidated Annual Financial Statements

| Figures in Rand                                        | Group              |                    | Company            |                    |
|--------------------------------------------------------|--------------------|--------------------|--------------------|--------------------|
|                                                        | 2023               | 2022               | 2023               | 2022               |
| <b>3. Cash and cash equivalents (continued)</b>        |                    |                    |                    |                    |
| First National Bank - Refundable Deposit - 62118359191 | 754                | 754                | -                  | -                  |
|                                                        | <b>235 026 011</b> | <b>233 292 968</b> | <b>1 733 043</b>   | <b>232 655 632</b> |
|                                                        |                    |                    | <b>230 922 589</b> | <b>1 733 043</b>   |

No cash and cash equivalents are kept as collateral.

### 4. Receivables from exchange transactions

|                                                        |     |                      |                      |                      |                      |
|--------------------------------------------------------|-----|----------------------|----------------------|----------------------|----------------------|
| <b>Consumer receivables from exchange transactions</b> | 4.1 |                      |                      |                      |                      |
| Electricity                                            |     | 316 100 608          | 322 938 983          | 316 100 608          | 322 938 983          |
| Waste management                                       |     | 190 543 401          | 195 123 175          | 190 543 401          | 195 123 175          |
| Waste water management                                 |     | 159 920 161          | 165 302 892          | 159 920 161          | 165 302 892          |
| Water                                                  |     | 419 527 032          | 445 920 118          | 419 527 032          | 445 920 118          |
|                                                        |     | <b>1 086 091 202</b> | <b>1 129 285 168</b> | <b>1 086 091 202</b> | <b>1 129 285 168</b> |
| <b>Other receivables from exchange transactions</b>    | 4.2 |                      |                      |                      |                      |
| Housing selling scheme                                 |     | 320 830              | 304 447              | 320 830              | 304 447              |
| Land sale debtors                                      |     | -                    | 1 909 000            | -                    | 1 909 000            |
| Property rental debtors                                |     | 40 771 039           | 29 973 622           | 40 771 039           | 29 973 622           |
| Other sundry debtors                                   |     | 260 501 326          | 276 799 486          | 260 501 326          | 276 799 486          |
| R/D Cheques                                            |     | -                    | 1 449 163            | -                    | 1 449 163            |
| Provision for impairment                               |     | (664 537 205)        | (642 897 217)        | (664 537 205)        | (642 897 217)        |
|                                                        |     | <b>(362 944 010)</b> | <b>(332 461 499)</b> | <b>(362 944 010)</b> | <b>(332 461 499)</b> |
| <b>Total receivables from exchange transactions</b>    |     | <b>723 147 192</b>   | <b>796 823 669</b>   | <b>723 147 192</b>   | <b>796 823 669</b>   |

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

# Polokwane Municipality

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2023

## Notes to the Unaudited Consolidated Annual Financial Statements

| Figures in Rand | Group |      | Company |      |
|-----------------|-------|------|---------|------|
|                 | 2023  | 2022 | 2023    | 2022 |

### 4. Receivables from exchange transactions (continued)

#### 4.1 Consumer receivables

##### 4.1.1 Ageing of consumer receivables

##### Group - 2023

|                                                        | Not due              |                    |                   | Past due          |                   |                    |
|--------------------------------------------------------|----------------------|--------------------|-------------------|-------------------|-------------------|--------------------|
|                                                        | Total                | Current            | 30 days           | 60 days           | 90 days           | 120+ days          |
| <b>Consumer receivables from exchange transactions</b> |                      |                    |                   |                   |                   |                    |
| <b>Total by debt type</b>                              |                      |                    |                   |                   |                   |                    |
| Electricity                                            | 316 100 608          | 93 262 254         | 15 190 409        | 8 780 491         | 11 690 262        | 187 177 192        |
| Waste management                                       | 190 543 401          | 18 931 726         | 7 983 357         | 6 388 809         | 5 582 367         | 151 657 142        |
| Waste water management                                 | 159 920 161          | 18 867 524         | 8 093 811         | 6 535 840         | 6 413 338         | 120 009 648        |
| Water                                                  | 419 527 032          | 37 904 069         | 16 063 586        | 7 237 110         | 28 743 280        | 329 578 987        |
| <b>Total by debt type</b>                              | <b>1 086 091 202</b> | <b>168 965 573</b> | <b>47 331 163</b> | <b>28 942 250</b> | <b>52 429 247</b> | <b>788 422 969</b> |

##### Group - 2022

|                                                        | Not due              |                    |                   | Past due          |                   |                    |
|--------------------------------------------------------|----------------------|--------------------|-------------------|-------------------|-------------------|--------------------|
|                                                        | Total                | Current            | 30 days           | 60 days           | 90 days           | 120+ days          |
| <b>Consumer receivables from exchange transactions</b> |                      |                    |                   |                   |                   |                    |
| <b>Total by debt type</b>                              |                      |                    |                   |                   |                   |                    |
| Electricity                                            | 322 938 983          | 117 538 807        | 18 343 406        | 11 044 729        | 8 670 655         | 167 341 386        |
| Waste management                                       | 195 123 175          | 59 814 913         | 6 522 932         | 4 544 987         | 3 914 513         | 120 325 830        |
| Waste water management                                 | 165 302 892          | 57 593 842         | 7 253 003         | 4 595 879         | 3 932 031         | 91 928 137         |
| Water                                                  | 445 920 118          | 65 646 924         | 12 390 196        | 8 974 823         | 7 742 056         | 351 166 119        |
| <b>Total by debt type</b>                              | <b>1 129 285 168</b> | <b>300 594 486</b> | <b>44 509 537</b> | <b>29 160 418</b> | <b>24 259 255</b> | <b>730 761 472</b> |

##### Company - 2023

|                                                        | Not due              |                    |                   | Past due          |                   |                    |
|--------------------------------------------------------|----------------------|--------------------|-------------------|-------------------|-------------------|--------------------|
|                                                        | Total                | Current            | 30 days           | 60 days           | 90 days           | 120+ days          |
| <b>Consumer receivables from exchange transactions</b> |                      |                    |                   |                   |                   |                    |
| <b>Total by debt type</b>                              |                      |                    |                   |                   |                   |                    |
| Electricity                                            | 316 100 608          | 93 262 254         | 15 190 409        | 8 780 491         | 11 690 262        | 187 177 192        |
| Waste management                                       | 190 543 401          | 18 931 726         | 7 983 357         | 6 388 809         | 5 582 367         | 151 657 142        |
| Waste water management                                 | 159 920 161          | 18 867 524         | 8 093 811         | 6 535 840         | 6 413 338         | 120 009 648        |
| Water                                                  | 419 527 032          | 37 904 069         | 16 063 586        | 7 237 110         | 28 743 280        | 329 578 987        |
| <b>Total by debt type</b>                              | <b>1 086 091 202</b> | <b>168 965 573</b> | <b>47 331 163</b> | <b>28 942 250</b> | <b>52 429 247</b> | <b>788 422 969</b> |

# Polokwane Municipality

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2023

## Notes to the Unaudited Consolidated Annual Financial Statements

| Figures in Rand | Group |      | Company |      |
|-----------------|-------|------|---------|------|
|                 | 2023  | 2022 | 2023    | 2022 |

### 4. Receivables from exchange transactions (continued)

#### Company - 2022

|                                                        | Total                | Not due            |                   | Past due          |                   |                    |
|--------------------------------------------------------|----------------------|--------------------|-------------------|-------------------|-------------------|--------------------|
|                                                        |                      | Current            | 30 days           | 60 days           | 90 days           | 120+ days          |
| <b>Consumer receivables from exchange transactions</b> |                      |                    |                   |                   |                   |                    |
| <b>Total by debt type</b>                              |                      |                    |                   |                   |                   |                    |
| Electricity                                            | 322 938 983          | 117 538 807        | 18 343 406        | 11 044 729        | 8 670 655         | 167 341 386        |
| Waste management                                       | 195 123 175          | 59 814 913         | 6 522 932         | 4 544 987         | 3 914 513         | 120 325 830        |
| Waste water management                                 | 165 302 892          | 57 593 842         | 7 253 003         | 4 595 879         | 3 932 031         | 91 928 137         |
| Water                                                  | 445 920 118          | 65 646 924         | 12 390 196        | 8 974 823         | 7 742 056         | 351 166 119        |
| <b>Total by debt type</b>                              | <b>1 129 285 168</b> | <b>300 594 486</b> | <b>44 509 537</b> | <b>29 160 418</b> | <b>24 259 255</b> | <b>730 761 472</b> |

#### 4.1.2 Consumer receivables pledged as security

No consumer debtors are pledged as security

# Polokwane Municipality

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2023

## Notes to the Unaudited Consolidated Annual Financial Statements

| Figures in Rand | Group |      | Company |      |
|-----------------|-------|------|---------|------|
|                 | 2023  | 2022 | 2023    | 2022 |

### 4. Receivables from exchange transactions (continued)

#### 4.2 Trade receivables

##### 4.2.1 Ageing of trade receivables

##### Group - 2023

|                         | Not due            |                   | Past due         |                  |                  |             |
|-------------------------|--------------------|-------------------|------------------|------------------|------------------|-------------|
|                         | Total              | Current           | 30 days          | 60 days          | 90 days          | 120+ days   |
| Housing selling scheme  | 320 830            | 1 545             | 1 545            | 1 545            | 1 545            | 314 650     |
| Property rental debtors | 40 771 039         | 37 800 502        | 108 557          | 108 557          | 108 557          | 2 644 866   |
| Other sundry debtors    | 260 501 326        | 19 524 017        | 4 627 377        | 2 604 009        | 2 857 853        | 230 888 070 |
| <b>Total</b>            | <b>301 593 195</b> | <b>57 326 064</b> | <b>4 737 479</b> | <b>2 714 111</b> | <b>2 967 955</b> | <b>-</b>    |

##### Group - 2022

|                         | Not due            |                   | Past due         |                  |                  |             |
|-------------------------|--------------------|-------------------|------------------|------------------|------------------|-------------|
|                         | Total              | Current           | 30 days          | 60 days          | 90 days          | 120+ days   |
| Housing selling scheme  | 304 447            | 1 242             | 1 233            | 1 233            | 1 233            | 299 506     |
| Land sale debtors       | 1 909 000          | 1 909 000         | -                | -                | -                | -           |
| Property rental debtors | 29 973 622         | 27 423 984        | 100 516          | 100 516          | 100 516          | 2 248 090   |
| Other sundry debtors    | 276 799 486        | 48 234 910        | 4 465 141        | 3 853 063        | 3 612 148        | 216 634 224 |
| <b>Total</b>            | <b>308 986 555</b> | <b>77 569 136</b> | <b>4 566 890</b> | <b>3 954 812</b> | <b>3 713 897</b> | <b>-</b>    |

##### Company - 2023

|                         | Not due            |                   | Past due         |                  |                  |                    |
|-------------------------|--------------------|-------------------|------------------|------------------|------------------|--------------------|
|                         | Total              | Current           | 30 days          | 60 days          | 90 days          | 120+ days          |
| Housing selling scheme  | 320 830            | 1 545             | 1 545            | 1 545            | 1 545            | 314 650            |
| Property rental debtors | 40 771 039         | 37 800 502        | 108 557          | 108 557          | 108 557          | 2 644 866          |
| Other sundry debtors    | 260 501 326        | 19 524 017        | 4 627 377        | 2 604 009        | 2 857 853        | 230 888 070        |
| <b>Total</b>            | <b>301 593 195</b> | <b>57 326 064</b> | <b>4 737 479</b> | <b>2 714 111</b> | <b>2 967 955</b> | <b>233 847 586</b> |

##### Company - 2022

|                         | Not due            |                   | Past due         |                  |                  |                    |
|-------------------------|--------------------|-------------------|------------------|------------------|------------------|--------------------|
|                         | Total              | Current           | 30 days          | 60 days          | 90 days          | 120+ days          |
| Housing selling scheme  | 304 447            | 1 242             | 1 233            | 1 233            | 1 233            | 299 506            |
| Land sale debtors       | 1 909 000          | 1 909 000         | -                | -                | -                | -                  |
| Property rental debtors | 29 973 622         | 27 423 984        | 100 516          | 100 516          | 100 516          | 2 248 090          |
| Other sundry debtors    | 276 799 486        | 48 234 910        | 4 465 141        | 3 853 063        | 3 612 148        | 216 634 224        |
| <b>Total</b>            | <b>308 986 555</b> | <b>77 569 136</b> | <b>4 566 890</b> | <b>3 954 812</b> | <b>3 713 897</b> | <b>219 181 820</b> |

#### 4.2.2 Trade receivables pledged as security

No Receivable were pledged as security

#### Reconciliation of allowance for impairment

# Polokwane Municipality

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2023

## Notes to the Unaudited Consolidated Annual Financial Statements

| Figures in Rand                                                                                                                                                                                                                                                                                                                         | Group                |                      | Company              |                      |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------|----------------------|----------------------|----------------------|
|                                                                                                                                                                                                                                                                                                                                         | 2023                 | 2022                 | 2023                 | 2022                 |
| <b>4. Receivables from exchange transactions (continued)</b>                                                                                                                                                                                                                                                                            |                      |                      |                      |                      |
| Balance at the beginning of the year                                                                                                                                                                                                                                                                                                    | (642 897 217)        | (567 016 973)        | (642 897 217)        | (567 016 973)        |
| RD cheques opening balance                                                                                                                                                                                                                                                                                                              | 1 449 163            | 1 449 740            | 1 449 163            | 1 449 740            |
| RD cheques during the year                                                                                                                                                                                                                                                                                                              | (1 449 163)          | (577)                | (1 449 163)          | (577)                |
| Contributions to provision for consumer debtors                                                                                                                                                                                                                                                                                         | (21 639 988)         | (75 880 244)         | (21 639 988)         | (75 880 244)         |
|                                                                                                                                                                                                                                                                                                                                         | <b>(664 537 205)</b> | <b>(641 448 054)</b> | <b>(664 537 205)</b> | <b>(641 448 054)</b> |
| <b>5. Other receivables from exchange transactions</b>                                                                                                                                                                                                                                                                                  |                      |                      |                      |                      |
| Deposits                                                                                                                                                                                                                                                                                                                                | 975 474              | 800 724              | 975 474              | 800 724              |
| Trade debtors                                                                                                                                                                                                                                                                                                                           | 684 109              | 627 758              | -                    | -                    |
| Control, clearing and interface accounts                                                                                                                                                                                                                                                                                                | 2 316 506            | 970 339              | 2 316 506            | 970 339              |
| Abeyance                                                                                                                                                                                                                                                                                                                                | 3 173 989            | 2 839 697            | 3 173 989            | 2 839 697            |
| Prepayments and advances                                                                                                                                                                                                                                                                                                                | 27 282 046           | 26 507 924           | 27 282 046           | 26 507 924           |
| Staff loans                                                                                                                                                                                                                                                                                                                             | 23 109               | 23 109               | -                    | -                    |
| Current portion of non-current receivables                                                                                                                                                                                                                                                                                              | 15 -                 | 18 164               | -                    | 18 164               |
| <b>Total</b>                                                                                                                                                                                                                                                                                                                            | <b>34 455 233</b>    | <b>31 787 715</b>    | <b>33 748 015</b>    | <b>31 136 848</b>    |
| <b>Reconciliation of current portion of non-current receivables</b>                                                                                                                                                                                                                                                                     |                      |                      |                      |                      |
| Sporting and Other Bodies                                                                                                                                                                                                                                                                                                               | -                    | 18 164               | -                    | 18 164               |
| <b>Reconciliation of Abeyance</b>                                                                                                                                                                                                                                                                                                       |                      |                      |                      |                      |
| Sundry debtors - auctioneer                                                                                                                                                                                                                                                                                                             | 3 185 394            | 3 185 394            | 3 185 394            | 3 185 394            |
| Leelyn Parking Management                                                                                                                                                                                                                                                                                                               | 1 562 511            | 1 562 511            | 1 562 511            | 1 562 511            |
| Interest recoverable from DBSA                                                                                                                                                                                                                                                                                                          | 17 708               | 17 708               | 17 708               | 17 708               |
| Receivable from Esilux                                                                                                                                                                                                                                                                                                                  | -                    | 2 821 989            | -                    | 2 821 989            |
| Receivable from SANRAL                                                                                                                                                                                                                                                                                                                  | 3 173 989            | -                    | 3 173 989            | -                    |
| Provision for impairment                                                                                                                                                                                                                                                                                                                | (4 765 613)          | (4 747 905)          | (4 765 613)          | (4 747 905)          |
|                                                                                                                                                                                                                                                                                                                                         | <b>3 173 989</b>     | <b>2 839 697</b>     | <b>3 173 989</b>     | <b>2 839 697</b>     |
| <b>Reconciliation of control, clearing and interface accounts</b>                                                                                                                                                                                                                                                                       |                      |                      |                      |                      |
| Accrued Interest                                                                                                                                                                                                                                                                                                                        | 2 306 185            | 970 339              | 2 306 185            | 970 339              |
| Leelyn Parking Management                                                                                                                                                                                                                                                                                                               | 10 321               | (1)                  | 10 321               | (1)                  |
|                                                                                                                                                                                                                                                                                                                                         | <b>2 316 506</b>     | <b>970 338</b>       | <b>2 316 506</b>     | <b>970 338</b>       |
| <b>Minimum rental receipts</b>                                                                                                                                                                                                                                                                                                          |                      |                      |                      |                      |
| The municipality is a lessor of various buildings, vacant land, hawker stands as well as land where mobile phone masts are erected. The contract terms and escalation rates vary from one contract to another. It has also entered into numerous developer contracts. The municipality lets out these properties to the general public. |                      |                      |                      |                      |
| Within a year                                                                                                                                                                                                                                                                                                                           | 10 079 637           | 10 951 871           | 10 079 637           | 10 951 871           |
| Between 1 and 5 years                                                                                                                                                                                                                                                                                                                   | 32 746 721           | 38 907 281           | 32 746 721           | 38 907 281           |
| After 5 years                                                                                                                                                                                                                                                                                                                           | 649 038 628          | 652 140 655          | 649 038 628          | 652 140 655          |
|                                                                                                                                                                                                                                                                                                                                         | <b>691 864 986</b>   | <b>701 999 807</b>   | <b>691 864 986</b>   | <b>701 999 807</b>   |

No debtors are held as collateral.



# Polokwane Municipality

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2023

## Notes to the Unaudited Consolidated Annual Financial Statements

| Figures in Rand                                      | Group              |                    | Company            |                    |
|------------------------------------------------------|--------------------|--------------------|--------------------|--------------------|
|                                                      | 2023               | 2022               | 2023               | 2022               |
| <b>6. Receivables from non-exchange transactions</b> |                    |                    |                    |                    |
| <b>Consumer receivables</b>                          |                    |                    |                    |                    |
| Property rates                                       | 6.1<br>342 108 778 | 291 421 724        | 342 108 778        | 291 421 724        |
| <b>Other receivables</b>                             |                    |                    |                    |                    |
| Fines                                                | 6.1<br>4 291 040   | 6 128 660          | 4 291 040          | 6 128 660          |
| SARS: PAYE                                           | 7 549              | 3 659              | -                  | -                  |
| Over Payments                                        | -                  | (807 179)          | -                  | (807 179)          |
| R/D Cheques                                          | -                  | (1 449 164)        | -                  | (1 449 164)        |
|                                                      | <b>4 298 589</b>   | <b>3 875 976</b>   | <b>4 291 040</b>   | <b>3 872 317</b>   |
| <b>Total receivables</b>                             | <b>346 407 367</b> | <b>295 297 700</b> | <b>346 399 818</b> | <b>295 294 041</b> |

### 6.1 Receivables from non-exchange transactions

#### Group

|                             | 2023               |                      |                    | 2022               |                      |                    |
|-----------------------------|--------------------|----------------------|--------------------|--------------------|----------------------|--------------------|
|                             | Gross              | Impairment           | Total              | Gross              | Impairment           | Total              |
| <b>Consumer receivables</b> |                    |                      |                    |                    |                      |                    |
| Property rates              | 568 420 878        | (226 312 100)        | 342 108 778        | 508 342 509        | (216 920 785)        | 291 421 724        |
| <b>Other receivables</b>    |                    |                      |                    |                    |                      |                    |
| Fines                       | 171 121 561        | (166 830 521)        | 4 291 040          | 142 018 554        | (135 889 894)        | 6 128 660          |
| SARS: PAYE                  | 7 549              | -                    | 7 549              | 3 659              | -                    | 3 659              |
| Over Payment of Contractors | -                  | -                    | -                  | (807 179)          | -                    | (807 179)          |
| R/D Cheques                 | -                  | -                    | -                  | -                  | (1 449 164)          | (1 449 164)        |
|                             | <b>171 129 110</b> | <b>(166 830 521)</b> | <b>4 298 589</b>   | <b>141 215 034</b> | <b>(137 339 058)</b> | <b>3 875 976</b>   |
| <b>Total</b>                | <b>739 549 988</b> | <b>(393 142 621)</b> | <b>346 407 367</b> | <b>649 557 543</b> | <b>(354 259 843)</b> | <b>295 297 700</b> |

#### Company

|                             | 2023               |                      |                    | 2022               |                      |                    |
|-----------------------------|--------------------|----------------------|--------------------|--------------------|----------------------|--------------------|
|                             | Gross              | Impairment           | Total              | Gross              | Impairment           | Total              |
| <b>Consumer receivables</b> |                    |                      |                    |                    |                      |                    |
| Property rates              | 568 420 878        | (226 312 100)        | 342 108 778        | 508 342 509        | (216 920 785)        | 291 421 724        |
| <b>Other receivables</b>    |                    |                      |                    |                    |                      |                    |
| Fines                       | 171 121 561        | (166 830 521)        | 4 291 040          | 142 018 554        | (135 889 894)        | 6 128 660          |
| Over Payments               | -                  | -                    | -                  | (807 179)          | -                    | (807 179)          |
| R/D Cheques                 | -                  | -                    | -                  | -                  | (1 449 164)          | (1 449 164)        |
|                             | <b>171 121 561</b> | <b>(166 830 521)</b> | <b>4 291 040</b>   | <b>141 211 375</b> | <b>(137 339 058)</b> | <b>3 872 317</b>   |
| <b>Total</b>                | <b>739 542 439</b> | <b>(393 142 621)</b> | <b>346 399 818</b> | <b>649 553 884</b> | <b>(354 259 843)</b> | <b>295 294 041</b> |

# Polokwane Municipality

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2023

## Notes to the Unaudited Consolidated Annual Financial Statements

| Figures in Rand | Group |      | Company |      |
|-----------------|-------|------|---------|------|
|                 | 2023  | 2022 | 2023    | 2022 |

### 6. Receivables from non-exchange transactions (continued)

#### 6.1.1 Ageing of receivables from non-exchange transactions

##### Group - 2023

|                             | Total       | Not due    |            | Past due   |            |             |
|-----------------------------|-------------|------------|------------|------------|------------|-------------|
|                             |             | Current    | 30 days    | 60 days    | 90 days    | 120+ days   |
| <b>Consumer receivables</b> |             |            |            |            |            |             |
| Property rates              | 568 420 878 | 49 651 053 | 23 184 548 | 21 496 031 | 21 019 346 | 453 069 900 |

##### Group - 2022

|                             | Total       | Not due    |            | Past due   |            |             |
|-----------------------------|-------------|------------|------------|------------|------------|-------------|
|                             |             | Current    | 30 days    | 60 days    | 90 days    | 120+ days   |
| <b>Consumer receivables</b> |             |            |            |            |            |             |
| Property rates              | 508 342 509 | 30 291 276 | 19 541 622 | 16 349 617 | 42 440 713 | 399 719 281 |

##### Company - 2023

|                             | Total       | Not due    |            | Past due   |            |             |
|-----------------------------|-------------|------------|------------|------------|------------|-------------|
|                             |             | Current    | 30 days    | 60 days    | 90 days    | 120+ days   |
| <b>Consumer receivables</b> |             |            |            |            |            |             |
| Property rates              | 568 420 878 | 49 651 053 | 23 184 548 | 21 496 031 | 21 019 346 | 453 069 900 |

##### Company - 2022

|                             | Total       | Not due    |            | Past due   |            |             |
|-----------------------------|-------------|------------|------------|------------|------------|-------------|
|                             |             | Current    | 30 days    | 60 days    | 90 days    | 120+ days   |
| <b>Consumer receivables</b> |             |            |            |            |            |             |
| Property rates              | 508 342 509 | 30 291 276 | 19 541 622 | 16 349 617 | 42 440 713 | 399 719 281 |

# Polokwane Municipality

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2023

## Notes to the Unaudited Consolidated Annual Financial Statements

Figures in Rand

### 6. Receivables from non-exchange transactions (continued)

#### 6.1.2 Impairment reconciliation of receivables from non-exchange transactions

##### Group

|                             | 2023                 |                     |                      | 2022                 |                     |                      |
|-----------------------------|----------------------|---------------------|----------------------|----------------------|---------------------|----------------------|
|                             | Opening balance      | Impairment raised   | Closing balance      | Opening balance      | Impairment raised   | Closing balance      |
| <b>Consumer receivables</b> |                      |                     |                      |                      |                     |                      |
| Property rates              | (216 920 785)        | (9 391 315)         | (226 312 100)        | (209 636 820)        | (7 283 965)         | (216 920 785)        |
| <b>Other receivables</b>    |                      |                     |                      |                      |                     |                      |
| Fines                       | (135 889 894)        | (30 940 627)        | (166 830 521)        | (77 956 563)         | (57 933 331)        | (135 889 894)        |
| R/D Cheques                 | (1 449 164)          | 1 449 164           | -                    | -                    | (1 449 164)         | (1 449 164)          |
|                             | <b>(137 339 058)</b> | <b>(29 491 463)</b> | <b>(166 830 521)</b> | <b>(77 956 563)</b>  | <b>(59 382 495)</b> | <b>(137 339 058)</b> |
| <b>Total</b>                | <b>(354 259 843)</b> | <b>(38 882 778)</b> | <b>(393 142 621)</b> | <b>(287 593 383)</b> | <b>(66 666 460)</b> | <b>(354 259 843)</b> |

##### Company

|                             | 2023                 |                     |                      | 2022                 |                     |                      |
|-----------------------------|----------------------|---------------------|----------------------|----------------------|---------------------|----------------------|
|                             | Opening balance      | Impairment raised   | Closing balance      | Opening balance      | Impairment raised   | Closing balance      |
| <b>Consumer receivables</b> |                      |                     |                      |                      |                     |                      |
| Property rates              | (216 920 785)        | (9 391 315)         | (226 312 100)        | (209 636 820)        | (7 283 965)         | (216 920 785)        |
| <b>Other receivables</b>    |                      |                     |                      |                      |                     |                      |
| Fines                       | (135 889 894)        | (30 940 627)        | (166 830 521)        | (77 956 563)         | (57 933 331)        | (135 889 894)        |
| R/D Cheques                 | (1 449 164)          | 1 449 164           | -                    | -                    | (1 449 164)         | (1 449 164)          |
|                             | <b>(137 339 058)</b> | <b>(29 491 463)</b> | <b>(166 830 521)</b> | <b>(77 956 563)</b>  | <b>(59 382 495)</b> | <b>(137 339 058)</b> |
| <b>Total</b>                | <b>(354 259 843)</b> | <b>(38 882 778)</b> | <b>(393 142 621)</b> | <b>(287 593 383)</b> | <b>(66 666 460)</b> | <b>(354 259 843)</b> |

# Polokwane Municipality

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2023

## Notes to the Unaudited Consolidated Annual Financial Statements

| Figures in Rand | Group |      | Company |      |
|-----------------|-------|------|---------|------|
|                 | 2023  | 2022 | 2023    | 2022 |

### 6. Receivables from non-exchange transactions (continued)

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

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

### 7. Inventories

|                          |     |                   |                    |                   |                    |
|--------------------------|-----|-------------------|--------------------|-------------------|--------------------|
| Materials and supplies   |     | 88 278 259        | 116 985 927        | 88 278 259        | 116 985 927        |
| Water                    | 7.1 | 454 943           | 404 786            | 454 943           | 404 786            |
| Land                     |     | 5 262 120         | 5 262 120          | 5 262 120         | 5 262 120          |
| <b>Total Inventories</b> |     | <b>93 995 322</b> | <b>122 652 833</b> | <b>93 995 322</b> | <b>122 652 833</b> |

The amount of write-down of inventories recognised as an expense is R 792 800 (2022: R 29 116 710).

#### 7.1 Water

|                        |      |                |                |                |                |
|------------------------|------|----------------|----------------|----------------|----------------|
| Opening balance        |      | 404 786        | 255 683        | 404 786        | 255 683        |
| System input volume    |      | 241 167 026    | 258 973 831    | 241 167 026    | 258 973 831    |
| Authorised consumption |      | (153 772 783)  | (171 829 775)  | (153 772 783)  | (171 829 775)  |
| Water losses           | 41.2 | (87 344 085)   | (86 994 953)   | (87 344 085)   | (86 994 953)   |
| <b>Closing balance</b> |      | <b>454 944</b> | <b>404 786</b> | <b>454 944</b> | <b>404 786</b> |

#### 7.2 Inventory pledged as security

None of the inventories are pledged as security.

### 8. VAT receivable/(payable)

|                          |  |            |            |            |            |
|--------------------------|--|------------|------------|------------|------------|
| VAT receivable/(payable) |  | 45 397 113 | 14 896 268 | 45 397 113 | 14 896 268 |
|--------------------------|--|------------|------------|------------|------------|

The municipality is registered for VAT on the cash basis.

### 9. Investment property

#### 9.1 Reconciliation of carrying value

|                                                |  |                    |                    |                    |                    |
|------------------------------------------------|--|--------------------|--------------------|--------------------|--------------------|
| Cost                                           |  | 961 287 293        | 1 132 976 112      | 961 287 293        | 1 132 976 112      |
| Fair Value Adjustments                         |  | 38 744 119         | (104 297 853)      | 38 744 119         | (104 297 853)      |
| <b>Carrying value of disposals / transfers</b> |  |                    |                    |                    |                    |
| Cost                                           |  | (5 899 998)        | (67 390 966)       | (5 899 998)        | (67 390 966)       |
| <b>Closing carrying value</b>                  |  | <b>994 131 414</b> | <b>961 287 293</b> | <b>994 131 414</b> | <b>961 287 293</b> |
| Cost                                           |  | 994 131 414        | 961 287 293        | 994 131 414        | 961 287 293        |

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

#### 9.2 Investment property contractual commitments

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

# Polokwane Municipality

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2023

## Notes to the Unaudited Consolidated Annual Financial Statements

| Figures in Rand | Group |      | Company |      |
|-----------------|-------|------|---------|------|
|                 | 2023  | 2022 | 2023    | 2022 |

### 9. Investment property (continued)

#### 9.3 Restrictions on investment property

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

#### 9.4 Investment property pledged as security

No investment property assets are pledged as security.

#### Details of valuation

The values were determined by an external professional valuer registered in terms of the Property Valuers Act No 47 of 2000, Registration number 6990/2. The value of investment property comprising of land and building was determined by using a combination of valuation approaches. Each of these approaches assessed the relevance of each specific property based on their nature, use and comparable market transactions. The preferred valuation methodology applied to vacant land was that of comparable market related sales based on use, location and extent. In cases where no reasonable comparable sales were available the discounted cash flow methodology was used based on market related rentals for similar properties. Investment properties were fair valued by Madie Bapela CA(SA), Madishe Shokoane CA(SA), Max Pawandiwa (Pr Eng-Civil).

#### Amounts recognised is surplus or deficit

|                                         |                   |                  |                   |                  |
|-----------------------------------------|-------------------|------------------|-------------------|------------------|
| Rental revenue from investment property | <u>10 318 774</u> | <u>1 106 882</u> | <u>10 318 774</u> | <u>1 106 882</u> |
|-----------------------------------------|-------------------|------------------|-------------------|------------------|

#### Property interests

There are no property interests held under operating leases.

#### Operating expenses

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

# Polokwane Municipality

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2023

## Notes to the Unaudited Consolidated Annual Financial Statements

Figures in Rand

### 10. Property, plant and equipment

#### 10.1 Summary

| Group                         | 2023                  |                                                     |                       | 2022                  |                                                     |                       |
|-------------------------------|-----------------------|-----------------------------------------------------|-----------------------|-----------------------|-----------------------------------------------------|-----------------------|
|                               | Cost / Valuation      | Accumulated depreciation and accumulated impairment | Carrying value        | Cost / Valuation      | Accumulated depreciation and accumulated impairment | Carrying value        |
| Land                          | 446 841 727           | -                                                   | 446 841 727           | 429 901 361           | -                                                   | 429 901 361           |
| Movable assets and other      | 508 439 967           | (280 597 402)                                       | 227 842 565           | 483 586 915           | (231 444 965)                                       | 252 141 950           |
| Infrastructure                | 27 523 901 575        | (18 112 862 935)                                    | 9 411 038 640         | 21 456 192 620        | (13 555 290 021)                                    | 7 900 902 599         |
| Buildings                     | 370 440 929           | (44 931 177)                                        | 325 509 752           | 127 366 512           | (37 195 443)                                        | 90 171 069            |
| Community Assets              | 5 608 529 287         | (3 275 082 832)                                     | 2 333 446 455         | 4 561 926 314         | (2 566 946 742)                                     | 1 994 979 572         |
| Leased assets                 | 43 484 964            | (18 042 847)                                        | 25 442 117            | 40 657 758            | (19 337 298)                                        | 21 320 460            |
| Construction Work-in-progress | 2 330 212 787         | -                                                   | 2 330 212 787         | 2 279 140 101         | -                                                   | 2 279 140 101         |
| <b>Total</b>                  | <b>36 831 851 236</b> | <b>(21 731 517 193)</b>                             | <b>15 100 334 043</b> | <b>29 378 771 581</b> | <b>(16 410 214 469)</b>                             | <b>12 968 557 112</b> |

  

| Company                       | 2023                  |                                                     |                       | 2022                  |                                                     |                       |
|-------------------------------|-----------------------|-----------------------------------------------------|-----------------------|-----------------------|-----------------------------------------------------|-----------------------|
|                               | Cost / Valuation      | Accumulated depreciation and accumulated impairment | Carrying value        | Cost / Valuation      | Accumulated depreciation and accumulated impairment | Carrying value        |
| Land                          | 351 505 227           | -                                                   | 351 505 227           | 364 860 926           | -                                                   | 364 860 926           |
| Movable assets and other      | 507 870 260           | (280 135 860)                                       | 227 734 400           | 483 004 208           | (231 001 255)                                       | 252 002 953           |
| Infrastructure                | 27 523 901 575        | (18 112 862 935)                                    | 9 411 038 640         | 21 456 192 620        | (13 555 290 021)                                    | 7 900 902 599         |
| Community Assets              | 5 608 529 287         | (3 275 082 832)                                     | 2 333 446 455         | 4 561 926 314         | (2 566 946 742)                                     | 1 994 979 572         |
| Leased Assets                 | 43 484 964            | (18 042 847)                                        | 25 442 117            | 40 657 758            | (19 337 298)                                        | 21 320 460            |
| Construction Work-in-progress | 2 330 212 787         | -                                                   | 2 330 212 787         | 2 059 185 978         | -                                                   | 2 059 185 978         |
| <b>Total</b>                  | <b>36 365 504 100</b> | <b>(21 686 124 474)</b>                             | <b>14 679 379 626</b> | <b>28 965 827 804</b> | <b>(16 372 575 316)</b>                             | <b>12 593 252 488</b> |

# Polokwane Municipality

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2023

## Notes to the Unaudited Consolidated Annual Financial Statements

Figures in Rand

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

#### Reconciliation of property, plant and equipment - Group - 2023

|                               | Opening<br>balance    | Additions          | Disposals          | Transfers     | Revaluations           | Depreciation         | Impairment<br>loss  | Total                 |
|-------------------------------|-----------------------|--------------------|--------------------|---------------|------------------------|----------------------|---------------------|-----------------------|
| Land                          | 429 901 361           | 24 788             | -                  | -             | 16 915 578             | -                    | -                   | 446 841 727           |
| Movable assets and other      | 252 141 950           | 25 083 161         | (103 670)          | -             | -                      | (42 788 846)         | (6 490 030)         | 227 842 565           |
| Infrastructure                | 7 900 902 599         | 48 175 165         | (7 015 475)        | 290 422 429   | 1 729 861 695          | (529 505 618)        | (21 802 155)        | 9 411 038 640         |
| Buildings                     | 90 171 069            | -                  | -                  | 231 463 407   | 9 174 800              | (5 299 524)          | -                   | 325 509 752           |
| Community Assets              | 1 994 979 572         | 3 166 405          | (87 216)           | 1 405 555     | 474 747 686            | (138 482 059)        | (2 283 488)         | 2 333 446 455         |
| Leased assets                 | 21 320 460            | 12 960 339         | -                  | -             | -                      | (8 838 682)          | -                   | 25 442 117            |
| Construction Work-in-progress | 2 279 140 101         | 574 933 204        | -                  | (523 291 391) | -                      | -                    | (569 127)           | 2 330 212 787         |
|                               | <b>12 968 557 112</b> | <b>664 343 062</b> | <b>(7 206 361)</b> |               | <b>- 2 230 699 759</b> | <b>(724 914 729)</b> | <b>(31 144 800)</b> | <b>15 100 334 043</b> |

# Polokwane Municipality

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2023

## Notes to the Unaudited Consolidated Annual Financial Statements

Figures in Rand

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

#### Reconciliation of property, plant and equipment - Group - 2022

|                               | Opening balance       | Additions          | Disposals        | Transfers     | Depreciation         | Impairment loss     | Total                 |
|-------------------------------|-----------------------|--------------------|------------------|---------------|----------------------|---------------------|-----------------------|
| Land                          | 429 901 361           | -                  | -                | -             | -                    | -                   | 429 901 361           |
| Movable assets and other      | 257 422 902           | 39 599 141         | (759 481)        | 18 508 839    | (50 408 773)         | (12 220 678)        | 252 141 950           |
| Infrastructure                | 8 138 626 864         | 4 520 780          | (74 545)         | 316 008 008   | (555 794 049)        | (2 384 459)         | 7 900 902 599         |
| Buildings                     | 92 734 066            | -                  | -                | -             | (2 547 331)          | (15 666)            | 90 171 069            |
| Community Assets              | 2 050 850 406         | -                  | -                | 85 655 014    | (141 128 008)        | (397 840)           | 1 994 979 572         |
| Leased assets                 | 30 196 043            | 759 659            | (113 252)        | -             | (9 521 990)          | -                   | 21 320 460            |
| Construction Work-in-progress | 2 154 969 510         | 547 842 056        | -                | (420 171 861) | -                    | (3 499 604)         | 2 279 140 101         |
|                               | <b>13 154 701 152</b> | <b>592 721 636</b> | <b>(947 278)</b> | <b>-</b>      | <b>(759 400 151)</b> | <b>(18 518 247)</b> | <b>12 968 557 112</b> |

#### Reconciliation of property, plant and equipment - Company - 2023

|                               | Opening balance       | Additions          | Disposals          | Transfers     | Revaluations         | Depreciation         | Impairment loss     | Total                 |
|-------------------------------|-----------------------|--------------------|--------------------|---------------|----------------------|----------------------|---------------------|-----------------------|
| Land                          | 364 860 926           | 24 788             | -                  | -             | (13 380 487)         | -                    | -                   | 351 505 227           |
| Movable assets and other      | 252 002 953           | 25 083 161         | (101 720)          | -             | -                    | (42 759 963)         | (6 490 031)         | 227 734 400           |
| Infrastructure                | 7 900 902 599         | 48 175 165         | (7 015 475)        | 290 422 429   | 1 729 861 695        | (529 505 618)        | (21 802 155)        | 9 411 038 640         |
| Community Assets              | 1 994 979 572         | 3 166 405          | (87 216)           | 1 405 555     | 474 747 686          | (138 482 059)        | (2 283 488)         | 2 333 446 455         |
| Leased assets                 | 21 320 460            | 12 960 339         | -                  | -             | -                    | (8 838 682)          | -                   | 25 442 117            |
| Construction Work-in-progress | 2 059 185 978         | 563 423 920        | -                  | (291 827 984) | -                    | -                    | (569 127)           | 2 330 212 787         |
|                               | <b>12 593 252 488</b> | <b>652 833 778</b> | <b>(7 204 411)</b> | <b>-</b>      | <b>2 191 228 894</b> | <b>(719 586 322)</b> | <b>(31 144 801)</b> | <b>14 679 379 626</b> |



# Polokwane Municipality

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2023

## Notes to the Unaudited Consolidated Annual Financial Statements

Figures in Rand

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

#### Reconciliation of property, plant and equipment - Company - 2022

|                               | Opening balance       | Additions          | Disposals        | Transfers     | Depreciation         | Impairment loss     | Total                 |
|-------------------------------|-----------------------|--------------------|------------------|---------------|----------------------|---------------------|-----------------------|
| Land                          | 364 860 926           | -                  | -                | -             | -                    | -                   | 364 860 926           |
| Movable assets and other      | 257 257 268           | 39 599 142         | (759 481)        | 18 508 839    | (50 382 137)         | (12 220 678)        | 252 002 953           |
| Infrastructure                | 8 138 626 864         | 4 520 780          | (74 545)         | 316 008 008   | (555 794 049)        | (2 384 459)         | 7 900 902 599         |
| Community Assets              | 2 050 850 406         | -                  | -                | 85 655 014    | (141 128 008)        | (397 840)           | 1 994 979 572         |
| Leased assets                 | 30 196 043            | 759 659            | (113 252)        | -             | (9 521 990)          | -                   | 21 320 460            |
| Construction Work-in-progress | 1 958 213 313         | 524 644 130        | -                | (420 171 861) | -                    | (3 499 604)         | 2 059 185 978         |
|                               | <b>12 800 004 820</b> | <b>569 523 711</b> | <b>(947 278)</b> | <b>-</b>      | <b>(756 826 184)</b> | <b>(18 502 581)</b> | <b>12 593 252 488</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 municipality.

### 10.2 Change in estimate

#### Useful life of property, plant and equipment

Depreciable assets - During the year, the useful life of property, plant and equipment had been re-estimated at the beginning of the current period to reflect the actual pattern of service potential derived from the assets.

The effect on the current and future periods will be a decrease in the depreciation charge of R77 531 486 in the current period and an equal increase in the depreciation charge of R77 531 486 over the remaining period/s.

### 10.3 Property, plant and equipment contractual commitments

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

|                |                      |                    |                    |                    |
|----------------|----------------------|--------------------|--------------------|--------------------|
| Infrastructure | 998 789 789          | 705 502 041        | 998 789 789        | 705 502 041        |
| Other          | 4 409 581            | 4 784 581          | -                  | -                  |
|                | <b>1 003 199 370</b> | <b>710 286 622</b> | <b>998 789 789</b> | <b>705 502 041</b> |

# Polokwane Municipality

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2023

## Notes to the Unaudited Consolidated Annual Financial Statements

| Figures in Rand | Group |      | Company |      |
|-----------------|-------|------|---------|------|
|                 | 2023  | 2022 | 2023    | 2022 |

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

#### 10.4 Property, plant and equipment pledged as security

No assets have been pledged as security.

#### 10.5 Maintenance of property, plant and equipment

##### 10.5.1 Maintenance of property, plant and equipment by nature and type of expenditure

##### Expenditure incurred to repair and maintain property, plant and equipment included in the Statement of Financial Performance

|                     |                    |                    |                    |                    |
|---------------------|--------------------|--------------------|--------------------|--------------------|
| Contracted services | 433 406 095        | 536 840 672        | 433 406 095        | 536 840 672        |
| Employee costs      | 252 770 842        | 233 064 323        | 252 770 842        | 233 064 323        |
| Inventory consumed  | 46 456 488         | 46 126 154         | 46 456 488         | 46 126 154         |
| Operational costs   | 10 493 922         | 15 344 913         | 10 493 922         | 15 344 913         |
|                     | <u>743 127 347</u> | <u>831 376 062</u> | <u>743 127 347</u> | <u>831 376 062</u> |

#### 10.6 Other information

##### Borrowing costs capitalised

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

##### Assets subject to finance lease (Net carrying value)

|               |                   |                   |                   |                   |
|---------------|-------------------|-------------------|-------------------|-------------------|
| Leased Assets | <u>25 442 117</u> | <u>21 320 460</u> | <u>25 442 117</u> | <u>21 320 460</u> |
|---------------|-------------------|-------------------|-------------------|-------------------|

##### Revaluations

The effective date of the revaluations was Tuesday, 30 June 2020. Revaluations were performed by MMB Consulting. MMB Consulting and its directors are not connected to the municipality. (The valuations are performed by Mr Zack van der Merwe [National Diploma Real Estate - Unisa (Property Valuation) RSA 2005].

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

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

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

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

##### Delayed and halted projects

# Polokwane Municipality

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2023

## Notes to the Unaudited Consolidated Annual Financial Statements

| Figures in Rand                                             | Group                |                    | Company              |                    |
|-------------------------------------------------------------|----------------------|--------------------|----------------------|--------------------|
|                                                             | 2023                 | 2022               | 2023                 | 2022               |
| <b>10. Property, plant and equipment (continued)</b>        |                      |                    |                      |                    |
| <b>Carrying value of delayed and halted projects</b>        |                      |                    |                      |                    |
| Terminated contracts due to poor performance by contractors | 472 273 215          | 408 285 221        | 472 273 215          | 408 285 221        |
| Delay in servitude negotiation and payment agreements       | 6 646 633            | 3 339 785          | 6 646 633            | 3 339 785          |
| Variation orders                                            | 480 397 025          | -                  | 480 397 025          | -                  |
| Lack of funding                                             | 297 622 342          | -                  | 297 622 342          | -                  |
| Lack of capacity by Eskom                                   | 9 075 445            | -                  | 9 075 445            | -                  |
|                                                             | <b>1 266 014 660</b> | <b>411 625 006</b> | <b>1 266 014 660</b> | <b>411 625 006</b> |

Withing the above carrying value of delayed and halted projects is a carrying value of R259 668 161 (Prior year: Rnil) relating to halted projects. There are no delayed or halted projects pertaining to the municipal entity.

An impairment loss of R569 127 (2022: R3 499 604) has been recognised on the above capital projects. Condition assessment were performed for consideration of impairment in all the delayed and halted projects.

### Work in progress

| <b>Reconciliation of work-in-progress - Group - 2023</b> | Included within infrastructure assets | Included within community assets | Included within other PPE | Total                |
|----------------------------------------------------------|---------------------------------------|----------------------------------|---------------------------|----------------------|
| Opening balance                                          | 1 559 390 720                         | 499 795 434                      | 219 954 123               | 2 279 140 277        |
| Additions/capital expenditure                            | 554 560 718                           | 8 863 026                        | 300 000                   | 563 723 744          |
| Transferred to completed items                           | (290 422 427)                         | (1 405 556)                      | (220 254 123)             | (512 082 106)        |
| Impairment loss                                          | (111 910)                             | (457 217)                        | -                         | (569 127)            |
|                                                          | <b>1 823 417 101</b>                  | <b>506 795 687</b>               | <b>-</b>                  | <b>2 330 212 788</b> |

| <b>Reconciliation of work-in-progress - Group - 2022</b> | Included within infrastructure assets | Included within community assets | Included within other PPE | Total                |
|----------------------------------------------------------|---------------------------------------|----------------------------------|---------------------------|----------------------|
| Opening balance                                          | 1 604 036 398                         | 308 777 777                      | 215 265 037               | 2 128 079 212        |
| Additions/capital expenditure                            | 384 561 784                           | 275 525 890                      | 23 197 926                | 683 285 600          |
| Transferred to completed items                           | (317 154 787)                         | (84 508 233)                     | (18 508 840)              | (420 171 860)        |
| Expensed                                                 | (111 704 105)                         | -                                | -                         | (111 704 105)        |
| Transfer to prepayments                                  | (348 570)                             | -                                | -                         | (348 570)            |
|                                                          | <b>1 559 390 720</b>                  | <b>499 795 434</b>               | <b>219 954 123</b>        | <b>2 279 140 277</b> |

| <b>Reconciliation of work-in-progress - Company - 2023</b> | Included within infrastructure assets | Included within community assets | Included within other PPE | Total                |
|------------------------------------------------------------|---------------------------------------|----------------------------------|---------------------------|----------------------|
| Opening balance                                            | 1 559 390 720                         | 499 795 434                      | -                         | 2 059 186 154        |
| Additions/capital expenditure                              | 554 560 718                           | 8 863 026                        | -                         | 563 423 744          |
| Transferred to completed items                             | (290 422 427)                         | (1 405 556)                      | -                         | (291 827 983)        |
| Impairment loss                                            | (111 910)                             | (457 217)                        | -                         | (569 127)            |
|                                                            | <b>1 823 417 101</b>                  | <b>506 795 687</b>               | <b>-</b>                  | <b>2 330 212 788</b> |

# Polokwane Municipality

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|-----------------|-------|------|---------|------|
|                 | 2023  | 2022 | 2023    | 2022 |

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

| Reconciliation of work-in-progress -<br>Company - 2022 | Included within<br>infrastructure<br>assets | Included within<br>community<br>assets | Included within<br>other PPE | Total                |
|--------------------------------------------------------|---------------------------------------------|----------------------------------------|------------------------------|----------------------|
| Opening balance                                        | 1 604 036 398                               | 308 777 777                            | 18 508 840                   | 1 931 323 015        |
| Additions/capital expenditure                          | 384 561 784                                 | 275 525 890                            | -                            | 660 087 674          |
| Transferred to completed items                         | (317 154 787)                               | (84 508 233)                           | (18 508 840)                 | (420 171 860)        |
| Expensed                                               | (111 704 105)                               | -                                      | -                            | (111 704 105)        |
| Transferred to prepayments                             | (348 570)                                   | -                                      | -                            | (348 570)            |
|                                                        | <b>1 559 390 720</b>                        | <b>499 795 434</b>                     | <b>-</b>                     | <b>2 059 186 154</b> |

### 11. Biological assets

#### 11.1 Reconciliation of carrying value

##### Group

|                                                  | 2023                                              |                   | 2022                                              |                   |
|--------------------------------------------------|---------------------------------------------------|-------------------|---------------------------------------------------|-------------------|
|                                                  | Biological<br>assets<br>measured at<br>fair value | Total             | Biological<br>assets<br>measured at<br>fair value | Total             |
| Opening carrying value                           | 14 872 363                                        | 14 872 363        | 9 028 200                                         | 9 028 200         |
| <b>Fair value less costs to sell adjustments</b> |                                                   |                   |                                                   |                   |
| Timber trees                                     | 33 058                                            | 33 058            | 5 844 163                                         | 5 844 163         |
| <b>Closing carrying value</b>                    | <b>14 905 421</b>                                 | <b>14 905 421</b> | <b>14 872 363</b>                                 | <b>14 872 363</b> |

##### Company

|                                                  | 2023                                              |                   | 2022                                              |                   |
|--------------------------------------------------|---------------------------------------------------|-------------------|---------------------------------------------------|-------------------|
|                                                  | Biological<br>assets<br>measured at<br>fair value | Total             | Biological<br>assets<br>measured at<br>fair value | Total             |
| Opening carrying value                           | 14 872 363                                        | 14 872 363        | 9 028 200                                         | 9 028 200         |
| <b>Fair value less costs to sell adjustments</b> |                                                   |                   |                                                   |                   |
| Timber trees                                     | 33 058                                            | 33 058            | 5 844 163                                         | 5 844 163         |
| <b>Closing carrying value</b>                    | <b>14 905 421</b>                                 | <b>14 905 421</b> | <b>14 872 363</b>                                 | <b>14 872 363</b> |

#### 11.2 Biological assets contractual commitments

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

#### 11.3 Restrictions on biological assets

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

#### 11.4 Financial risk management strategies

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

# Polokwane Municipality

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|-----------------|-------|------|---------|------|
|                 | 2023  | 2022 | 2023    | 2022 |

### 11. Biological assets (continued)

#### Non-financial information

All biological assets relate to timber.

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

The municipality does not have consumable biological assets.

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

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

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

The biological assets are matured and have reached harvest stage.

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

### 12. Heritage assets

#### 12.1 Reconciliation of carrying value

##### Group - 2023

|                                                  | Heritage sites | Memorials and statues | Artwork           | Total             |
|--------------------------------------------------|----------------|-----------------------|-------------------|-------------------|
| <b>Opening carrying value as at 01 July 2022</b> |                |                       |                   |                   |
| Cost                                             | 144 000        | 3 858 647             | 17 897 171        | 21 899 818        |
| Accumulated impairment losses                    | -              | -                     | (32 250)          | (32 250)          |
|                                                  | <b>144 000</b> | <b>3 858 647</b>      | <b>17 864 921</b> | <b>21 867 568</b> |
| Cost                                             | 144 000        | 3 858 647             | 17 897 171        | 21 899 818        |
| Accumulated impairment losses                    | -              | -                     | (32 250)          | (32 250)          |
|                                                  | <b>144 000</b> | <b>3 858 647</b>      | <b>17 864 921</b> | <b>21 867 568</b> |

##### Group - 2022

|                                                  | Heritage sites | Memorials and statues | Artworks          | Total             |
|--------------------------------------------------|----------------|-----------------------|-------------------|-------------------|
| <b>Opening carrying value as at 01 July 2021</b> |                |                       |                   |                   |
| Cost                                             | 144 000        | 3 858 647             | 17 897 171        | 21 899 818        |
| Accumulated impairment losses                    | -              | -                     | (32 250)          | (32 250)          |
|                                                  | <b>144 000</b> | <b>3 858 647</b>      | <b>17 864 921</b> | <b>21 867 568</b> |
| Cost                                             | 144 000        | 3 858 647             | 17 897 171        | 21 899 818        |
| Accumulated impairment losses                    | -              | -                     | (32 250)          | (32 250)          |
|                                                  | <b>144 000</b> | <b>3 858 647</b>      | <b>17 864 921</b> | <b>21 867 568</b> |

# Polokwane Municipality

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| Figures in Rand | Group |      | Company |      |
|-----------------|-------|------|---------|------|
|                 | 2023  | 2022 | 2023    | 2022 |

### 12. Heritage assets (continued)

#### Company - 2023

|                                                  | Heritage sites | Memorials and statues | Artworks          | Total             |
|--------------------------------------------------|----------------|-----------------------|-------------------|-------------------|
| <b>Opening carrying value as at 01 July 2022</b> |                |                       |                   |                   |
| Cost                                             | 144 000        | 3 858 647             | 17 897 171        | 21 899 818        |
| Accumulated impairment losses                    | -              | -                     | (32 250)          | (32 250)          |
|                                                  | <b>144 000</b> | <b>3 858 647</b>      | <b>17 864 921</b> | <b>21 867 568</b> |
| Cost                                             | 144 000        | 3 858 647             | 17 897 171        | 21 899 818        |
| Accumulated impairment losses                    | -              | -                     | (32 250)          | (32 250)          |
| <b>Closing carrying value as at 30 June 2023</b> | <b>144 000</b> | <b>3 858 647</b>      | <b>17 864 921</b> | <b>21 867 568</b> |

#### Company - 2022

|                                                  | Heritage sites | Memorials and statues | Artworks          | Total             |
|--------------------------------------------------|----------------|-----------------------|-------------------|-------------------|
| <b>Opening carrying value as at 01 July 2021</b> |                |                       |                   |                   |
| Cost                                             | 144 000        | 3 858 647             | 17 897 171        | 21 899 818        |
| Accumulated impairment losses                    | -              | -                     | (32 250)          | (32 250)          |
|                                                  | <b>144 000</b> | <b>3 858 647</b>      | <b>17 864 921</b> | <b>21 867 568</b> |
| Cost                                             | 144 000        | 3 858 647             | 17 897 171        | 21 899 818        |
| Accumulated impairment losses                    | -              | -                     | (32 250)          | (32 250)          |
| <b>Closing carrying value as at 30 June 2022</b> | <b>144 000</b> | <b>3 858 647</b>      | <b>17 864 921</b> | <b>21 867 568</b> |

### 12.2 Restrictions on heritage assets

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

### 12.3 Heritage assets pledged as security

No heritage assets are pledged as security.

### Age and/or condition of heritage assets

The majority of the heritage assets have a condition grading of 3 which translates to fair as per the municipality's generic condition assessment methodology.

### Heritage assets borrowed from other entities

No heritage assets are borrowed from other entities.

### Heritage assets on loan to other entities

No heritage assets are loaned to other entities.

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

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

### Compensation from third parties

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

# Polokwane Municipality

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| Figures in Rand | Group |      | Company |      |
|-----------------|-------|------|---------|------|
|                 | 2023  | 2022 | 2023    | 2022 |

### 12. Heritage assets (continued)

#### Heritage assets used for more than one purpose

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

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

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

#### Heritage assets which fair values cannot be reliably measured

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

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

#### Expenditure incurred to repair and maintain heritage assets

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

#### Heritage assets under construction

There are no heritage assets currently under construction.

#### Held for disposal

There are no heritage assets currently held for disposal.

### 13. Intangible assets

#### 13.1 Reconciliation of carrying value

##### Group - 2023

|                                                  |    | Computer software  | Service, operating and land rights | Total              |
|--------------------------------------------------|----|--------------------|------------------------------------|--------------------|
| <b>Opening carrying value as at 01 July 2022</b> |    |                    |                                    |                    |
| Cost                                             |    | 58 649 372         | 1 304 768                          | 59 954 140         |
| Accumulated depreciation and impairment          |    | (21 342 078)       | -                                  | (21 342 078)       |
|                                                  |    | <b>37 307 294</b>  | <b>1 304 768</b>                   | <b>38 612 062</b>  |
| Additions from acquisitions                      |    | 94 448             | -                                  | 94 448             |
| Amortisation                                     | 39 | (3 588 215)        | -                                  | (3 588 215)        |
|                                                  |    | <b>(3 493 767)</b> | <b>-</b>                           | <b>(3 493 767)</b> |
| <b>Closing carrying value as at 30 June 2023</b> |    | <b>33 813 527</b>  | <b>1 304 768</b>                   | <b>35 118 295</b>  |
| Cost                                             |    | 58 743 820         | 1 304 768                          | 60 048 588         |
| Accumulated amortisation and impairment          |    | (24 930 293)       | -                                  | (24 930 293)       |
|                                                  |    | <b>33 813 527</b>  | <b>1 304 768</b>                   | <b>35 118 295</b>  |

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## Notes to the Unaudited Consolidated Annual Financial Statements

| Figures in Rand                                  | Group |      | Company            |                                    |                    |
|--------------------------------------------------|-------|------|--------------------|------------------------------------|--------------------|
|                                                  | 2023  | 2022 | 2023               | 2022                               |                    |
| <b>13. Intangible assets (continued)</b>         |       |      |                    |                                    |                    |
| <b>Group - 2022</b>                              |       |      |                    |                                    |                    |
|                                                  |       |      | Computer software  | Service, operating and land rights | Total              |
| <b>Opening carrying value as at 01 July 2021</b> |       |      |                    |                                    |                    |
| Cost                                             |       |      | 59 706 923         | 1 304 768                          | 61 011 691         |
| Accumulated depreciation and impairment          |       |      | (17 125 042)       | -                                  | (17 125 042)       |
|                                                  |       |      | <b>42 581 881</b>  | <b>1 304 768</b>                   | <b>43 886 649</b>  |
| Additions from acquisitions                      |       |      | 90 980             | -                                  | 90 980             |
| Amortisation                                     | 39    |      | (5 358 653)        | -                                  | (5 358 653)        |
|                                                  |       |      | <b>(5 267 673)</b> | <b>-</b>                           | <b>(5 267 673)</b> |
| <b>Carrying value of disposals / transfers</b>   |       |      |                    |                                    |                    |
| Cost                                             |       |      | (1 148 531)        | -                                  | (1 148 531)        |
| Accumulated depreciation and impairment          |       |      | 1 141 618          | -                                  | 1 141 618          |
|                                                  |       |      | <b>(6 913)</b>     | <b>-</b>                           | <b>(6 913)</b>     |
| <b>Closing carrying value as at 30 June 2022</b> |       |      | <b>37 307 295</b>  | <b>1 304 768</b>                   | <b>38 612 063</b>  |
| Cost                                             |       |      | 58 649 372         | 1 304 768                          | 59 954 140         |
| Accumulated amortisation and impairment          |       |      | (21 342 077)       | -                                  | (21 342 077)       |
|                                                  |       |      | <b>37 307 295</b>  | <b>1 304 768</b>                   | <b>38 612 063</b>  |
| <b>Company - 2023</b>                            |       |      |                    |                                    |                    |
|                                                  |       |      | Computer software  | Service, operating and land rights | Total              |
| <b>Opening carrying value as at 01 July 2022</b> |       |      |                    |                                    |                    |
| Cost                                             |       |      | 58 565 696         | 1 304 768                          | 59 870 464         |
| Accumulated depreciation and impairment          |       |      | (21 291 554)       | -                                  | (21 291 554)       |
|                                                  |       |      | <b>37 274 142</b>  | <b>1 304 768</b>                   | <b>38 578 910</b>  |
| Additions from acquisitions                      |       |      | 94 448             | -                                  | 94 448             |
| Amortisation                                     | 39    |      | (3 579 782)        | -                                  | (3 579 782)        |
|                                                  |       |      | <b>(3 485 334)</b> | <b>-</b>                           | <b>(3 485 334)</b> |
| <b>Closing carrying value as at 30 June 2023</b> |       |      | <b>33 788 808</b>  | <b>1 304 768</b>                   | <b>35 093 576</b>  |
| Cost                                             |       |      | 58 660 144         | 1 304 768                          | 59 964 912         |
| Accumulated amortisation and impairment          |       |      | (24 871 336)       | -                                  | (24 871 336)       |
|                                                  |       |      | <b>33 788 808</b>  | <b>1 304 768</b>                   | <b>35 093 576</b>  |



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## Notes to the Unaudited Consolidated Annual Financial Statements

| Figures in Rand                                  | Group |      | Company            |                                    |                    |
|--------------------------------------------------|-------|------|--------------------|------------------------------------|--------------------|
|                                                  | 2023  | 2022 | 2023               | 2022                               |                    |
| <b>13. Intangible assets (continued)</b>         |       |      |                    |                                    |                    |
| <b>Company - 2022</b>                            |       |      |                    |                                    |                    |
|                                                  |       |      | Computer software  | Service, operating and land rights | Total              |
| <b>Opening carrying value as at 01 July 2021</b> |       |      |                    |                                    |                    |
| Cost                                             |       |      | 59 623 247         | 1 304 768                          | 60 928 015         |
| Accumulated depreciation and impairment          |       |      | (17 082 950)       | -                                  | (17 082 950)       |
|                                                  |       |      | <b>42 540 297</b>  | <b>1 304 768</b>                   | <b>43 845 065</b>  |
| Additions from acquisitions                      |       |      | 90 980             | -                                  | 90 980             |
| Amortisation                                     | 39    |      | (5 350 221)        | -                                  | (5 350 221)        |
|                                                  |       |      | <b>(5 259 241)</b> | <b>-</b>                           | <b>(5 259 241)</b> |
| <b>Carrying value of disposals / transfers</b>   |       |      |                    |                                    |                    |
| Cost                                             |       |      | (1 148 531)        | -                                  | (1 148 531)        |
| Accumulated depreciation and impairment          |       |      | 1 141 618          | -                                  | 1 141 618          |
|                                                  |       |      | <b>(6 913)</b>     | <b>-</b>                           | <b>(6 913)</b>     |
| <b>Closing carrying value as at 30 June 2022</b> |       |      | <b>37 274 143</b>  | <b>1 304 768</b>                   | <b>38 578 911</b>  |
| Cost                                             |       |      | 58 565 696         | 1 304 768                          | 59 870 464         |
| Accumulated amortisation and impairment          |       |      | (21 291 553)       | -                                  | (21 291 553)       |
|                                                  |       |      | <b>37 274 143</b>  | <b>1 304 768</b>                   | <b>38 578 911</b>  |

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

### 13.1.1 Intangible assets with indefinite useful lives

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

|                         |            |             |            |             |
|-------------------------|------------|-------------|------------|-------------|
| Other intangible assets | 26 536 371 | 178 993 943 | 26 536 371 | 178 993 943 |
|-------------------------|------------|-------------|------------|-------------|

Polokwane Municipality has servitudes as part of their intangible assets as contained within their records. These servitudes are assessed as having an indefinite useful life. The reason supporting this assessment is as follows:

The right of way/servitude merely exists because the asset exists and the need of service exists. Therefore, the servitude will continue to exist until such time as the need for the service (addressed through the associated infrastructure asset itself) no longer exists. In fact, the ability to operate and maintain this asset is dependent on the existence of this right, this need is confirmed through the inclusion of section 101 of the Municipal Systems Act which governs municipal rights to access premises.

An increase in the current year of intangible assets with indefinite useful lives amounting to R94 448 was realised.

#### Service, operating and land rights - Carrying amount: R1 304 768

These are rights that are acquired under a once off transaction and that will be enforceable in the foreseeable future without requiring any additional payments or renewals.

#### Computer Software - Carrying amount: R25 364 713

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

### 13.2 Intangible assets contractual commitments

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

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|-----------------|-------|------|---------|------|
|                 | 2023  | 2022 | 2023    | 2022 |

### 13. Intangible assets (continued)

#### 13.3 Restrictions on intangible assets

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

#### 13.4 Intangible assets pledged as security

No intangible assets are pledged as security.

#### 13.5 Impairment

There is no impairment for intangible assets for the current (and prior) financial year.

#### 13.6 Research and development expenditure

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

#### 13.7 Review of useful lives

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

### 14. Investment in subsidiary

#### 14.1 Investment in subsidiary

| Name of associate             | Principal activities of associate    | Interest held 2023 | Interest held 2022 | Fair value of Investment* 2023 | Fair value of Investment* 2022 |
|-------------------------------|--------------------------------------|--------------------|--------------------|--------------------------------|--------------------------------|
| Polokwane Housing Association | Provision of low cost rental housing | 100.00 %           | 100.00 %           | 1 000                          | 1 000                          |

#### 14.1.1 Reconciliation of carrying value

|                               |          |          |              |              |
|-------------------------------|----------|----------|--------------|--------------|
| Opening carrying value        | -        | -        | 1 000        | 1 000        |
| New investments               | -        | -        | -            | -            |
| Disposals                     | -        | -        | -            | -            |
| <b>Closing carrying value</b> | <b>-</b> | <b>-</b> | <b>1 000</b> | <b>1 000</b> |

### 15. Long-term receivables

#### 15.1 Long term receivables

A policy exists which grants consumer debtors an opportunity to make arrangements to pay off their arrear debt over a period of 12, 24 or 36 months with a deposit payable.

#### Group

# Polokwane Municipality

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|-----------------|-------|------|---------|------|
|                 | 2023  | 2022 | 2023    | 2022 |

### 15. Long-term receivables (continued)

#### 15.2 Long term receivables

##### Group

|                         | 2023  |            |       | 2022    |            |       |
|-------------------------|-------|------------|-------|---------|------------|-------|
|                         | Gross | Impairment | Total | Gross   | Impairment | Total |
| Housing selling schemes | -     | -          | -     | 144 352 | (144 352)  | -     |

##### Company

|                         | 2023  |            |       | 2022    |            |       |
|-------------------------|-------|------------|-------|---------|------------|-------|
|                         | Gross | Impairment | Total | Gross   | Impairment | Total |
| Housing selling schemes | -     | -          | -     | 144 352 | (144 352)  | -     |

### 16. Living resources

#### 16.1 Reconciliation of carrying value

##### Group

|                                                  | 2023             |                  | 2022             |                  |
|--------------------------------------------------|------------------|------------------|------------------|------------------|
|                                                  | Game             | Total            | Game             | Total            |
| <b>Opening carrying value at 01 July 2022</b>    |                  |                  |                  |                  |
| Cost                                             | 5 912 645        | 5 912 645        | 4 450 352        | 4 450 352        |
| Additions from acquisitions                      | 406 201          | 406 201          | -                | -                |
| Disposal through sales                           | (2 659 877)      | (2 659 877)      | -                | -                |
| Revaluation adjustments                          | 5 709 493        | 5 709 493        | 1 462 293        | 1 462 293        |
|                                                  | <b>3 455 817</b> | <b>3 455 817</b> | <b>1 462 293</b> | <b>1 462 293</b> |
| <b>Closing carrying value as at 30 June 2023</b> | <b>9 368 462</b> | <b>9 368 462</b> | <b>5 912 645</b> | <b>5 912 645</b> |
| Cost                                             | 9 368 462        | 9 368 462        | 5 912 645        | 5 912 645        |

##### Company

|                                                  | 2023             |                  | 2022             |                  |
|--------------------------------------------------|------------------|------------------|------------------|------------------|
|                                                  | Game             | Total            | Game             | Total            |
| <b>Opening carrying value at 01 July 2022</b>    |                  |                  |                  |                  |
| Cost                                             | 5 912 645        | 5 912 645        | 4 450 352        | 4 450 352        |
| Additions                                        | 406 201          | 406 201          | -                | -                |
| Disposals                                        | (2 659 877)      | (2 659 877)      | -                | -                |
| Revaluation adjustments                          | 5 709 493        | 5 709 493        | 1 462 293        | 1 462 293        |
|                                                  | <b>3 455 817</b> | <b>3 455 817</b> | <b>1 462 293</b> | <b>1 462 293</b> |
| <b>Closing carrying value as at 30 June 2023</b> | <b>9 368 462</b> | <b>9 368 462</b> | <b>5 912 645</b> | <b>5 912 645</b> |
| Cost                                             | 9 368 462        | 9 368 462        | 5 912 645        | 5 912 645        |

The municipality has 817 matured animals and 34 immature animals at the end of the reporting period (2022: 1 315) which are managed and protected in terms of the National Environment Management Act as well as the Protected Area Act.

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|-----------------|-------|------|---------|------|
|                 | 2023  | 2022 | 2023    | 2022 |

### 16. Living resources (continued)

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

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

#### 16.3 Restrictions on living resources

There are no restrictions with regards to the municipality's ability to sell the animals. Animals are traded during hunting season when the carrying capacity of the game reserve is exceeded, while protecting endangered species.

#### 16.4 Living resources pledged as security

No living resources are pledged as security.

#### 16.5 Living resources contractual commitments

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

#### 16.6 Compensation from third parties

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

#### 16.7 Revaluations

Living resources are revalued every third financial year, with the latest revaluation done in the 2022-23 financial year. The municipality has previously experienced challenges relating to measurement of the fair value of the living resources, in particular those species which has a low market activity.

The impact of adopting the Standard of GRAP 110 for living and non living resources is immaterial. The impact of the change is the amount reflected in the note above.

### 17. Consumer deposits

|                   |                   |                   |                   |                   |
|-------------------|-------------------|-------------------|-------------------|-------------------|
| Electricity       | 45 154 411        | 46 470 559        | 45 154 411        | 46 470 559        |
| Rental properties | 9 778 334         | 9 713 474         | 9 778 334         | 9 713 474         |
| Water             | 11 861 405        | 11 162 042        | 11 861 405        | 11 162 042        |
| <b>Total</b>      | <b>66 794 150</b> | <b>67 346 075</b> | <b>66 794 150</b> | <b>67 346 075</b> |

### 18. Trade and other payables from exchange transactions

|                                                      |      |                    |                    |                    |                    |
|------------------------------------------------------|------|--------------------|--------------------|--------------------|--------------------|
| Affiliates, related parties and associated companies | 18.1 | 3 311 152          | 3 311 152          | 3 311 152          | 3 311 152          |
| Bulk purchases                                       | 18.2 | 127 471 915        | 137 247 449        | 127 471 915        | 137 247 449        |
| Contractors                                          | 18.3 | 141 871 449        | 144 424 868        | 141 871 449        | 144 424 868        |
| Control and clearing accounts                        | 18.4 | 17 095 471         | 29 955 035         | 17 085 962         | 29 950 551         |
| Employee benefits                                    | 18.5 | 21 703 047         | 21 031 212         | 21 292 684         | 20 647 467         |
| Other payables                                       | 18.6 | 318 621 935        | 497 256 109        | 302 245 014        | 493 481 099        |
| <b>Total</b>                                         |      | <b>630 074 969</b> | <b>833 225 825</b> | <b>613 278 176</b> | <b>829 062 586</b> |
| Current                                              |      | 630 074 969        | 833 225 825        | 613 278 176        | 829 062 586        |

#### 18.1 Affiliates, related parties and associated companies

|                                 |           |           |           |           |
|---------------------------------|-----------|-----------|-----------|-----------|
| Capricorn District Municipality | 3 311 152 | 3 311 152 | 3 311 152 | 3 311 152 |
|---------------------------------|-----------|-----------|-----------|-----------|

# Polokwane Municipality

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2023

## Notes to the Unaudited Consolidated Annual Financial Statements

| Figures in Rand                                                            | Group              |                    | Company            |                    |
|----------------------------------------------------------------------------|--------------------|--------------------|--------------------|--------------------|
|                                                                            | 2023               | 2022               | 2023               | 2022               |
| <b>18. Trade and other payables from exchange transactions (continued)</b> |                    |                    |                    |                    |
| <b>18.2 Bulk purchases</b>                                                 |                    |                    |                    |                    |
| Bulk water                                                                 | 21 551 747         | 23 261 463         | 21 551 747         | 23 261 463         |
| Bulk electricity                                                           | 105 920 168        | 113 985 986        | 105 920 168        | 113 985 986        |
| <b>Total</b>                                                               | <b>127 471 915</b> | <b>137 247 449</b> | <b>127 471 915</b> | <b>137 247 449</b> |
| <b>18.3 Contractors</b>                                                    |                    |                    |                    |                    |
| Retentions                                                                 | 141 871 449        | 144 424 868        | 141 871 449        | 144 424 868        |
| <b>18.4 Control and clearing accounts</b>                                  |                    |                    |                    |                    |
| Prepaid electricity                                                        | 16 466 919         | 29 157 536         | 16 466 919         | 29 157 536         |
| Salary Control - Employee Related Costs                                    | 619 605            | 793 579            | 619 043            | 793 015            |
| Skills control                                                             | 8 947              | 3 920              | -                  | -                  |
| <b>Total</b>                                                               | <b>17 095 471</b>  | <b>29 955 035</b>  | <b>17 085 962</b>  | <b>29 950 551</b>  |
| <b>18.5 Employee benefits</b>                                              |                    |                    |                    |                    |
| Bonus                                                                      | 21 703 047         | 21 031 212         | 21 292 684         | 20 647 467         |
| <b>18.6 Other payables</b>                                                 |                    |                    |                    |                    |
| Auditor-General of South Africa                                            | 1 960 737          | 3 154 329          | 166 888            | 1 469 515          |
| Payables - Work in Progress                                                | 11 209 283         | 374 998            | -                  | -                  |
| Payables and accruals                                                      | 196 363 249        | 345 560 220        | 194 369 680        | 345 529 005        |
| Unallocated deposits                                                       | 22 104 016         | 59 195 245         | 21 077 600         | 58 144 881         |
| Advance payments                                                           | 86 984 650         | 88 971 317         | 86 630 846         | 88 337 698         |
| <b>Total</b>                                                               | <b>318 621 935</b> | <b>497 256 109</b> | <b>302 245 014</b> | <b>493 481 099</b> |

# Polokwane Municipality

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2023

## Notes to the Unaudited Consolidated Annual Financial Statements

Figures in Rand

### 19. Unspent conditional grants and receipts

#### Group

|                      | 2023               |                    |                      |                   | 2022              |                    |                      |                    |
|----------------------|--------------------|--------------------|----------------------|-------------------|-------------------|--------------------|----------------------|--------------------|
|                      | Opening balance    | Funds received     | Funds utilised       | Closing balance   | Opening balance   | Funds received     | Funds utilised       | Closing balance    |
| <b>Capital</b>       |                    |                    |                      |                   |                   |                    |                      |                    |
| Monetary allocations | 200 620 133        | 636 621 214        | (757 110 006)        | 80 131 341        | 162 787 484       | 541 584 492        | (738 229 448)        | (33 857 472)       |
| <b>Operational</b>   |                    |                    |                      |                   |                   |                    |                      |                    |
| Monetary allocations | (44 803 604)       | 187 225 661        | (196 773 123)        | (54 351 066)      | (88 050 178)      | 437 108 690        | (159 384 510)        | 189 674 002        |
| <b>Total</b>         | <b>155 816 529</b> | <b>823 846 875</b> | <b>(953 883 129)</b> | <b>25 780 275</b> | <b>74 737 306</b> | <b>978 693 182</b> | <b>(897 613 958)</b> | <b>155 816 530</b> |

#### Company

|                      | 2023               |                    |                      |                   | 2022              |                    |                      |                    |
|----------------------|--------------------|--------------------|----------------------|-------------------|-------------------|--------------------|----------------------|--------------------|
|                      | Opening balance    | Funds received     | Funds utilised       | Closing balance   | Opening balance   | Funds received     | Funds utilised       | Closing balance    |
| <b>Capital</b>       |                    |                    |                      |                   |                   |                    |                      |                    |
| Monetary allocations | 200 611 824        | 636 621 214        | (757 110 006)        | 80 123 032        | 168 587 771       | 509 975 896        | (712 429 448)        | (33 865 781)       |
| <b>Operational</b>   |                    |                    |                      |                   |                   |                    |                      |                    |
| Monetary allocations | (44 803 604)       | 187 225 661        | (196 773 123)        | (54 351 066)      | (88 050 178)      | 437 108 690        | (159 384 510)        | 189 674 002        |
| <b>Total</b>         | <b>155 808 220</b> | <b>823 846 875</b> | <b>(953 883 129)</b> | <b>25 771 966</b> | <b>80 537 593</b> | <b>947 084 586</b> | <b>(871 813 958)</b> | <b>155 808 221</b> |

#### Group

#### 2023

# Polokwane Municipality

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2023

## Notes to the Unaudited Consolidated Annual Financial Statements

| Figures in Rand                                                | Group              |                    | Company              |                      | Total             |
|----------------------------------------------------------------|--------------------|--------------------|----------------------|----------------------|-------------------|
|                                                                | 2023               | 2022               | 2023                 | 2022                 |                   |
| <b>19. Unspent conditional grants and receipts (continued)</b> |                    |                    |                      |                      |                   |
|                                                                | Opening balance    | Funds received     | Funds surrendered    | Funds utilised       | Total             |
| Integrated National Electrification Programme Grant            | 6 949 177          | 33 000 000         | (6 949 177)          | (32 532 313)         | 467 687           |
| Neighbourhood Development Partnership Grant                    | 22 686 122         | 25 088 000         | (16 663 162)         | (26 136 732)         | 4 974 228         |
| Energy Efficiency and Demand Side Management Grant             | 85 226             | 1 000 000          | (85 226)             | (1 000 000)          | -                 |
| Public Transport Network Grant                                 | 71 428 598         | 166 506 000        | (71 428 598)         | (154 235 075)        | 12 270 925        |
| Regional Bulk Infrastructure Grant                             | 28 319 399         | 134 584 000        | (28 319 399)         | (134 584 000)        | -                 |
| Water Services Infrastructure Grant                            | 12 553 041         | 63 124 000         | (12 553 040)         | (63 124 000)         | 1                 |
| Municipal Disaster Relief Grant                                | 84                 | 4 500 000          | -                    | -                    | 4 500 084         |
| Integrated Urban Development Grant                             | 10 124 399         | 376 044 000        | -                    | (386 168 399)        | -                 |
| Local Government Financial Management Grant                    | 303                | 2 400 000          | -                    | (2 400 303)          | -                 |
| Infrastructure Skill Development Grant                         | -                  | 6 000 000          | -                    | (6 000 000)          | -                 |
| Expanded Public Works Programme                                | -                  | 11 570 000         | -                    | (11 570 000)         | -                 |
| Capricorn District Municipality                                | 17 589             | -                  | -                    | -                    | 17 589            |
| Department of Local Government and Housing                     | 2 949 709          | -                  | -                    | -                    | 2 949 709         |
| Local Government - Housing accreditation                       | 560 868            | 30 875             | -                    | -                    | 591 743           |
| Department of Sports Art and Culture                           | 133 704            | -                  | (133 704)            | -                    | -                 |
| Social Housing Regulatory Authority                            | 8 309              | -                  | -                    | -                    | 8 309             |
|                                                                | <b>155 816 528</b> | <b>823 846 875</b> | <b>(136 132 306)</b> | <b>(817 750 822)</b> | <b>25 780 275</b> |

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# Polokwane Municipality

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2023

## Notes to the Unaudited Consolidated Annual Financial Statements

| Figures in Rand                                                | Group             |                    | Company             |                      | Total              |
|----------------------------------------------------------------|-------------------|--------------------|---------------------|----------------------|--------------------|
|                                                                | 2023              | 2022               | 2023                | 2022                 |                    |
| <b>19. Unspent conditional grants and receipts (continued)</b> |                   |                    |                     |                      |                    |
|                                                                | Opening balance   | Funds received     | Funds surrendered   | Funds utilised       | Total              |
| Integrated National Electrification Programme Grant            | 561 112           | 28 000 000         | -                   | (21 611 934)         | 6 949 178          |
| Neighbourhood Development Partnership Grant                    | 882               | 48 000 000         | -                   | (25 314 760)         | 22 686 122         |
| Energy Efficiency and Demand Side Management Grant             | -                 | 6 000 000          | -                   | (5 914 774)          | 85 226             |
| Public Transport Network Grant                                 | 29 730 676        | 178 544 000        | (29 730 676)        | (107 115 403)        | 71 428 597         |
| Regional Bulk Infrastructure Grant                             | 11 802 110        | 218 806 000        | (310 266)           | (201 978 445)        | 28 319 399         |
| Water Services Infrastructure Grant                            | 6 793 122         | 50 000 000         | (4 678 613)         | (39 561 468)         | 12 553 041         |
| Municipal Disaster Relief Grant                                | -                 | 2 600 000          | -                   | (2 599 916)          | 84                 |
| Integrated Urban Development Grant                             | 27 689 894        | 397 532 000        | (22 311 723)        | (392 785 771)        | 10 124 400         |
| Local Government Financial Management Grant                    | 446 216           | 2 400 000          | (446 216)           | (2 399 697)          | 303                |
| Infrastructure Skills Development Grant                        | -                 | 6 217 000          | -                   | (6 217 000)          | -                  |
| Expanded Public Works Programme                                | -                 | 7 971 000          | -                   | (7 971 000)          | -                  |
| Capricorn District Municipality                                | 17 589            | -                  | -                   | -                    | 17 589             |
| Department of Local Government and Housing                     | 2 949 709         | -                  | -                   | -                    | 2 949 709          |
| Local Government - Housing Accreditation                       | 546 282           | 14 586             | -                   | -                    | 560 868            |
| Department of Sports, Art and Culture                          | -                 | 1 000 000          | -                   | (866 295)            | 133 705            |
| Social Housing Regulatory Authority                            | 8 309             | -                  | -                   | -                    | 8 309              |
|                                                                | <b>80 545 901</b> | <b>947 084 586</b> | <b>(57 477 494)</b> | <b>(814 336 463)</b> | <b>155 816 530</b> |

### Company

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# Polokwane Municipality

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2023

## Notes to the Unaudited Consolidated Annual Financial Statements

| Figures in Rand                                                | Group              |                    | Company              |                      | Total             |
|----------------------------------------------------------------|--------------------|--------------------|----------------------|----------------------|-------------------|
|                                                                | 2023               | 2022               | 2023                 | 2022                 |                   |
| <b>19. Unspent conditional grants and receipts (continued)</b> |                    |                    |                      |                      |                   |
|                                                                | Opening balance    | Funds received     | Funds surrendered    | Funds utilised       | Total             |
| Integrated National Electrification Programme Grant            | 6 949 177          | 33 000 000         | (6 949 177)          | (32 532 313)         | 467 687           |
| Neighbourhood Development Partnership Grant                    | 22 686 122         | 25 088 000         | (16 663 162)         | (26 136 732)         | 4 974 228         |
| Energy Efficiency and Demand Side Management Grant             | 85 226             | 1 000 000          | (85 226)             | (1 000 000)          | -                 |
| Public Transport Network Grant                                 | 71 428 598         | 166 506 000        | (71 428 598)         | (154 235 075)        | 12 270 925        |
| Regional Bulk Infrastructure Grant                             | 28 319 399         | 134 584 000        | (28 319 399)         | (134 584 000)        | -                 |
| Water Services Infrastructure Grant                            | 12 553 041         | 63 124 000         | (12 553 040)         | (63 124 000)         | 1                 |
| Municipal Disaster Relief Grant                                | 84                 | 4 500 000          | -                    | -                    | 4 500 084         |
| Integrated Urban Development Grant                             | 10 124 399         | 376 044 000        | -                    | (386 168 399)        | -                 |
| Local Government Financial Management Grant                    | 303                | 2 400 000          | -                    | (2 400 303)          | -                 |
| Infrastructure Skill Development Grant                         | -                  | 6 000 000          | -                    | (6 000 000)          | -                 |
| Expanded Public Works Programme                                | -                  | 11 570 000         | -                    | (11 570 000)         | -                 |
| Capricorn District Municipality                                | 17 589             | -                  | -                    | -                    | 17 589            |
| Department of Local Government and Housing                     | 2 949 709          | -                  | -                    | -                    | 2 949 709         |
| Local Government - Housing Accreditation                       | 560 868            | 30 875             | -                    | -                    | 591 743           |
| Department of Sports, Art and Culture                          | 133 704            | -                  | (133 704)            | -                    | -                 |
|                                                                | <b>155 808 219</b> | <b>823 846 875</b> | <b>(136 132 306)</b> | <b>(817 750 822)</b> | <b>25 771 966</b> |

### 2022

|                                                     |                 |                |                   |                |            |
|-----------------------------------------------------|-----------------|----------------|-------------------|----------------|------------|
|                                                     | Opening balance | Funds received | Funds surrendered | Funds utilised | Total      |
| Integrated National Electrification Programme Grant | 561 112         | 28 000 000     | -                 | (21 611 934)   | 6 949 178  |
| Neighbourhood Development Partnership Grant         | 882             | 48 000 000     | -                 | (25 314 760)   | 22 686 122 |
| Energy Efficiency and Demand Side Management Grant  | -               | 6 000 000      | -                 | (5 914 774)    | 85 226     |
| Public Transport Network Grant                      | 29 730 676      | 178 544 000    | (29 730 676)      | (107 115 403)  | 71 428 597 |
| Regional Bulk Infrastructure Grant                  | 11 802 110      | 218 806 000    | (310 266)         | (201 978 445)  | 28 319 399 |
| Water Services Infrastructure Grant                 | 6 793 122       | 50 000 000     | (4 678 613)       | (39 561 468)   | 12 553 041 |
| Municipal Disaster Relief Grant                     | -               | 2 600 000      | -                 | (2 599 916)    | 84         |

# Polokwane Municipality

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2023

## Notes to the Unaudited Consolidated Annual Financial Statements

| Figures in Rand                                                | Group             |                    | Company             |                      |                    |
|----------------------------------------------------------------|-------------------|--------------------|---------------------|----------------------|--------------------|
|                                                                | 2023              | 2022               | 2023                | 2022                 |                    |
| <b>19. Unspent conditional grants and receipts (continued)</b> |                   |                    |                     |                      |                    |
| Integrated Urban Development Grant                             | 27 689 894        | 397 532 000        | (22 311 723)        | (392 785 771)        | 10 124 400         |
| Local Government Financial Management Grant                    | 446 216           | 2 400 000          | (446 216)           | (2 399 697)          | 303                |
| Infrastructure Skills Development Grant                        | -                 | 6 217 000          | -                   | (6 217 000)          | -                  |
| Expanded Public Works Programme                                | -                 | 7 971 000          | -                   | (7 971 000)          | -                  |
| Capricorn District Municipality                                | 17 589            | -                  | -                   | -                    | 17 589             |
| Department of Local Government and Housing                     | 2 949 709         | -                  | -                   | -                    | 2 949 709          |
| Local Government - Housing Accreditation                       | 546 282           | 14 586             | -                   | -                    | 560 868            |
| Department of Sports, Art and Culture                          | -                 | 1 000 000          | -                   | (866 295)            | 133 705            |
|                                                                | <b>80 537 592</b> | <b>947 084 586</b> | <b>(57 477 494)</b> | <b>(814 336 463)</b> | <b>155 808 221</b> |

### Reconciliation of Funds surrendered

#### Heading

|                                    |                    |                   |                    |                   |
|------------------------------------|--------------------|-------------------|--------------------|-------------------|
| Paid back to National Treasury     | 135 998 602        | 57 477 494        | 135 998 602        | 57 477 494        |
| Paid back to Provincial Government | 133 704            | -                 | 133 704            | -                 |
|                                    | <b>136 132 306</b> | <b>57 477 494</b> | <b>136 132 306</b> | <b>57 477 494</b> |

### 20. Borrowings

#### Total borrowings

|                                                                 |                    |                    |                    |                    |
|-----------------------------------------------------------------|--------------------|--------------------|--------------------|--------------------|
| Annuity and Bullet Loans                                        | 372 776 892        | 395 364 727        | 372 776 892        | 395 364 727        |
| <b>Less: Current portion transferred to current liabilities</b> |                    |                    |                    |                    |
| Annuity and Bullet Loans                                        | (25 088 400)       | (22 587 835)       | (25 088 400)       | (22 587 835)       |
| <b>Non-current borrowings</b>                                   | <b>347 688 492</b> | <b>372 776 892</b> | <b>347 688 492</b> | <b>372 776 892</b> |

#### 20.1 Summary of arrangements

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

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

### 21. Finance Lease liabilities

#### 21.1 Carrying value of finance lease liabilities

##### Group - 2023

|                                          | Amortised cost   | Total            |
|------------------------------------------|------------------|------------------|
| <b>Carrying value as at 30 June 2023</b> |                  |                  |
| Finance lease liability                  | 25 629 451       | 25 629 451       |
| Transferred to current liabilities       | (21 052 712)     | (21 052 712)     |
| <b>Total non-current liabilities</b>     | <b>4 576 739</b> | <b>4 576 739</b> |

# Polokwane Municipality

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2023

## Notes to the Unaudited Consolidated Annual Financial Statements

| Figures in Rand | Group |      | Company |      |
|-----------------|-------|------|---------|------|
|                 | 2023  | 2022 | 2023    | 2022 |

### 21. Finance Lease liabilities (continued)

#### Group - 2022

|                                          | Amortised cost    | Total             |
|------------------------------------------|-------------------|-------------------|
| <b>Carrying value as at 30 June 2022</b> |                   |                   |
| Finance lease liability                  | 22 784 472        | 22 784 472        |
| Transferred to current liabilities       | (8 215 040)       | (8 215 040)       |
| <b>Total non-current liabilities</b>     | <b>14 569 432</b> | <b>14 569 432</b> |

#### Company - 2023

|                                          | Amortised cost   | Total            |
|------------------------------------------|------------------|------------------|
| <b>Carrying value as at 30 June 2023</b> |                  |                  |
| Finance lease liability                  | 25 629 451       | 25 629 451       |
| Transferred to current liabilities       | (21 052 712)     | (21 052 712)     |
| <b>Total non-current liabilities</b>     | <b>4 576 739</b> | <b>4 576 739</b> |

#### Company - 2022

|                                          | Amortised cost    | Total             |
|------------------------------------------|-------------------|-------------------|
| <b>Carrying value as at 30 June 2022</b> |                   |                   |
| Finance lease liability                  | 22 784 472        | 22 784 472        |
| Transferred to current liabilities       | (8 215 040)       | (8 215 040)       |
| <b>Total non-current liabilities</b>     | <b>14 569 432</b> | <b>14 569 432</b> |

It is municipality policy to lease certain motor vehicles, cellphones and photocopiers under finance leases.

The vehicle lease contracts were signed with ABSA over a period of 5 years.

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

The photocopier contracts were signed with DIDO over a period of 3 years.

### 21.2 Finance lease payable

#### The group as lessee

The obligations under finance leases are as follows:

|                                                |                   |                   |                   |                   |
|------------------------------------------------|-------------------|-------------------|-------------------|-------------------|
| <b>Total future minimum lease payments</b>     |                   |                   |                   |                   |
| Within 1 year                                  | 22 622 931        | 11 512 085        | 22 622 931        | 11 512 085        |
| 2 to 5 years                                   | 4 956 534         | 14 856 844        | 4 956 534         | 14 856 844        |
| <b>Total minimum lease payments</b>            | <b>27 579 465</b> | <b>26 368 929</b> | <b>27 579 465</b> | <b>26 368 929</b> |
| Less: Unearned finance revenue                 | (1 950 014)       | (3 584 457)       | (1 950 014)       | (3 584 457)       |
|                                                | <b>25 629 451</b> | <b>22 784 472</b> | <b>25 629 451</b> | <b>22 784 472</b> |
| <b>Present value of minimum lease payments</b> |                   |                   |                   |                   |
| Within 1 year                                  | 21 052 712        | 8 215 040         | 21 052 712        | 8 215 040         |
| 2 to 5 years                                   | 4 576 739         | 14 569 432        | 4 576 739         | 14 569 432        |
|                                                | <b>25 629 451</b> | <b>22 784 472</b> | <b>25 629 451</b> | <b>22 784 472</b> |

# Polokwane Municipality

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2023

## Notes to the Unaudited Consolidated Annual Financial Statements

| Figures in Rand                     | Group |                    | Company            |                    |                    |
|-------------------------------------|-------|--------------------|--------------------|--------------------|--------------------|
|                                     | 2023  | 2022               | 2023               | 2022               |                    |
| <b>22. Provisions</b>               |       |                    |                    |                    |                    |
| Landfill sites                      | 22.1  | 117 269 606        | 125 456 774        | 117 269 606        | 125 456 774        |
| Litigation                          | 22.2  | -                  | 8 177 040          | -                  | 8 177 040          |
| <b>Closing balance</b>              |       | <b>117 269 606</b> | <b>133 633 814</b> | <b>117 269 606</b> | <b>133 633 814</b> |
| Transferred to current provisions   |       | -                  | (10 504 499)       | -                  | (10 504 499)       |
| <b>Total non-current provisions</b> |       | <b>117 269 606</b> | <b>123 129 315</b> | <b>117 269 606</b> | <b>123 129 315</b> |
| Non-current                         |       | 117 269 606        | 123 129 315        | 117 269 606        | 123 129 315        |
| Current                             |       | -                  | 10 504 499         | -                  | 10 504 499         |
| <b>Total</b>                        |       | <b>117 269 606</b> | <b>133 633 814</b> | <b>117 269 606</b> | <b>133 633 814</b> |

### 22.1 Landfill sites

|                                      |  |                    |                    |                    |                    |
|--------------------------------------|--|--------------------|--------------------|--------------------|--------------------|
| Opening Balance                      |  | 125 456 774        | 139 553 046        | 125 456 774        | 139 553 046        |
| Change in landfill closure provision |  | (19 951 164)       | (23 967 557)       | (19 951 164)       | (23 967 557)       |
| Interest cost                        |  | 11 763 996         | 9 871 285          | 11 763 996         | 9 871 285          |
| <b>Closing balance</b>               |  | <b>117 269 606</b> | <b>125 456 774</b> | <b>117 269 606</b> | <b>125 456 774</b> |
| Transferred to current provisions    |  | -                  | (2 327 459)        | -                  | (2 327 459)        |
| <b>Total non-current provision</b>   |  | <b>117 269 606</b> | <b>123 129 315</b> | <b>117 269 606</b> | <b>123 129 315</b> |

The landfill rehabilitation provision is created for the rehabilitation of Aganang and Weltevreden landfill site which is evaluated at each year-end to reflect the best estimate at reporting date. The valuation for the landfill site was performed by a team from **Environmental and Sustainability Solutions CC** consisting of Mr Seakle Godschalk MSc(Zoology) with the following qualifications: MCom(Accounting), SAIEES, CIGFARO, SACNASP and Maryna Mohr with the following qualifications: DTech (Environmental Management), MBA. The warranty provision represents management's best estimate of the liability under one period warranties granted on (electrical) (products), based on (prior experience) (and) (industry averages for defective products).

Key financial assumptions used in this calculation were as follows:

#### Weltevreden landfill

CPI - 6.1716%  
Discount rate - 10.6716%  
Net effective discount rate - 4.5%

#### Aganang landfill

CPI - 6.1716%  
Discount rate - 11.4216%  
Net effective discount rate - 5.25%

The approximate size used as at 30 June 2023 is 378 726 square metres for Weltevreden. The total area of the landfill is 298 314 square metres at the Aganang landfill site.

#### **Remaining useful life:**

Weltevreden: 3 years  
Aganang: 48 years

The disclosed amount of R117 269 559 represents a net decrease of R8 187 168 from the provision of R125 456 727 in the previous financial year. The factors that cause a decrease in the closure provision relates to changes in the CPI, discount rate and unit costs amounting to R19 951 164. The interest charge relating to the assessment amounts to R11 763 996.

The corresponding asset is measured using the revaluation model.

# Polokwane Municipality

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2023

## Notes to the Unaudited Consolidated Annual Financial Statements

| Figures in Rand                           | Group       |                  | Company     |                  |
|-------------------------------------------|-------------|------------------|-------------|------------------|
|                                           | 2023        | 2022             | 2023        | 2022             |
| <b>22. Provisions (continued)</b>         |             |                  |             |                  |
| <b>22.2 Litigation</b>                    |             |                  |             |                  |
| Opening Balance                           | 8 177 040   | 8 177 040        | 8 177 040   | 8 177 040        |
| Reductions (Payments, remeasurement etc.) | (8 177 040) | -                | (8 177 040) | -                |
| <b>Closing balance</b>                    | <b>-</b>    | <b>8 177 040</b> | <b>-</b>    | <b>8 177 040</b> |
| Transferred to current provisions         | -           | (8 177 040)      | -           | (8 177 040)      |
| <b>Total non-current provision</b>        | <b>-</b>    | <b>-</b>         | <b>-</b>    | <b>-</b>         |

### Provision for Fleet Africa

This provision is due to a dispute on the invoices raised by Fleet Africa to the municipality for services rendered. Fleet Africa therefore took the matter to court. The timing of the outflow is uncertain on this matter.

### 23. Employee benefits

#### Non-current employee benefits

|                                      |      |                    |                    |                    |                    |
|--------------------------------------|------|--------------------|--------------------|--------------------|--------------------|
| Post employment health care benefits | 23.1 | 214 847 000        | 188 093 000        | 214 847 000        | 188 093 000        |
| Ex-Gratia pension benefits           | 23.2 | 13 583 000         | 14 355 000         | 13 583 000         | 14 355 000         |
| Long-service award benefits          | 23.3 | 60 699 000         | 58 512 000         | 60 699 000         | 58 512 000         |
| Staff leave                          | 23.4 | 108 015 612        | 144 626 008        | 108 015 611        | 144 626 008        |
|                                      |      | <b>397 144 612</b> | <b>405 586 008</b> | <b>397 144 611</b> | <b>405 586 008</b> |
| <b>Current employee benefits</b>     |      |                    |                    |                    |                    |
| Staff leave                          | 23.4 | 9 640 921          | 12 932 007         | 9 116 740          | 11 902 119         |
| <b>Total employee benefits</b>       |      | <b>406 785 533</b> | <b>418 518 015</b> | <b>406 261 351</b> | <b>417 488 127</b> |

#### 23.1 Post employment health care benefits

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

|                                    | Number       |              | Number       |              |
|------------------------------------|--------------|--------------|--------------|--------------|
| In-service members (Employees)     | 1 197        | 1 107        | 1 197        | 1 107        |
| Continuation members (Retirees)    | 813          | 784          | 813          | 784          |
| In service employees (Non-members) | 132          | 74           | 132          | 74           |
| <b>Total members</b>               | <b>2 142</b> | <b>1 965</b> | <b>2 142</b> | <b>1 965</b> |

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

|                                 |                    |                    |                    |                    |
|---------------------------------|--------------------|--------------------|--------------------|--------------------|
| In-service members (Employees)  | 145 268 000        | 140 426 000        | 145 268 000        | 140 426 000        |
| Continuation members (Retirees) | 69 579 000         | 47 667 000         | 69 579 000         | 47 667 000         |
| <b>Total liability</b>          | <b>214 847 000</b> | <b>188 093 000</b> | <b>214 847 000</b> | <b>188 093 000</b> |
| Non-current                     | 214 847 000        | 188 093 000        | 214 847 000        | 188 093 000        |

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

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

# Polokwane Municipality

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2023

## Notes to the Unaudited Consolidated Annual Financial Statements

| Figures in Rand | Group |      | Company |      |
|-----------------|-------|------|---------|------|
|                 | 2023  | 2022 | 2023    | 2022 |

### 23. Employee benefits (continued)

The Future-service Cost for the ensuing year is estimated to be R 9 429 000 whereas the Interest Cost is estimated to be R 27 828 000.

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

#### Rates of interest

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

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

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

The Actuaries used the nominal and real zero curves as at 30 June 2023 supplied by the JSE to determine the discount rates and CPI assumptions at each relevant time period.

#### Mortality rates

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

#### Normal and average retirement age

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

#### Amounts recognised in the statement of financial position

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

|                                       |             |             |             |             |
|---------------------------------------|-------------|-------------|-------------|-------------|
| Present value of unfunded obligations | 214 847 000 | 188 093 000 | 214 847 000 | 188 093 000 |
|---------------------------------------|-------------|-------------|-------------|-------------|

#### Amounts recognised in the statement of financial performance

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

|                                                                         |           |                   |                    |                   |                    |
|-------------------------------------------------------------------------|-----------|-------------------|--------------------|-------------------|--------------------|
| Current service cost                                                    |           | 9 858 000         | 9 435 000          | 9 858 000         | 9 435 000          |
| Interest cost                                                           |           | 22 505 000        | 21 956 000         | 22 505 000        | 21 956 000         |
| Actuarial loss/ (gain) recognised in the year                           |           | 1 756 927         | (40 730 521)       | 1 756 927         | (40 730 521)       |
| <b>Total post-retirement benefit included in employee related costs</b> | <b>36</b> | <b>34 119 927</b> | <b>(9 339 521)</b> | <b>34 119 927</b> | <b>(9 339 521)</b> |

# Polokwane Municipality

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2023

## Notes to the Unaudited Consolidated Annual Financial Statements

| Figures in Rand                                                        | Group              |                    | Company            |                    |
|------------------------------------------------------------------------|--------------------|--------------------|--------------------|--------------------|
|                                                                        | 2023               | 2022               | 2023               | 2022               |
| <b>23. Employee benefits (continued)</b>                               |                    |                    |                    |                    |
| <b>Movement in the present value of the defined benefit obligation</b> |                    |                    |                    |                    |
| Opening balance                                                        | 188 093 000        | 204 408 000        | 188 093 000        | 204 408 000        |
| Current service cost                                                   | 9 858 000          | 9 435 000          | 9 858 000          | 9 435 000          |
| Interest cost                                                          | 22 505 000         | 21 956 000         | 22 505 000         | 21 956 000         |
| Actual employer benefit payments                                       | (7 365 927)        | (6 975 479)        | (7 365 927)        | (6 975 479)        |
| Actuarial loss/(gain) recognised in the year                           | 1 756 927          | (40 730 521)       | 1 756 927          | (40 730 521)       |
|                                                                        | <b>214 847 000</b> | <b>188 093 000</b> | <b>214 847 000</b> | <b>188 093 000</b> |

### History of present value of unfunded defined benefit

|                                             | 2019        | 2020        | 2021        | 2022        | 2023        |
|---------------------------------------------|-------------|-------------|-------------|-------------|-------------|
| Present value of defined benefit obligation | 193 906 000 | 197 335 000 | 204 408 000 | 188 093 000 | 214 847 000 |

### Company

|                                             | 2019        | 2020        | 2021        | 2022        | 2023        |
|---------------------------------------------|-------------|-------------|-------------|-------------|-------------|
| Present value of defined benefit obligation | 193 906 000 | 197 335 000 | 204 408 000 | 188 093 000 | 214 847 000 |

### Sensitivity Analysis

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

|                                                     | +1% Increase | -1% Decrease | +1% Increase | -1% Decrease |
|-----------------------------------------------------|--------------|--------------|--------------|--------------|
| Effect on the defined benefit obligation            | 239 083 000  | 191 874 000  | 239 083 000  | 191 874 000  |
| Effect on the aggregate of the interest cost        | 31 062 000   | 24 768 000   | 31 062 000   | 24 768 000   |
| Effect on the aggregate of the current service cost | 11 055 000   | 7 954 000    | 11 055 000   | 7 954 000    |

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

|                                                     | +20% Mortality rate | -20% Mortality rate | +20% Mortality rate | -20% Mortality rate |
|-----------------------------------------------------|---------------------|---------------------|---------------------|---------------------|
| Total accrued liability                             | 200 569 000         | 231 994 000         | 200 569 000         | 231 994 000         |
| Effect on the aggregate of the interest cost        | 25 940 000          | 30 095 000          | 25 940 000          | 30 095 000          |
| Effect on the aggregate of the current service cost | 8 734 000           | 10 254 000          | 8 734 000           | 10 254 000          |

ZAQ Consultants and Actuaries were the appointed actuaries for the year ending 30 June 2023.

### 23.2 Ex-Gratia pension benefits

|                                          | 23.2.1     |            |            |            |  |
|------------------------------------------|------------|------------|------------|------------|--|
| Provision for ex-gratia pension benefits | 13 583 000 | 14 355 000 | 13 583 000 | 14 355 000 |  |
| Non-current                              | 13 583 000 | 14 355 000 | 13 583 000 | 14 355 000 |  |

# Polokwane Municipality

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2023

## Notes to the Unaudited Consolidated Annual Financial Statements

| Figures in Rand                                                         | Group             |                   | Company           |                   |
|-------------------------------------------------------------------------|-------------------|-------------------|-------------------|-------------------|
|                                                                         | 2023              | 2022              | 2023              | 2022              |
| <b>23. Employee benefits (continued)</b>                                |                   |                   |                   |                   |
| <b>23.2.1 Provision for ex-gratia pension benefits</b>                  |                   |                   |                   |                   |
| <b>Movements in the present value of the defined benefit obligation</b> |                   |                   |                   |                   |
| Opening Balance                                                         | 14 355 000        | 11 630 000        | 14 355 000        | 11 630 000        |
| Interest                                                                | 1 723 000         | 1 424 000         | 1 723 000         | 1 424 000         |
| Current service cost                                                    | 1 134 000         | 859 000           | 1 134 000         | 859 000           |
| Actual employer benefit payments                                        | (1 173 367)       | (918 487)         | (1 173 367)       | (918 487)         |
| Actuarial (gain)/loss recognised in the year                            | (2 455 633)       | 1 360 487         | (2 455 633)       | 1 360 487         |
| <b>Closing balance</b>                                                  | <b>13 583 000</b> | <b>14 355 000</b> | <b>13 583 000</b> | <b>14 355 000</b> |

### Key assumptions:

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

To obtain the applicable discount rate, the implied duration of the liability to obtain an appropriate interest rate on the yield curve is used. The nominal and real zero curves as at 30 June 2023 supplied by the JSE is used to determine the discounted rates and CPI assumptions is used.

The discount rate used is 12.96%. (Net effective discount rate: 12.22%).

The consumer price inflation value used is 7.52%

Net effective discount rate: 5.06%

The normal retirement age is 65 years whilst the average retirement age used is 63 years in order to implicitly allow for ill health and early retirements.

Mortality rate used has been based on the SA 85-90 mortality tables. These are the most commonly used tables in the industry. No updates are made for the impact of COVID 19 as there is insufficient evidence that it would have an impact on mortality rates in the future.

### Sensitivity analysis

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

|                                          | 1% Decrease | 1% Increase | 1% Decrease | 1% Increase |
|------------------------------------------|-------------|-------------|-------------|-------------|
| Effect on the interest cost              | 1 547 000   | 1 925 000   | 1 547 000   | 1 925 000   |
| Effect on current service cost           | 858 000     | 1 112 000   | 858 000     | 1 112 000   |
| Effect on the defined benefit obligation | 12 292 000  | 15 075 000  | 12 292 000  | 15 075 000  |

### 23.3 Long-service award benefits

|                                           |        |            |            |            |            |
|-------------------------------------------|--------|------------|------------|------------|------------|
| Provision for long-service award benefits | 23.3.1 | 60 699 000 | 58 512 000 | 60 699 000 | 58 512 000 |
| Non-current                               |        | 60 699 000 | 58 512 000 | 60 699 000 | 58 512 000 |

#### 23.3.1 Provision for long-service award benefits

##### Movements in the present value of the defined benefit obligation

|                        |                   |                   |                   |                   |
|------------------------|-------------------|-------------------|-------------------|-------------------|
| Opening Balance        | 58 512 000        | 54 512 000        | 58 512 000        | 54 512 000        |
| Interest cost          | 6 665 000         | 4 719 000         | 6 665 000         | 4 719 000         |
| Current cost           | 5 144 000         | 5 061 000         | 5 144 000         | 5 061 000         |
| Benefits paid          | (181 969)         | (283 489)         | (181 969)         | (283 489)         |
| Actuarial (gain)/loss  | (9 440 031)       | (5 496 511)       | (9 440 031)       | (5 496 511)       |
| <b>Closing balance</b> | <b>60 699 000</b> | <b>58 512 000</b> | <b>60 699 000</b> | <b>58 512 000</b> |

Discount rate: Yield curve

CPI: Difference between nominal and real yield curve

Normal salary increase rate: CPI+1%

Net effective discount rate: Yield curve based



# Polokwane Municipality

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2023

## Notes to the Unaudited Consolidated Annual Financial Statements

| Figures in Rand | Group |      | Company |      |
|-----------------|-------|------|---------|------|
|                 | 2023  | 2022 | 2023    | 2022 |

### 23. Employee benefits (continued)

#### Sensitivity analysis

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

|                                                     | 1% Decrease | 1% Increase | 1% Decrease | 1% Increase |
|-----------------------------------------------------|-------------|-------------|-------------|-------------|
| Effect on the defined benefit obligation            | 57 361 000  | 64 338 000  | 57 361 000  | 64 338 000  |
| Effect on the aggregate of the current service cost | 4 497 000   | 5 382 000   | 4 497 000   | 5 382 000   |
| Effect on the aggregate of the interest cost        | 6 251 000   | 7 047 000   | 6 251 000   | 7 047 000   |

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

|                                                     | -20%<br>Withdrawal<br>rate | +20%<br>Withdrawal<br>rate | -20%<br>Withdrawal<br>rate | +20%<br>Withdrawal<br>rate |
|-----------------------------------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| Effect on the defined benefit obligation            | 63 248 000                 | 58 347 000                 | 63 248 000                 | 58 347 000                 |
| Effect on the aggregate of the current service cost | 5 314 000                  | 4 759 000                  | 5 314 000                  | 4 759 000                  |
| Effect on the aggregate of the interest cost        | 6 924 000                  | 6 361 000                  | 6 924 000                  | 6 361 000                  |

#### 23.4 Staff leave

|                                   |        |                    |                    |                    |                    |
|-----------------------------------|--------|--------------------|--------------------|--------------------|--------------------|
| Provision for staff leave         | 23.4.1 | 117 656 533        | 157 558 015        | 117 132 351        | 156 528 127        |
| Less: Transfer to current portion |        | (9 640 921)        | (12 932 007)       | (9 116 740)        | (11 902 119)       |
| <b>Total non-current benefit</b>  |        | <b>108 015 612</b> | <b>144 626 008</b> | <b>108 015 611</b> | <b>144 626 008</b> |
| Current                           |        | 9 640 921          | 12 932 007         | 9 116 740          | 11 902 119         |
| Non-current                       |        | 108 015 612        | 144 626 008        | 108 015 611        | 144 626 008        |
| <b>Total liability</b>            |        | <b>117 656 533</b> | <b>157 558 015</b> | <b>117 132 351</b> | <b>156 528 127</b> |

#### 23.4.1 Provision for staff leave Movements in the present value of the defined benefit obligation

|                                           |                    |                    |                    |                    |
|-------------------------------------------|--------------------|--------------------|--------------------|--------------------|
| Opening Balance                           | 157 558 015        | 156 886 014        | 156 528 127        | 155 900 323        |
| Increases                                 | -                  | 7 607 673          | -                  | 7 461 804          |
| Reductions (Payments, remeasurement etc.) | (37 116 103)       | (6 935 672)        | (36 610 397)       | (6 834 000)        |
| Reversals                                 | (2 785 379)        | -                  | (2 785 379)        | -                  |
| <b>Closing balance</b>                    | <b>117 656 533</b> | <b>157 558 015</b> | <b>117 132 351</b> | <b>156 528 127</b> |

### 24. Reserves and funds

|                     |                |               |                |               |
|---------------------|----------------|---------------|----------------|---------------|
| Revaluation reserve | 10 360 142 341 | 7 561 598 892 | 10 242 353 680 | 7 483 281 096 |
|---------------------|----------------|---------------|----------------|---------------|

#### Reconciliation of Revaluation reserve

|                          |                       |                      |                       |                      |
|--------------------------|-----------------------|----------------------|-----------------------|----------------------|
| Opening balance          | 7 561 598 892         | 7 703 503 193        | 7 483 281 096         | 7 625 185 397        |
| Revaluation for the year | 2 798 543 449         | (141 904 301)        | 2 759 072 584         | (141 904 301)        |
|                          | <b>10 360 142 341</b> | <b>7 561 598 892</b> | <b>10 242 353 680</b> | <b>7 483 281 096</b> |

Refer to Statement of changes in net assets for more detail and the movement on Reserves.

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## Notes to the Unaudited Consolidated Annual Financial Statements

| Figures in Rand                                          | Group              |                      | Company              |                      |                      |
|----------------------------------------------------------|--------------------|----------------------|----------------------|----------------------|----------------------|
|                                                          | 2023               | 2022                 | 2023                 | 2022                 |                      |
| <b>25. Property rates</b>                                |                    |                      |                      |                      |                      |
| Agricultural Property                                    | 13 903             | -                    | 13 903               | -                    |                      |
| Business and Commercial Properties                       | 246 252 249        | 242 078 617          | 246 252 249          | 242 078 617          |                      |
| Farm Properties                                          | 11 520 471         | 7 647 507            | 11 520 471           | 7 647 507            |                      |
| Industrial Properties                                    | 59 815 852         | 54 996 237           | 59 815 852           | 54 996 237           |                      |
| Public Benefit Organisations                             | 361 901            | (2 077 155)          | 361 901              | (2 077 155)          |                      |
| Public Service Infrastructure Properties                 | 319 165            | 336 368              | 319 165              | 336 368              |                      |
| Residential Properties                                   | 233 954 755        | 206 739 191          | 233 954 755          | 206 739 191          |                      |
| Small Holdings                                           | -                  | 5 389                | -                    | 5 389                |                      |
| State-owned Properties                                   | 21 103 192         | 18 322 434           | 21 103 192           | 18 322 434           |                      |
| <b>Total</b>                                             | <b>573 341 488</b> | <b>528 048 588</b>   | <b>573 341 488</b>   | <b>528 048 588</b>   |                      |
| <b>26. Government grants and subsidies</b>               |                    |                      |                      |                      |                      |
| <b>Operational</b>                                       |                    |                      |                      |                      |                      |
| Monetary allocations or revenue                          | 26.1               | 1 403 549 422        | 1 215 946 288        | 1 403 549 423        | 1 215 946 288        |
| <b>Capital</b>                                           |                    |                      |                      |                      |                      |
| Allocations in-kind                                      | 26.2               | 576 297              | -                    | 576 297              | -                    |
| Monetary allocations or revenue                          | 26.3               | 612 012 650          | 655 398 170          | 612 012 650          | 655 398 170          |
| <b>Total transfers and subsidies: Capital</b>            |                    | <b>612 588 947</b>   | <b>655 398 170</b>   | <b>612 588 947</b>   | <b>655 398 170</b>   |
| <b>Total</b>                                             |                    | <b>2 016 138 369</b> | <b>1 871 344 458</b> | <b>2 016 138 370</b> | <b>1 871 344 458</b> |
| <b>26.1 Monetary allocations or revenue: Operational</b> |                    |                      |                      |                      |                      |
| National Treasury - conditional grants                   |                    | 205 738 170          | 158 071 998          | 205 738 170          | 158 071 998          |
| National Treasury - equitable share                      |                    | 1 196 549 603        | 1 055 884 494        | 1 196 549 603        | 1 055 884 494        |
| Parent municipality                                      |                    | (1)                  | -                    | -                    | -                    |
| Public contributions and donations                       |                    | 1 261 650            | 1 123 500            | 1 261 650            | 1 123 500            |
| Provincial government                                    |                    | -                    | 866 296              | -                    | 866 296              |
| <b>Total</b>                                             |                    | <b>1 403 549 422</b> | <b>1 215 946 288</b> | <b>1 403 549 423</b> | <b>1 215 946 288</b> |
| <b>Revenue recognised per grant</b>                      |                    |                      |                      |                      |                      |
| Expanded Public Works Programme Integrated Grant         |                    | 11 570 000           | 7 971 000            | 11 570 000           | 7 971 000            |
| Infrastructure Skills Development Grant                  |                    | 6 000 000            | 6 217 000            | 6 000 000            | 6 217 000            |
| Local Government Financial Management Grant              |                    | 2 055 303            | 2 399 697            | 2 055 303            | 2 399 697            |
| Water Services Infrastructure Grant                      |                    | 11 511 012           | -                    | 11 511 012           | -                    |
| Public Transport Network Grant                           |                    | 78 525 573           | 64 473 973           | 78 525 573           | 64 473 973           |
| Integrated National Electrification Programme Grant      |                    | 4 188 727            | 9 891 728            | 4 188 727            | 9 891 728            |
| Integrated Urban Development Grant                       |                    | 91 887 555           | 67 118 600           | 91 887 555           | 67 118 600           |
|                                                          |                    | <b>205 738 170</b>   | <b>158 071 998</b>   | <b>205 738 170</b>   | <b>158 071 998</b>   |
| <b>26.2 Allocations in-kind: Capital</b>                 |                    |                      |                      |                      |                      |
| Private enterprises                                      |                    | 576 297              | -                    | 576 297              | -                    |
| <b>26.3 Monetary allocations: Capital</b>                |                    |                      |                      |                      |                      |
| National government                                      |                    | 612 012 650          | 655 398 170          | 612 012 650          | 655 398 170          |

# Polokwane Municipality

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## Notes to the Unaudited Consolidated Annual Financial Statements

| Figures in Rand                                        | Group              |                    | Company            |                    |
|--------------------------------------------------------|--------------------|--------------------|--------------------|--------------------|
|                                                        | 2023               | 2022               | 2023               | 2022               |
| <b>26. Government grants and subsidies (continued)</b> |                    |                    |                    |                    |
| <b>Revenue recognised per grant</b>                    |                    |                    |                    |                    |
| Integrated National Electrification Programme Grant    | 28 343 585         | 11 720 207         | 28 343 585         | 11 720 207         |
| Neighbourhood Development Partnership Grant            | 26 136 732         | 25 314 760         | 26 136 732         | 25 314 760         |
| Local Government Finance Management Grant              | 345 000            | -                  | 345 000            | -                  |
| Municipal Disaster Recovery Grant                      | -                  | 2 599 916          | -                  | 2 599 916          |
| Energy Efficiency and Demand Side Management Grant     | 1 000 000          | 5 914 774          | 1 000 000          | 5 914 774          |
| Water Services Infrastructure Grant                    | 51 612 988         | 39 561 468         | 51 612 988         | 39 561 468         |
| Public Transport Network Grant                         | 75 709 501         | 42 641 429         | 75 709 501         | 42 641 429         |
| Regional Bulk Infrastructure Grant                     | 134 584 000        | 201 978 445        | 134 584 000        | 201 978 445        |
| Integrated Urban Development Grant                     | 294 280 844        | 325 667 171        | 294 280 844        | 325 667 171        |
|                                                        | <b>612 012 650</b> | <b>655 398 170</b> | <b>612 012 650</b> | <b>655 398 170</b> |

### Analysis of donations received in kind

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

|                         |                |          |                |          |
|-------------------------|----------------|----------|----------------|----------|
| Clear view fence        | 96 111         | -        | 96 111         | -        |
| Jojo tanks              | 217 156        | -        | 217 156        | -        |
| Pressure reducing valve | 263 030        | -        | 263 030        | -        |
|                         | <b>576 297</b> | <b>-</b> | <b>576 297</b> | <b>-</b> |

### Analysis of cash donations

|                     |                  |                  |                  |                  |
|---------------------|------------------|------------------|------------------|------------------|
| Mayors charity fund | 1 211 650        | 1 123 500        | 1 211 650        | 1 123 500        |
| Marathon            | 50 000           | -                | 50 000           | -                |
|                     | <b>1 261 650</b> | <b>1 123 500</b> | <b>1 261 650</b> | <b>1 123 500</b> |

### 26.1 Equitable share

|                                                   |                      |                      |                      |                      |
|---------------------------------------------------|----------------------|----------------------|----------------------|----------------------|
| Balance unspent at the beginning of the year      | -                    | -                    | -                    | -                    |
| Current year allocation                           | 1 060 551 000        | 998 407 000          | 1 060 551 000        | 998 407 000          |
| Offset December tranche - roll overs not approved | 135 998 603          | 57 477 494           | 135 998 603          | 57 477 494           |
|                                                   | <b>1 196 549 603</b> | <b>1 055 884 494</b> | <b>1 196 549 603</b> | <b>1 055 884 494</b> |

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

### 26.2 Finance Management Grant

|                                          |             |             |             |             |
|------------------------------------------|-------------|-------------|-------------|-------------|
| Balance unspent at beginning of the year | 303         | 446 216     | 303         | 446 216     |
| Current year receipts                    | 2 400 000   | 2 400 000   | 2 400 000   | 2 400 000   |
| Conditions met - transferred to revenue  | (2 400 303) | (2 399 697) | (2 400 303) | (2 399 697) |
| Paid back to National Treasury           | -           | (446 216)   | -           | (446 216)   |
|                                          | <b>-</b>    | <b>303</b>  | <b>-</b>    | <b>303</b>  |

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

### 26.3 Public Transport Network Grant

# Polokwane Municipality

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| Figures in Rand                                        | Group             |                   | Company           |                   |
|--------------------------------------------------------|-------------------|-------------------|-------------------|-------------------|
|                                                        | 2023              | 2022              | 2023              | 2022              |
| <b>26. Government grants and subsidies (continued)</b> |                   |                   |                   |                   |
| Balance unspent at the beginning of the year           | 71 428 599        | 29 730 677        | 71 428 599        | 29 730 677        |
| Current year receipts                                  | 166 506 000       | 178 544 000       | 166 506 000       | 178 544 000       |
| Conditions met - transferred to revenue                | (154 235 075)     | (107 115 402)     | (154 235 075)     | (107 115 402)     |
| Paid back to National Treasury                         | (71 428 598)      | (29 730 676)      | (71 428 598)      | (29 730 676)      |
|                                                        | <b>12 270 926</b> | <b>71 428 599</b> | <b>12 270 926</b> | <b>71 428 599</b> |

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

### 26.4 Municipal Disaster Relief Grant

|                                         |                  |             |                  |             |
|-----------------------------------------|------------------|-------------|------------------|-------------|
| Balance at the beginning of the year    | 84               | -           | 84               | -           |
| Current year receipts                   | 4 500 000        | 2 600 000   | 4 500 000        | 2 600 000   |
| Conditions met - transferred to revenue | -                | (2 599 916) | -                | (2 599 916) |
|                                         | <b>4 500 084</b> | <b>84</b>   | <b>4 500 084</b> | <b>84</b>   |

### 26.5 Limpopo Provincial Government

|                                              |           |           |           |           |
|----------------------------------------------|-----------|-----------|-----------|-----------|
| Balance unspent at the beginning of the year | 2 949 710 | 2 949 710 | 2 949 710 | 2 949 710 |
|----------------------------------------------|-----------|-----------|-----------|-----------|

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

### 26.6 Limpopo Local Government and Housing

|                                              |                |                |                |                |
|----------------------------------------------|----------------|----------------|----------------|----------------|
| Balance unspent at the beginning of the year | 560 868        | 546 282        | 560 868        | 546 282        |
| Current year receipts                        | 30 875         | 14 586         | 30 875         | 14 586         |
|                                              | <b>591 743</b> | <b>560 868</b> | <b>591 743</b> | <b>560 868</b> |

The grant was used to fund the housing accreditation process.

### 26.7 Integrated National Electrification Programme Grant

|                                              |                |                  |                |                  |
|----------------------------------------------|----------------|------------------|----------------|------------------|
| Balance unspent at the beginning of the year | 6 949 177      | 561 113          | 6 949 177      | 561 113          |
| Current year receipts                        | 33 000 000     | 28 000 000       | 33 000 000     | 28 000 000       |
| Conditions met - transferred to revenue      | (32 532 313)   | (21 611 936)     | (32 532 313)   | (21 611 936)     |
| Paid back to National Treasury               | (6 949 177)    | -                | (6 949 177)    | -                |
|                                              | <b>467 687</b> | <b>6 949 177</b> | <b>467 687</b> | <b>6 949 177</b> |

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

### 26.8 Capricorn District Municipality

|                                              |               |               |               |               |
|----------------------------------------------|---------------|---------------|---------------|---------------|
| Balance unspent at the beginning of the year | 17 589        | 17 589        | 17 589        | 17 589        |
| Current year receipts                        | -             | -             | -             | -             |
| Conditions met - transferred to revenue      | -             | -             | -             | -             |
|                                              | <b>17 589</b> | <b>17 589</b> | <b>17 589</b> | <b>17 589</b> |

### 26.9 Expanded Public Works Programme Incentive Grant

# Polokwane Municipality

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| Figures in Rand                                        | Group        |             | Company      |             |
|--------------------------------------------------------|--------------|-------------|--------------|-------------|
|                                                        | 2023         | 2022        | 2023         | 2022        |
| <b>26. Government grants and subsidies (continued)</b> |              |             |              |             |
| Balance unspent at the beginning of the year           | -            | -           | -            | -           |
| Current year receipts                                  | 11 570 000   | 7 971 000   | 11 570 000   | 7 971 000   |
| Conditions met - transferred to revenue                | (11 570 000) | (7 971 000) | (11 570 000) | (7 971 000) |
|                                                        | <u>-</u>     | <u>-</u>    | <u>-</u>     | <u>-</u>    |

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

### 26.10 Neighbourhood Development Partnership Grant

|                                              |                  |                   |                  |                   |
|----------------------------------------------|------------------|-------------------|------------------|-------------------|
| Balance unspent at the beginning of the year | 22 686 122       | 881               | 22 686 122       | 881               |
| Current year receipts                        | 25 088 000       | 48 000 000        | 25 088 000       | 48 000 000        |
| Conditions met - transferred to revenue      | (26 136 732)     | (25 314 760)      | (26 136 732)     | (25 314 760)      |
| Paid back to National Treasury               | (16 663 162)     | -                 | (16 663 162)     | -                 |
|                                              | <u>4 974 228</u> | <u>22 686 121</u> | <u>4 974 228</u> | <u>22 686 121</u> |

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

### 26.11 Skills Development Fund

|                                              |             |             |             |             |
|----------------------------------------------|-------------|-------------|-------------|-------------|
| Balance unspent at the beginning of the year | -           | -           | -           | -           |
| Current year receipts                        | 6 000 000   | 6 217 000   | 6 000 000   | 6 217 000   |
| Conditions met - transferred to revenue      | (6 000 000) | (6 217 000) | (6 000 000) | (6 217 000) |
|                                              | <u>-</u>    | <u>-</u>    | <u>-</u>    | <u>-</u>    |

### 26.12 Regional Bulk Infrastructure Grant

|                                              |               |                   |               |                   |
|----------------------------------------------|---------------|-------------------|---------------|-------------------|
| Balance unspent at the beginning of the year | 28 319 400    | 11 802 111        | 28 319 400    | 11 802 111        |
| Current year receipts                        | 134 584 000   | 218 806 000       | 134 584 000   | 218 806 000       |
| Conditions met - transferred to revenue      | (134 584 000) | (201 978 445)     | (134 584 000) | (201 978 445)     |
| Paid back to National Treasury               | (28 319 400)  | (310 266)         | (28 319 400)  | (310 266)         |
|                                              | <u>-</u>      | <u>28 319 400</u> | <u>-</u>      | <u>28 319 400</u> |

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

### 26.13 Energy Efficiency and Demand Side Management Grant

|                                              |             |               |             |               |
|----------------------------------------------|-------------|---------------|-------------|---------------|
| Balance unspent at the beginning of the year | 85 226      | -             | 85 226      | -             |
| Current year receipts                        | 1 000 000   | 6 000 000     | 1 000 000   | 6 000 000     |
| Conditions met - transferred to revenue      | (1 000 000) | (5 914 774)   | (1 000 000) | (5 914 774)   |
| Paid back to National Treasury               | (85 226)    | -             | (85 226)    | -             |
|                                              | <u>-</u>    | <u>85 226</u> | <u>-</u>    | <u>85 226</u> |

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

### 26.14 Water Services Infrastructure Grant

# Polokwane Municipality

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|--------------------------------------------------------|--------------|-------------------|--------------|-------------------|
|                                                        | 2023         | 2022              | 2023         | 2022              |
| <b>26. Government grants and subsidies (continued)</b> |              |                   |              |                   |
| Balance unspent at the beginning of the year           | 12 553 040   | 6 793 122         | 12 553 040   | 6 793 122         |
| Current year receipts                                  | 63 124 000   | 50 000 000        | 63 124 000   | 50 000 000        |
| Conditions met - transferred to revenue                | (63 123 998) | (39 561 468)      | (63 123 998) | (39 561 468)      |
| Paid back to National Treasury                         | (12 553 040) | (4 678 613)       | (12 553 040) | (4 678 613)       |
|                                                        | <b>2</b>     | <b>12 553 041</b> | <b>2</b>     | <b>12 553 041</b> |

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

### 26.15 Integrated Urban Development Grant

|                                              |               |                   |               |                   |
|----------------------------------------------|---------------|-------------------|---------------|-------------------|
| Balance unspent at the beginning of the year | 10 124 399    | 27 689 894        | 10 124 399    | 27 689 894        |
| Current year receipts                        | 376 044 000   | 397 532 000       | 376 044 000   | 397 532 000       |
| Conditions met - transferred to revenue      | (386 168 399) | (392 785 772)     | (386 168 399) | (392 785 772)     |
| Paid back to National Treasury               | -             | (22 311 723)      | -             | (22 311 723)      |
|                                              | <b>-</b>      | <b>10 124 399</b> | <b>-</b>      | <b>10 124 399</b> |

### 26.16 Department of Sports Arts and Culture

|                                              |           |                |           |                |
|----------------------------------------------|-----------|----------------|-----------|----------------|
| Balance unspent at the beginning of the year | 133 704   | -              | 133 704   | -              |
| Current year receipts                        | -         | 1 000 000      | -         | 1 000 000      |
| Conditions met - transferred to revenue      | -         | (866 296)      | -         | (866 296)      |
| Paid back to the Department                  | (133 704) | -              | (133 704) | -              |
|                                              | <b>-</b>  | <b>133 704</b> | <b>-</b>  | <b>133 704</b> |

### 27. Fines, penalties and forfeits

|              |      |                   |                   |                   |                   |
|--------------|------|-------------------|-------------------|-------------------|-------------------|
| Fines        | 27.1 | 41 441 158        | 30 002 849        | 41 441 158        | 30 002 849        |
| Forfeits     | 27.2 | 1 091 106         | 2 027 642         | 1 010 108         | 1 862 088         |
| <b>Total</b> |      | <b>42 532 264</b> | <b>32 030 491</b> | <b>42 451 266</b> | <b>31 864 937</b> |

#### 27.1 Fines

##### Traffic fines

|                 |            |            |            |            |
|-----------------|------------|------------|------------|------------|
| Municipal fines | 32 276 325 | 17 838 804 | 32 276 325 | 17 838 804 |
|-----------------|------------|------------|------------|------------|

##### Other fines

|                     |                   |                   |                   |                   |
|---------------------|-------------------|-------------------|-------------------|-------------------|
| Illegal connections | 9 041 812         | 12 022 247        | 9 041 812         | 12 022 247        |
| Law enforcement     | 30                | 11 799            | 30                | 11 799            |
| Overdue books       | 6 816             | 1 125             | 6 816             | 1 125             |
| Pound fees          | 116 175           | 128 874           | 116 175           | 128 874           |
|                     | <b>9 164 833</b>  | <b>12 164 045</b> | <b>9 164 833</b>  | <b>12 164 045</b> |
| <b>Total</b>        | <b>41 441 158</b> | <b>30 002 849</b> | <b>41 441 158</b> | <b>30 002 849</b> |

#### 27.2 Forfeits

|                 |                  |                  |                  |                  |
|-----------------|------------------|------------------|------------------|------------------|
| Deposits        | 80 998           | 165 554          | -                | -                |
| Retentions      | 888 530          | 1 768 920        | 888 530          | 1 768 920        |
| Unclaimed money | 121 578          | 93 168           | 121 578          | 93 168           |
| <b>Total</b>    | <b>1 091 106</b> | <b>2 027 642</b> | <b>1 010 108</b> | <b>1 862 088</b> |

# Polokwane Municipality

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| Figures in Rand                                           | Group |                      | Company              |                      |                      |
|-----------------------------------------------------------|-------|----------------------|----------------------|----------------------|----------------------|
|                                                           | 2023  | 2022                 | 2023                 | 2022                 |                      |
| <b>28. Interest earned from receivables</b>               |       |                      |                      |                      |                      |
| Service charges                                           | 28.1  | 75 516 572           | 42 220 304           | 75 516 570           | 42 220 304           |
| Property rates                                            | 28.2  | 40 925 649           | 28 231 142           | 40 925 649           | 28 231 142           |
| <b>Total</b>                                              |       | <b>116 442 221</b>   | <b>70 451 446</b>    | <b>116 442 219</b>   | <b>70 451 446</b>    |
| <b>28.1 Interest earned from exchange receivables</b>     |       |                      |                      |                      |                      |
| <b>Consumer receivables</b>                               |       |                      |                      |                      |                      |
| Service charges                                           |       | 75 516 572           | 42 220 304           | 75 516 570           | 42 220 304           |
| <b>Total</b>                                              |       | <b>75 516 572</b>    | <b>42 220 304</b>    | <b>75 516 570</b>    | <b>42 220 304</b>    |
| <b>28.2 Interest earned from non-exchange receivables</b> |       |                      |                      |                      |                      |
| <b>Consumer receivables</b>                               |       |                      |                      |                      |                      |
| Property rates                                            |       | 40 925 649           | 28 231 142           | 40 925 649           | 28 231 142           |
| <b>29. Service charges</b>                                |       |                      |                      |                      |                      |
| <b>Electricity</b>                                        |       |                      |                      |                      |                      |
| Other - Electricity                                       |       | 1 180 205 665        | 1 217 848 859        | 1 180 205 665        | 1 217 848 859        |
| <b>Waste management</b>                                   |       |                      |                      |                      |                      |
| Other - Waste management                                  |       | 141 795 082          | 145 805 596          | 141 795 082          | 145 805 596          |
| <b>Waste water management</b>                             |       |                      |                      |                      |                      |
| Other - Waste water management                            |       | 156 210 029          | 163 146 829          | 156 210 029          | 163 146 829          |
| <b>Water</b>                                              |       |                      |                      |                      |                      |
| Other - Water                                             |       | 264 634 375          | 288 397 039          | 264 634 375          | 288 397 039          |
| <b>Total service charges</b>                              |       | <b>1 742 845 151</b> | <b>1 815 198 323</b> | <b>1 742 845 151</b> | <b>1 815 198 323</b> |
| <b>30. Rental</b>                                         |       |                      |                      |                      |                      |
| Market related                                            |       | 35 724 408           | 38 846 188           | 24 238 686           | 27 511 056           |
| Non-market related                                        |       | 10 318 774           | 1 106 882            | 10 318 774           | 1 106 882            |
| <b>Total</b>                                              |       | <b>46 043 182</b>    | <b>39 953 070</b>    | <b>34 557 460</b>    | <b>28 617 938</b>    |
| <b>30.1 Rental by asset class</b>                         |       |                      |                      |                      |                      |
| <b>Market related</b>                                     |       |                      |                      |                      |                      |
| Property, plant and equipment                             |       |                      |                      |                      |                      |
| • Land and buildings                                      |       | 11 485 722           | 11 335 132           | -                    | -                    |
| • Community assets                                        |       | 24 238 686           | 27 511 056           | 24 238 686           | 27 511 056           |
|                                                           |       | <b>35 724 408</b>    | <b>38 846 188</b>    | <b>24 238 686</b>    | <b>27 511 056</b>    |
| <b>Non-market related</b>                                 |       |                      |                      |                      |                      |
| Property, plant and equipment                             |       |                      |                      |                      |                      |
| • Other assets                                            |       | 15 336               | 31 182               | 15 336               | 31 182               |
|                                                           |       | <b>15 336</b>        | <b>31 182</b>        | <b>15 336</b>        | <b>31 182</b>        |
| Investment property                                       |       | 10 303 438           | 1 075 700            | 10 303 438           | 1 075 700            |
| <b>Total</b>                                              |       | <b>10 318 774</b>    | <b>1 106 882</b>     | <b>10 318 774</b>    | <b>1 106 882</b>     |
| <b>Total rentals</b>                                      |       | <b>46 043 182</b>    | <b>39 953 070</b>    | <b>34 557 460</b>    | <b>28 617 938</b>    |

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| Figures in Rand                                         | Group             |                   | Company           |                   |
|---------------------------------------------------------|-------------------|-------------------|-------------------|-------------------|
|                                                         | 2023              | 2022              | 2023              | 2022              |
| <b>30. Rental (continued)</b>                           |                   |                   |                   |                   |
| <b>30.2 Rental by type</b>                              |                   |                   |                   |                   |
| <b>Market related</b>                                   |                   |                   |                   |                   |
| <b>Property, plant and equipment</b>                    |                   |                   |                   |                   |
| Land and buildings                                      |                   |                   |                   |                   |
| • Straight-lined operating                              | 11 485 722        | 11 335 132        | -                 | -                 |
| Community assets                                        |                   |                   |                   |                   |
| • Ad-hoc rentals                                        | 13 754 713        | 12 350 084        | 13 754 713        | 12 350 084        |
| • Straight-lined operating                              | 10 483 973        | 15 160 972        | 10 483 973        | 15 160 972        |
|                                                         | <b>24 238 686</b> | <b>27 511 056</b> | <b>24 238 686</b> | <b>27 511 056</b> |
| <b>Total property, plant and equipment</b>              | <b>35 724 408</b> | <b>38 846 188</b> | <b>24 238 686</b> | <b>27 511 056</b> |
| <b>Total</b>                                            | <b>35 724 408</b> | <b>38 846 188</b> | <b>24 238 686</b> | <b>27 511 056</b> |
| <b>Non-market related</b>                               |                   |                   |                   |                   |
| <b>Property, plant and equipment</b>                    |                   |                   |                   |                   |
| Other assets                                            |                   |                   |                   |                   |
| • Ad-hoc rentals                                        | 15 336            | 31 182            | 15 336            | 31 182            |
| <b>Investment property</b>                              |                   |                   |                   |                   |
| Ad-hoc rentals                                          | 10 303 438        | 1 075 700         | 10 303 438        | 1 075 700         |
| <b>Total</b>                                            | <b>10 318 774</b> | <b>1 106 882</b>  | <b>10 318 774</b> | <b>1 106 882</b>  |
| <b>31. Interests on investments</b>                     |                   |                   |                   |                   |
| Bank accounts                                           | 17 812 550        | 9 640 821         | 17 812 550        | 9 640 821         |
| Short-term investments and call accounts                | 21 002 446        | -                 | 21 002 446        | -                 |
| <b>Total</b>                                            | <b>38 814 996</b> | <b>9 640 821</b>  | <b>38 814 996</b> | <b>9 640 821</b>  |
| <b>32. Licences or permits</b>                          |                   |                   |                   |                   |
| Exchange revenue                                        | 32.1 13 788 739   | 13 494 592        | 13 788 739        | 13 494 592        |
| <b>32.1 Licenses and permits - Exchange revenue</b>     |                   |                   |                   |                   |
| Road and transport                                      | 13 781 297        | 13 464 819        | 13 781 297        | 13 464 819        |
| Trading                                                 | 7 442             | 29 773            | 7 442             | 29 773            |
| <b>Total</b>                                            | <b>13 788 739</b> | <b>13 494 592</b> | <b>13 788 739</b> | <b>13 494 592</b> |
| <b>32.2 Licenses and permits - Non-exchange revenue</b> |                   |                   |                   |                   |
| <b>33. Agency services</b>                              |                   |                   |                   |                   |
| District municipalities                                 | 134 796           | -                 | 134 796           | -                 |
| Provincial                                              | 23 419 540        | 21 865 224        | 23 419 540        | 21 865 224        |
| <b>Total</b>                                            | <b>23 554 336</b> | <b>21 865 224</b> | <b>23 554 336</b> | <b>21 865 224</b> |



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|-----------------------------------------------------|----------------------|----------------------|----------------------|----------------------|
|                                                     | 2023                 | 2022                 | 2023                 | 2022                 |
| <b>34. Operational revenue</b>                      |                      |                      |                      |                      |
| Administrative Handling Fees                        | 721 398              | 848 113              | 721 398              | 848 113              |
| Arbor City Awards Competition                       | -                    | 302 550              | -                    | 302 550              |
| Commission                                          | 2 366 819            | 2 768 320            | 2 366 819            | 2 768 320            |
| Incidental Cash Surpluses                           | 36 583 862           | -                    | 36 583 862           | -                    |
| Inspection fees                                     | 45 677               | 10 065               | 45 677               | 10 065               |
| Recovery Maintenance                                | -                    | 13 325               | -                    | 13 325               |
| Request for information                             | 48 831               | 112                  | 48 831               | 112                  |
| Skills Development Levy Refund                      | 1 750 820            | -                    | 1 750 820            | -                    |
| Staff and Councillors Recoveries                    | 19 103               | 21 266               | 19 103               | 21 266               |
| <b>Total</b>                                        | <b>41 536 510</b>    | <b>3 963 751</b>     | <b>41 536 510</b>    | <b>3 963 751</b>     |
| <b>35. Sales of goods and rendering of services</b> |                      |                      |                      |                      |
| Academic Services                                   | 87 624               | 949 112              | 87 624               | 949 112              |
| Advertisements                                      | 116 118              | -                    | 116 118              | -                    |
| Application Fees for Land Usage                     | 1 136 418            | -                    | 1 136 418            | -                    |
| Building Plan Approval                              | 8 405 139            | 8 420 920            | 8 405 139            | 8 420 920            |
| Cemetery and Burial                                 | 1 205 213            | 1 472 997            | 1 205 213            | 1 472 997            |
| Clearance Certificates                              | 1 333 822            | 1 575 537            | 1 333 822            | 1 575 537            |
| Development Charges                                 | -                    | 299 569              | -                    | 299 569              |
| Entrance Fees                                       | 867 472              | 687 459              | 867 472              | 687 459              |
| Escort Fees                                         | 149 690              | -                    | 149 690              | -                    |
| Fire Services                                       | 131 054              | 54 450               | 131 054              | 54 450               |
| Library Fees                                        | 19 371               | 36 937               | 19 371               | 36 937               |
| Occupation Certificates                             | 268 277              | 337 677              | 268 277              | 337 677              |
| Parking Fees                                        | -                    | 435                  | -                    | 435                  |
| Photo copies, Faxes and Telephone charges           | 10 362               | 294 322              | 10 362               | 294 322              |
| Sale of Goods                                       | 386 910              | 6 019 649            | 386 910              | 6 019 649            |
| Transport Fees                                      | 12 231 910           | 1 101 990            | 12 231 910           | 1 101 990            |
| Weighbridge Fees                                    | 11 096               | -                    | 11 096               | -                    |
| <b>Total</b>                                        | <b>26 360 476</b>    | <b>21 251 054</b>    | <b>26 360 476</b>    | <b>21 251 054</b>    |
| <b>36. Employee related cost</b>                    |                      |                      |                      |                      |
| Senior management                                   | 36.1 14 127 691      | 16 904 565           | 14 127 691           | 16 904 565           |
| Municipal staff                                     | 36.2 1 066 841 328   | 1 019 602 784        | 1 057 888 492        | 1 009 845 793        |
| Board members and entities                          | 36.3 1 104 666       | 1 022 189            | -                    | -                    |
| <b>Total</b>                                        | <b>1 082 073 685</b> | <b>1 037 529 538</b> | <b>1 072 016 183</b> | <b>1 026 750 358</b> |

# Polokwane Municipality

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2023

## Notes to the Unaudited Consolidated Annual Financial Statements

Figures in Rand

### 36. Employee related cost (continued)

#### 36.1 Senior management costs

##### Group - 2023

|                          | Municipal manager | Chief Financial Officer | Director Strategic, Planning, Monitoring and Evaluation | Director Community Services | Director Energy Services | Director Planning and Economic Development | Director Transportation Services | Director Water and Sanitation | Director Corporate and Shared Services | Deputy Chief Financial Officer | Total             |
|--------------------------|-------------------|-------------------------|---------------------------------------------------------|-----------------------------|--------------------------|--------------------------------------------|----------------------------------|-------------------------------|----------------------------------------|--------------------------------|-------------------|
| Basic salary             | 1 360 990         | 1 191 164               | 562 067                                                 | 509 845                     | 1 293 234                | 724 544                                    | 12 664                           | 16 885                        | 1 013 299                              | 1 011 274                      | 7 695 966         |
| Service-related benefits | 43 934            | 46 841                  | 479 232                                                 | 46 209                      | -                        | 232 825                                    | 95 094                           | 269 506                       | 531 055                                | -                              | 1 744 696         |
| Allowances               | 528 000           | 787 912                 | 222 706                                                 | 199 209                     | 490 685                  | 260 974                                    | 21 089                           | 28 261                        | 502 768                                | 489 899                        | 3 531 503         |
| Medical                  | 35 392            | 52 967                  | -                                                       | 25 035                      | -                        | 25 205                                     | -                                | -                             | -                                      | -                              | 138 599           |
| Pension                  | 242 729           | -                       | 80 375                                                  | 98 072                      | 237 587                  | 105 119                                    | -                                | -                             | 56 848                                 | 182 029                        | 1 002 759         |
| Unemployment insurance   | 2 125             | 2 125                   | 1 063                                                   | 1 063                       | 2 125                    | 1 594                                      | 177                              | 177                           | 1 594                                  | 2 125                          | 14 168            |
|                          | <b>2 213 170</b>  | <b>2 081 009</b>        | <b>1 345 443</b>                                        | <b>879 433</b>              | <b>2 023 631</b>         | <b>1 350 261</b>                           | <b>129 024</b>                   | <b>314 829</b>                | <b>2 105 564</b>                       | <b>1 685 327</b>               | <b>14 127 691</b> |

##### Group - 2022

|                          | Municipal manager | Chief Financial Officer | Director Strategic, Planning, Monitoring and Evaluation | Director Community Services | Director Energy Services | Director Planning and Economic Development | Director Transportation Services | Director Water and Sanitation | Director Corporate and Shared Services | Deputy Chief Financial Officer | Total             |
|--------------------------|-------------------|-------------------------|---------------------------------------------------------|-----------------------------|--------------------------|--------------------------------------------|----------------------------------|-------------------------------|----------------------------------------|--------------------------------|-------------------|
| Basic salary             | 468 348           | 1 120 579               | 1 219 514                                               | 1 305 506                   | 1 219 514                | 1 217 210                                  | 965 239                          | 1 574 448                     | 1 219 514                              | 160 673                        | 10 470 545        |
| Bonuses                  | 58 544            | -                       | -                                                       | -                           | -                        | -                                          | -                                | -                             | -                                      | -                              | 58 544            |
| Service-related benefits | 545 075           | -                       | -                                                       | 231 795                     | -                        | -                                          | 39 309                           | 81 952                        | -                                      | -                              | 898 131           |
| Allowances               | 182 131           | 704 543                 | 452 249                                                 | 452 249                     | 429 735                  | 408 107                                    | 301 500                          | 368 231                       | 598 592                                | 77 819                         | 3 975 156         |
| Medical                  | 7 253             | 51 138                  | -                                                       | -                           | -                        | 51 138                                     | -                                | 52 509                        | -                                      | -                              | 162 038           |
| Pension                  | 84 303            | -                       | 202 627                                                 | 202 627                     | 225 141                  | 202 244                                    | 135 085                          | 185 741                       | 56 285                                 | 28 921                         | 1 322 974         |
| Unemployment insurance   | 708               | 2 125                   | 2 125                                                   | 2 125                       | 2 125                    | 2 125                                      | 1 417                            | 1 948                         | 2 125                                  | 354                            | 17 177            |
|                          | <b>1 346 362</b>  | <b>1 878 385</b>        | <b>1 876 515</b>                                        | <b>2 194 302</b>            | <b>1 876 515</b>         | <b>1 880 824</b>                           | <b>1 442 550</b>                 | <b>2 264 829</b>              | <b>1 876 516</b>                       | <b>267 767</b>                 | <b>16 904 565</b> |

# Polokwane Municipality

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2023

## Notes to the Unaudited Consolidated Annual Financial Statements

Figures in Rand

### 36. Employee related cost (continued)

#### Company - 2023

|                          | Municipal manager | Chief financial officer | Director Strategic, Planning, Monitoring and Evaluation | Director Community Services | Director Energy Services | Director Planning and Economic Development | Director Transportation and Services | Director Water and Sanitation | Director Corporate and Shared Services | Deputy Chief Financial Officer | Total             |
|--------------------------|-------------------|-------------------------|---------------------------------------------------------|-----------------------------|--------------------------|--------------------------------------------|--------------------------------------|-------------------------------|----------------------------------------|--------------------------------|-------------------|
| Basic salary             | 1 360 990         | 1 191 164               | 562 067                                                 | 509 845                     | 1 293 234                | 724 544                                    | 12 664                               | 16 885                        | 1 013 299                              | 1 011 274                      | 7 695 966         |
| Service-related benefits | 43 934            | 46 841                  | 479 232                                                 | 46 209                      | -                        | 232 825                                    | 95 094                               | 269 506                       | 531 055                                | -                              | 1 744 696         |
| Allowances               | 528 000           | 787 912                 | 222 706                                                 | 199 209                     | 490 685                  | 260 974                                    | 21 089                               | 28 261                        | 502 768                                | 489 899                        | 3 531 503         |
| Medical                  | 35 392            | 52 967                  | -                                                       | 25 035                      | -                        | 25 205                                     | -                                    | -                             | -                                      | -                              | 138 599           |
| Pension                  | 242 729           | -                       | 80 375                                                  | 98 072                      | 237 587                  | 105 119                                    | -                                    | -                             | 56 848                                 | 182 029                        | 1 002 759         |
| Unemployment insurance   | 2 125             | 2 125                   | 1 063                                                   | 1 063                       | 2 125                    | 1 594                                      | 177                                  | 177                           | 1 594                                  | 2 125                          | 14 168            |
|                          | <b>2 213 170</b>  | <b>2 081 009</b>        | <b>1 345 443</b>                                        | <b>879 433</b>              | <b>2 023 631</b>         | <b>1 350 261</b>                           | <b>129 024</b>                       | <b>314 829</b>                | <b>2 105 564</b>                       | <b>1 685 327</b>               | <b>14 127 691</b> |

#### Company - 2022

|                          | Municipal manager | Chief financial officer | Director Strategic, Planning, Monitoring and Evaluation | Director Community Services | Director Energy Services | Director Planning and Economic Development | Director Transportation and Services | Director Water and Sanitation | Director Corporate and Shared Services | Deputy Chief Financial Officer | Total             |
|--------------------------|-------------------|-------------------------|---------------------------------------------------------|-----------------------------|--------------------------|--------------------------------------------|--------------------------------------|-------------------------------|----------------------------------------|--------------------------------|-------------------|
| Basic salary             | 468 348           | 1 120 579               | 1 219 514                                               | 1 305 506                   | 1 219 514                | 1 217 210                                  | 965 239                              | 1 574 448                     | 1 219 514                              | 160 673                        | 10 470 545        |
| Bonuses                  | 58 544            | -                       | -                                                       | -                           | -                        | -                                          | -                                    | -                             | -                                      | -                              | 58 544            |
| Service-related benefits | 545 075           | -                       | -                                                       | 231 795                     | -                        | -                                          | 39 309                               | 81 952                        | -                                      | -                              | 898 131           |
| Allowances               | 182 131           | 704 543                 | 452 249                                                 | 452 249                     | 429 735                  | 408 107                                    | 301 500                              | 368 231                       | 598 592                                | 77 819                         | 3 975 156         |
| Medical                  | 7 253             | 51 138                  | -                                                       | -                           | -                        | 51 138                                     | -                                    | 52 509                        | -                                      | -                              | 162 038           |
| Pension                  | 84 303            | -                       | 202 627                                                 | 202 627                     | 225 141                  | 202 244                                    | 135 085                              | 185 741                       | 56 285                                 | 28 921                         | 1 322 974         |
| Unemployment insurance   | 708               | 2 125                   | 2 125                                                   | 2 125                       | 2 125                    | 2 125                                      | 1 417                                | 1 948                         | 2 125                                  | 354                            | 17 177            |
|                          | <b>1 346 362</b>  | <b>1 878 385</b>        | <b>1 876 515</b>                                        | <b>2 194 302</b>            | <b>1 876 515</b>         | <b>1 880 824</b>                           | <b>1 442 550</b>                     | <b>2 264 829</b>              | <b>1 876 516</b>                       | <b>267 767</b>                 | <b>16 904 565</b> |

# Polokwane Municipality

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2023

## Notes to the Unaudited Consolidated Annual Financial Statements

| Figures in Rand | Group |      | Company |      |
|-----------------|-------|------|---------|------|
|                 | 2023  | 2022 | 2023    | 2022 |

### 36. Employee related cost (continued)

Additional information on acting allowances:

#### 2023 -

1. Included in the allowances for the Municipal Manager's salary is an amount of R25 843 for acting allowance. The acting allowance was paid to the Chief Financial Officer for the period 1 July 2022 to 31 July 2022 (1 month) in which he acted. Director: Community Services received a backpay in December 2022 for the period in which he acted.

2. Included in the allowances for the Chief Financial Officer's salary is an amount of R46 841 for acting allowance. The acting allowance was paid to the Deputy Chief Financial Officer for the period 1 July 2022 to 31 July 2022 (1 month) and from 1 May 2023 to 30 June 2023 (2 months) in which he acted.

3. Included in the allowances for the Director: Community Services' salary is an amount of R46 208 for acting allowance. The acting allowance was paid to Manager: Environmental Services for the period 1 July 2022 to 31 December 2022 (6 months) in which he acted.

4. Included in the allowances for the Director: Transportation Services' salary is an amount of R95 094 for acting allowance. The acting allowance was paid to Manager: Public Transport Regulations for the period 1 July 2022 to 30 June 2023 (12 months) in which he acted.

5. Included in the allowances for the Director: Water and Sanitation's salary is an amount of R269 506 for acting allowance. The acting allowance was paid to Assistant Manager: Water and Sanitation for the period 1 July 2022 to 30 June 2023 (12 months) in which he acted.

6. Included in the allowances for the Director: Corporate Service's salary is an amount of R16 904 for acting allowance. The acting allowance was paid to Deputy Chief Financial Officer for the period 1 April 2023 to 30 April 2023 (1 month); as well as Manager: Office of the Municipal Manager for the period 1 May 2023 to 30 June 2023 (2 months) in which they acted.

7. Included in the allowances for the Director: Strategic Planning, Monitoring and Evaluation's salary is an amount of R47 820 for acting allowance. The acting allowances were paid to Manager: Project Management and Manager: Performance Management for the periods 1 December 2022 to 30 April 2023 (5 months) and 1 May 2023 to 30 June 2023 (2 months), respectively, in which they acted.

8. Included in the allowances for the Director: Planning and Economic Development's salary is an amount of R46 930 for acting allowance. The acting allowance was paid to Manager: Planning and Economic Development for the period 7 August 2022 to 31 January 2023 (6 months) in which he acted.

#### 2022 -

Where other officials acted in the Executive Director positions and was remunerated accordingly, only the additional remuneration for acting in that position is disclosed. These acting positions are as follows:

1. Included in the allowances for the Municipal Manager salary is an amount of R217 885 for acting allowance. The acting allowance was paid to Director: Community Services for the period 20 September 2021 to 30 June 2022 (9 months) in which he acted.

2. Included in the allowances for the Director: Transportation Services' salary is an amount of R39 308 for acting allowance. The acting allowance was paid to Manager: Public Transport Regulations for the period 1 March 2022 to 30 June 2022 (4 months) in which he acted.

3. Included in the allowances for the Director: Water and Sanitation's salary is an amount of R81 952 for acting allowance. The acting allowance was paid to Assistant Manager: Water and Sanitation for the period 6 January 2022 to 30 June 2022 (6 months) in which he acted

# Polokwane Municipality

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2023

## Notes to the Unaudited Consolidated Annual Financial Statements

| Figures in Rand                              | Group                |                      | Company              |                      |
|----------------------------------------------|----------------------|----------------------|----------------------|----------------------|
|                                              | 2023                 | 2022                 | 2023                 | 2022                 |
| <b>36. Employee related cost (continued)</b> |                      |                      |                      |                      |
| <b>36.2 Municipal staff costs</b>            |                      |                      |                      |                      |
| Basic salary                                 | 567 864 751          | 566 512 863          | 561 289 740          | 559 305 772          |
| Bonuses                                      | 410 363              | 383 745              | -                    | -                    |
| Service-related benefits                     | 226 042 147          | 186 260 346          | 226 286 591          | 186 097 924          |
| Allowances                                   | 65 795 411           | 68 654 628           | 65 103 803           | 68 080 063           |
| Bargaining council                           | 251 264              | 242 743              | 250 419              | 241 898              |
| Medical                                      | 45 528 803           | 42 760 595           | 45 068 515           | 42 356 459           |
| Pension                                      | 109 240 994          | 106 483 732          | 108 228 605          | 105 513 470          |
| Post-retirement benefit: Medical             | 32 363 000           | 31 391 000           | 32 363 000           | 31 391 000           |
| Post-retirement benefit: Pension             | 14 666 000           | 12 063 000           | 14 666 000           | 12 063 000           |
| Unemployment insurance                       | 4 678 595            | 4 850 132            | 4 631 819            | 4 796 207            |
| <b>Total</b>                                 | <b>1 066 841 328</b> | <b>1 019 602 784</b> | <b>1 057 888 492</b> | <b>1 009 845 793</b> |

### 36.3 Board members and entities costs

#### Group - 2023

|                                         | Directors fees   | Travel       | Other         | Total            |
|-----------------------------------------|------------------|--------------|---------------|------------------|
| M.J Gololo                              | 161 472          | 224          | -             | 161 696          |
| A.M Kgosana                             | 145 325          | 894          | -             | 146 219          |
| S.M Mashabela                           | 418 597          | 4 698        | -             | 423 295          |
| S.M Vilakazi                            | 145 325          | 294          | -             | 145 619          |
| O Galane                                | 177 619          | 46           | -             | 177 665          |
| Other expenditure relating to directors | -                | -            | 50 171        | 50 171           |
|                                         | <b>1 048 338</b> | <b>6 156</b> | <b>50 171</b> | <b>1 104 665</b> |

#### Group - 2022

|                                         | Directors fees | Travel        | Other         | Total            |
|-----------------------------------------|----------------|---------------|---------------|------------------|
| M.J Gololo                              | 145 325        | 6 756         | -             | 152 081          |
| A.M Kgosana                             | 161 472        | -             | -             | 161 472          |
| S.M Mashabela                           | 287 588        | 8 033         | -             | 295 621          |
| S.M Vilakazi                            | 177 619        | 3 876         | -             | 181 495          |
| O Galane                                | 193 767        | 12 296        | -             | 206 063          |
| Other expenditure relating to directors | -              | -             | 25 457        | 25 457           |
|                                         | <b>965 771</b> | <b>30 961</b> | <b>25 457</b> | <b>1 022 189</b> |

### 37. Remuneration of councillors

|                                  |      |                   |                   |                   |                   |
|----------------------------------|------|-------------------|-------------------|-------------------|-------------------|
| Executive mayor                  | 37.1 | 1 151 406         | 994 203           | 1 151 406         | 994 203           |
| Chief whip                       | 37.2 | 877 065           | 814 510           | 877 065           | 814 510           |
| Speaker                          | 37.3 | 931 900           | 860 276           | 931 900           | 860 276           |
| Executive committee              | 37.4 | 6 903 830         | 5 682 943         | 6 903 830         | 5 682 943         |
| Section 79 committee chairperson | 37.5 | 1 847 098         | 1 768 097         | 1 847 098         | 1 768 097         |
| All other councillors            | 37.6 | 29 672 321        | 29 229 460        | 29 672 321        | 29 229 460        |
| <b>Total</b>                     |      | <b>41 383 620</b> | <b>39 349 489</b> | <b>41 383 620</b> | <b>39 349 489</b> |

# Polokwane Municipality

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2023

## Notes to the Unaudited Consolidated Annual Financial Statements

| Figures in Rand                                    | Group            |                  | Company          |                  |
|----------------------------------------------------|------------------|------------------|------------------|------------------|
|                                                    | 2023             | 2022             | 2023             | 2022             |
| <b>37. Remuneration of councillors (continued)</b> |                  |                  |                  |                  |
| <b>37.1 Executive mayor</b>                        |                  |                  |                  |                  |
| <b>Allowances and service related benefits</b>     |                  |                  |                  |                  |
| Basic salary                                       | 876 569          | 749 313          | 876 569          | 749 313          |
| Cell phone allowance                               | 40 800           | 38 216           | 40 800           | 38 216           |
| In-kind benefits                                   | 7 500            | 3 372            | 7 500            | 3 372            |
| Motor vehicle allowance                            | 372              | 12 400           | 372              | 12 400           |
| Medical aid benefits                               | 94 680           | 83 507           | 94 680           | 83 507           |
| Pension fund contributions                         | 131 485          | 107 395          | 131 485          | 107 395          |
| <b>Total</b>                                       | <b>1 151 406</b> | <b>994 203</b>   | <b>1 151 406</b> | <b>994 203</b>   |
| <b>37.2 Chief whip</b>                             |                  |                  |                  |                  |
| <b>Allowances and service related benefits</b>     |                  |                  |                  |                  |
| Basic salary                                       | 540 499          | 494 225          | 540 499          | 494 225          |
| Cell phone allowance                               | 40 800           | 40 800           | 40 800           | 40 800           |
| In-kind benefits                                   | 7 500            | 3 600            | 7 500            | 3 600            |
| Motor vehicle allowance                            | 207 191          | 193 143          | 207 191          | 193 143          |
| Pension fund contributions                         | 81 075           | 71 673           | 81 075           | 71 673           |
| Medial aid benefits                                | -                | 11 069           | -                | 11 069           |
| <b>Total</b>                                       | <b>877 065</b>   | <b>814 510</b>   | <b>877 065</b>   | <b>814 510</b>   |
| <b>37.3 Speaker</b>                                |                  |                  |                  |                  |
| <b>Allowances and service related benefits</b>     |                  |                  |                  |                  |
| Basic salary                                       | 576 261          | 536 102          | 576 261          | 536 102          |
| Cell phone allowance                               | 40 800           | 40 800           | 40 800           | 40 800           |
| In-kind benefits                                   | 7 500            | 3 600            | 7 500            | 3 600            |
| Motor vehicle allowance                            | 219 798          | 114 712          | 219 798          | 114 712          |
| Travelling allowance                               | 1 102            | 87 250           | 1 102            | 87 250           |
| <b>Social contributions</b>                        |                  |                  |                  |                  |
| Pension fund contributions                         | 86 439           | 77 812           | 86 439           | 77 812           |
| <b>Total</b>                                       | <b>931 900</b>   | <b>860 276</b>   | <b>931 900</b>   | <b>860 276</b>   |
| <b>37.4 Executive committee</b>                    |                  |                  |                  |                  |
| <b>Allowances and service related benefits</b>     |                  |                  |                  |                  |
| Basic salary                                       | 4 315 646        | 3 632 464        | 4 315 646        | 3 632 464        |
| Cell phone allowance                               | 408 000          | 383 901          | 408 000          | 383 901          |
| In-kind benefits                                   | 67 329           | 33 874           | 67 329           | 33 874           |
| Motor vehicle allowance                            | 1 319 619        | 964 822          | 1 319 619        | 964 822          |
| <b>Social contributions</b>                        |                  |                  |                  |                  |
| Medial aid benefits                                | 145 889          | 137 988          | 145 889          | 137 988          |
| Pension fund contributions                         | 647 347          | 529 894          | 647 347          | 529 894          |
| <b>Total</b>                                       | <b>6 903 830</b> | <b>5 682 943</b> | <b>6 903 830</b> | <b>5 682 943</b> |
| <b>37.5 Section 79 committee chairperson</b>       |                  |                  |                  |                  |
| <b>Allowances and service related benefits</b>     |                  |                  |                  |                  |
| Basic salary                                       | 1 382 502        | 1 269 331        | 1 382 502        | 1 269 331        |
| Cell phone allowance                               | 122 400          | 121 992          | 122 400          | 121 992          |
| In-kind benefits                                   | 21 083           | 10 764           | 21 083           | 10 764           |
| Motor vehicle allowance                            | 113 738          | 174 230          | 113 738          | 174 230          |
| <b>Total</b>                                       | <b>1 639 723</b> | <b>1 576 317</b> | <b>1 639 723</b> | <b>1 576 317</b> |

# Polokwane Municipality

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2023

## Notes to the Unaudited Consolidated Annual Financial Statements

| Figures in Rand                                                    | Group              |                    | Company            |                    |
|--------------------------------------------------------------------|--------------------|--------------------|--------------------|--------------------|
|                                                                    | 2023               | 2022               | 2023               | 2022               |
| <b>37. Remuneration of councillors (continued)</b>                 |                    |                    |                    |                    |
| <b>Social contributions</b>                                        |                    |                    |                    |                    |
| Medical aid benefits                                               | -                  | 6 016              | -                  | 6 016              |
| Pension fund contributions                                         | 207 375            | 185 764            | 207 375            | 185 764            |
|                                                                    | <b>207 375</b>     | <b>191 780</b>     | <b>207 375</b>     | <b>191 780</b>     |
| <b>Total</b>                                                       | <b>1 847 098</b>   | <b>1 768 097</b>   | <b>1 847 098</b>   | <b>1 768 097</b>   |
| <b>37.6 All other councillors</b>                                  |                    |                    |                    |                    |
| <b>Allowances and service related benefits</b>                     |                    |                    |                    |                    |
| Basic salary                                                       | 18 889 367         | 19 094 482         | 18 889 367         | 19 094 482         |
| Cell phone allowance                                               | 3 168 691          | 3 201 440          | 3 168 691          | 3 201 440          |
| In-kind benefits                                                   | 556 007            | 268 080            | 556 007            | 268 080            |
| Motor vehicle allowance                                            | 4 417 159          | 4 016 874          | 4 417 159          | 4 016 874          |
| <b>Social contributions</b>                                        |                    |                    |                    |                    |
| Medical aid benefits                                               | 80 710             | 154 992            | 80 710             | 154 992            |
| Pension fund contributions                                         | 2 560 387          | 2 493 592          | 2 560 387          | 2 493 592          |
|                                                                    | <b>29 672 321</b>  | <b>29 229 460</b>  | <b>29 672 321</b>  | <b>29 229 460</b>  |
| <b>Total</b>                                                       | <b>29 672 321</b>  | <b>29 229 460</b>  | <b>29 672 321</b>  | <b>29 229 460</b>  |
| <b>38. Bad debts</b>                                               |                    |                    |                    |                    |
| Contributions to provisions for consumer debtors and other debtors | 26 735 096         | 86 883 824         | 26 735 096         | 86 883 824         |
| Contributions to provisions for traffic fines                      | 30 940 627         | 57 933 331         | 30 940 627         | 57 933 331         |
| Bad debts written off                                              | 195 224 677        | 61 450 916         | 190 538 624        | 54 725 389         |
| Other write offs                                                   | 75 800 894         | -                  | 75 800 894         | -                  |
|                                                                    | <b>328 701 294</b> | <b>206 268 071</b> | <b>324 015 241</b> | <b>199 542 544</b> |
| <b>39. Depreciation and amortisation</b>                           |                    |                    |                    |                    |
| <b>Amortisation</b>                                                |                    |                    |                    |                    |
| Intangible assets                                                  | 13.1               | 3 588 215          | 5 358 653          | 3 579 783          |
|                                                                    |                    | <b>3 588 215</b>   | <b>5 358 653</b>   | <b>3 579 783</b>   |
| <b>Depreciation</b>                                                |                    |                    |                    |                    |
| Property, plant and equipment                                      |                    | 724 914 729        | 759 400 151        | 719 586 322        |
|                                                                    |                    | <b>724 914 729</b> | <b>759 400 151</b> | <b>719 586 322</b> |
| <b>Total</b>                                                       |                    | <b>728 502 944</b> | <b>764 758 804</b> | <b>723 166 105</b> |
| <b>40. Interest, dividends and rent on land</b>                    |                    |                    |                    |                    |
| Interest                                                           | 40.1               | 57 837 288         | 59 736 932         | 57 837 288         |
|                                                                    |                    | <b>57 837 288</b>  | <b>59 736 932</b>  | <b>57 837 288</b>  |
| <b>40.1 Interest cost</b>                                          |                    |                    |                    |                    |
| <b>Financial liabilities</b>                                       |                    |                    |                    |                    |
| • Government loans                                                 |                    | 42 336 217         | 44 848 077         | 42 336 217         |
| Finance leases                                                     |                    | 3 737 075          | 4 572 777          | 3 737 075          |
| Interest costs non-current provisions                              | 22                 | 11 763 996         | 9 871 285          | 11 763 996         |
| Overdue accounts                                                   | 18.6               | -                  | 444 793            | -                  |
|                                                                    |                    | <b>57 837 288</b>  | <b>59 736 932</b>  | <b>57 837 288</b>  |
| <b>Total</b>                                                       |                    | <b>57 837 288</b>  | <b>59 736 932</b>  | <b>57 837 288</b>  |
| <b>41. Bulk purchases</b>                                          |                    |                    |                    |                    |
| Electricity: Eskom                                                 |                    | 856 611 259        | 878 180 154        | 856 611 259        |
|                                                                    |                    | <b>856 611 259</b> | <b>878 180 154</b> | <b>856 611 259</b> |

# Polokwane Municipality

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2023

## Notes to the Unaudited Consolidated Annual Financial Statements

| Figures in Rand                                                               | Group             |                   | Company           |                    |
|-------------------------------------------------------------------------------|-------------------|-------------------|-------------------|--------------------|
|                                                                               | 2023              | 2022              | 2023              | 2022               |
| <b>41. Bulk purchases (continued)</b>                                         |                   |                   |                   |                    |
| <b>41.1 Electricity losses</b>                                                |                   |                   |                   |                    |
| <b>Group</b>                                                                  |                   |                   |                   |                    |
|                                                                               | 2023              |                   | 2022              |                    |
|                                                                               | KHW               | Amount            | KHW               | Amount             |
| Units purchased                                                               | 590 229 916       | 856 611 259       | 668 657 351       | 878 180 154        |
| Units sold                                                                    | (528 705 467)     | (767 319 723)     | (589 772 140)     | (774 576 377)      |
| <b>Total loss</b>                                                             | <b>61 524 449</b> | <b>89 291 536</b> | <b>78 885 211</b> | <b>103 603 777</b> |
| <b>Percentage loss:</b>                                                       |                   |                   |                   |                    |
| Distribution loss                                                             | 10.42 %           | 10.42 %           | 11.80 %           | 11.80 %            |
| <b>Company</b>                                                                |                   |                   |                   |                    |
|                                                                               | 2023              |                   | 2022              |                    |
|                                                                               | KHW               | Amount            | KHW               | Amount             |
| Units purchased                                                               | 590 229 916       | 856 611 259       | 668 657 351       | 878 180 154        |
| Units sold                                                                    | (528 705 467)     | (767 319 723)     | (589 772 140)     | (774 576 377)      |
| <b>Total loss</b>                                                             | <b>61 524 449</b> | <b>89 291 536</b> | <b>78 885 211</b> | <b>103 603 777</b> |
| <b>Percentage loss:</b>                                                       |                   |                   |                   |                    |
| Distribution loss                                                             | 10.42 %           | 10.42 %           | 11.80 %           | 11.80 %            |
| <b>41.2 Water losses</b>                                                      |                   |                   |                   |                    |
| Real losses: Leakage on service connections up to the point of customer meter | 87 344 085        | 86 994 953        | 87 344 085        | 86 994 953         |
| <b>Group</b>                                                                  |                   |                   |                   |                    |
|                                                                               | 2023              |                   | 2022              |                    |
|                                                                               | KL                | Amount            | KL                | Amount             |
| Units purchased                                                               | 29 795 664        | 241 391 091       | 38 428 075        | 258 824 195        |
| Units sold                                                                    | (18 998 294)      | (153 947 963)     | (25 501 492)      | (171 829 242)      |
| <b>Total loss</b>                                                             | <b>10 797 370</b> | <b>87 443 128</b> | <b>12 926 583</b> | <b>86 994 953</b>  |
| <b>Percentage loss:</b>                                                       |                   |                   |                   |                    |
| Distribution losses                                                           | 36.00 %           | 36.00 %           | 34.00 %           | 34.00 %            |
| <b>Company</b>                                                                |                   |                   |                   |                    |
|                                                                               | 2023              |                   | 2022              |                    |
|                                                                               | KL                | Amount            | KL                | Amount             |
| Units purchased                                                               | 29 795 664        | 241 391 091       | 38 428 075        | 258 824 195        |
| Units sold                                                                    | (18 998 294)      | (153 947 963)     | (25 501 492)      | (171 829 242)      |
| <b>Total loss</b>                                                             | <b>10 797 370</b> | <b>87 443 128</b> | <b>12 926 583</b> | <b>86 994 953</b>  |
| <b>Percentage loss:</b>                                                       |                   |                   |                   |                    |
| Distribution losses                                                           | 36.00 %           | 36.00 %           | 34.00 %           | 34.00 %            |



# Polokwane Municipality

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2023

## Notes to the Unaudited Consolidated Annual Financial Statements

| Figures in Rand                                    | Group              |                      | Company            |                      |
|----------------------------------------------------|--------------------|----------------------|--------------------|----------------------|
|                                                    | 2023               | 2022                 | 2023               | 2022                 |
| <b>42. Inventory consumed</b>                      |                    |                      |                    |                      |
| Consumables                                        | 6 291 449          | 6 159 584            | 6 291 449          | 6 159 584            |
| Materials and supplies                             | 65 792 476         | 59 535 981           | 65 792 476         | 59 535 981           |
| Water                                              | 153 772 783        | 188 356 300          | 153 772 783        | 188 356 300          |
| <b>Total</b>                                       | <b>225 856 708</b> | <b>254 051 865</b>   | <b>225 856 708</b> | <b>254 051 865</b>   |
| <b>43. Contracted services</b>                     |                    |                      |                    |                      |
| Consultants and professional services              | 43.1 284 731 685   | 389 763 389          | 284 731 685        | 389 761 898          |
| Contractors                                        | 43.2 244 266 797   | 269 272 577          | 244 184 460        | 269 066 119          |
| Outsourced services                                | 43.3 311 915 979   | 345 769 992          | 311 399 196        | 345 484 665          |
| <b>Total</b>                                       | <b>840 914 461</b> | <b>1 004 805 958</b> | <b>840 315 341</b> | <b>1 004 312 682</b> |
| <b>43.1 Consultants and professional services</b>  |                    |                      |                    |                      |
| <b>Business advisory services</b>                  |                    |                      |                    |                      |
| Accounting and auditing                            | 20 827 801         | 20 624 786           | 20 827 801         | 20 624 786           |
| Audit committee                                    | 1 040 705          | 810 142              | 1 040 705          | 810 142              |
| Business and financial management                  | 39 510 865         | 50 334 233           | 39 510 865         | 50 334 233           |
| Commissions and committees                         | 279 832            | 208 562              | 279 832            | 208 562              |
| Communications                                     | 8 282 773          | 6 885 069            | 8 282 773          | 6 885 069            |
| Credit rating agencies                             | -                  | 1 491                | -                  | -                    |
| Project management                                 | 16 759 187         | 39 960 119           | 16 759 187         | 39 960 119           |
| Quality control                                    | 2 412 844          | 2 255 109            | 2 412 844          | 2 255 109            |
| Research and advisory                              | 3 970 167          | 3 911 332            | 3 970 167          | 3 911 332            |
| <b>Total business advisory services</b>            | <b>93 084 174</b>  | <b>124 990 843</b>   | <b>93 084 174</b>  | <b>124 989 352</b>   |
| <b>Laboratory services</b>                         |                    |                      |                    |                      |
| Water                                              | 45 751 469         | -                    | 45 751 469         | -                    |
| <b>Legal services</b>                              |                    |                      |                    |                      |
| Legal advice and litigation                        | 25 110 408         | 28 283 390           | 25 110 408         | 28 283 390           |
| <b>Engineering services</b>                        |                    |                      |                    |                      |
| Civil engineering                                  | 119 296 675        | 236 202 126          | 119 296 675        | 236 202 126          |
| <b>Infrastructure and planning services</b>        |                    |                      |                    |                      |
| Town planner infrastructure and planning           | 1 488 959          | 287 030              | 1 488 959          | 287 030              |
| <b>Total consultants and professional services</b> | <b>284 731 685</b> | <b>389 763 389</b>   | <b>284 731 685</b> | <b>389 761 898</b>   |
| <b>43.2 Contractors</b>                            |                    |                      |                    |                      |
| <b>General services</b>                            |                    |                      |                    |                      |
| Electrical                                         | 28 044 413         | 19 473 745           | 28 044 413         | 19 473 745           |
| Employee wellness                                  | 227 340            | 438 903              | 227 340            | 438 903              |
| Event promoters                                    | 188 994            | 475 516              | 188 994            | 475 516              |
| Fire protection                                    | 3 450 830          | 3 269 900            | 3 450 830          | 3 269 900            |
| First aid                                          | 1 034 338          | 1 026 674            | 1 034 338          | 1 026 674            |
| Forestry                                           | 14 629             | 13 600               | 14 629             | 13 600               |
| Gardening services                                 | 2 736 948          | 2 027 452            | 2 736 948          | 2 025 472            |
| Grading of sport fields                            | 318 842            | 1 502 266            | 318 842            | 1 502 266            |
| Management of informal settlements                 | 114 295            | 16 425               | 114 295            | 16 425               |
| Safeguard and security                             | 10 133 375         | 10 668 642           | 10 133 375         | 10 668 642           |
| Sewerage services                                  | 40 662 095         | 16 444 190           | 40 662 095         | 16 444 190           |
| Transportation                                     | 49 375 472         | 26 297 436           | 49 375 472         | 26 297 436           |
| <b>Total general services</b>                      | <b>136 301 571</b> | <b>81 654 749</b>    | <b>136 301 571</b> | <b>81 652 769</b>    |

# Polokwane Municipality

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2023

## Notes to the Unaudited Consolidated Annual Financial Statements

| Figures in Rand                                     | Group              |                    | Company            |                    |
|-----------------------------------------------------|--------------------|--------------------|--------------------|--------------------|
|                                                     | 2023               | 2022               | 2023               | 2022               |
| <b>43. Contracted services (continued)</b>          |                    |                    |                    |                    |
| <b>Maintenance services</b>                         |                    |                    |                    |                    |
| Maintenance of buildings and facilities             | 33 992 341         | 53 843 694         | 33 910 004         | 53 639 216         |
| Maintenance of equipment                            | 39 788 292         | 43 404 965         | 39 788 292         | 43 404 965         |
| Maintenance of other assets                         | 34 184 593         | 90 369 169         | 34 184 593         | 90 369 169         |
| <b>Total maintenance service</b>                    | <b>107 965 226</b> | <b>187 617 828</b> | <b>107 882 889</b> | <b>187 413 350</b> |
| <b>Total contractor</b>                             | <b>244 266 797</b> | <b>269 272 577</b> | <b>244 184 460</b> | <b>269 066 119</b> |
| <b>43.3 Outsourced services</b>                     |                    |                    |                    |                    |
| <b>Business and advisory services</b>               |                    |                    |                    |                    |
| Commissions and Committees                          | 57 740 008         | 76 194 620         | 57 740 008         | 76 194 620         |
| Communications                                      | 5 559 995          | 6 966 646          | 5 559 995          | 6 966 646          |
| Human Resources                                     | 395 619            | 391 951            | 395 619            | 391 951            |
| Occupational Health and Safety                      | -                  | 37 500             | -                  | 37 500             |
| Valuer                                              | 1 682 804          | 643 544            | 1 682 804          | 643 544            |
| <b>Total business and advisory services</b>         | <b>65 378 426</b>  | <b>84 234 261</b>  | <b>65 378 426</b>  | <b>84 234 261</b>  |
| <b>General services</b>                             |                    |                    |                    |                    |
| Animal Care                                         | 1 464 248          | 1 365 321          | 1 464 248          | 1 365 321          |
| Burial Services                                     | 273 779            | 5 187 154          | 273 779            | 5 187 154          |
| Call Centre                                         | -                  | 4 741 896          | -                  | 4 741 896          |
| Catering Services                                   | 3 496 735          | 1 683 933          | 3 496 735          | 1 683 933          |
| Cleaning Services                                   | 1 111 507          | 3 422 828          | 1 111 507          | 3 422 828          |
| Clearing and Grass Cutting Services                 | 2 708 196          | 2 701 521          | 2 708 196          | 2 701 521          |
| Hygiene Services                                    | 1 322 979          | 831 162            | 1 322 979          | 831 162            |
| Internal Auditors                                   | 516 783            | 285 327            | -                  | -                  |
| Medical Services [Medical Health Services & Support | 124 545            | -                  | 124 545            | -                  |
| Meter Management                                    | 7 216 467          | 21 356 770         | 7 216 467          | 21 356 770         |
| Personnel and Labour                                | 47 809 201         | 48 200 878         | 47 809 201         | 48 200 878         |
| Refuse Removal                                      | 68 400 513         | 69 015 877         | 68 400 513         | 69 015 877         |
| Translators, Scribes and Editors                    | 11 200             | 70 754             | 11 200             | 70 754             |
| Transport Services                                  | 45 887 944         | 36 503 567         | 45 887 944         | 36 503 567         |
| <b>Total general services</b>                       | <b>180 344 097</b> | <b>195 366 988</b> | <b>179 827 314</b> | <b>195 081 661</b> |
| <b>Trading services</b>                             |                    |                    |                    |                    |
| Connection/Dis-connection: Electricity              | 68                 | 922 417            | 68                 | 922 417            |
| Security Services                                   | 66 193 388         | 65 246 326         | 66 193 388         | 65 246 326         |
| <b>Total trading services</b>                       | <b>66 193 456</b>  | <b>66 168 743</b>  | <b>66 193 456</b>  | <b>66 168 743</b>  |
| <b>Total outsourced services</b>                    | <b>311 915 979</b> | <b>345 769 992</b> | <b>311 399 196</b> | <b>345 484 665</b> |
| <b>44. Transfers and subsidies - Expenditure</b>    |                    |                    |                    |                    |
| <b>Operational</b>                                  |                    |                    |                    |                    |
| Monetary allocations                                | 44.1               | 480 000            | 440 000            | 9 671 404          |
| <b>44.1 Monetary allocations: Operational</b>       |                    |                    |                    |                    |
| Municipal Entities                                  | -                  | -                  | 9 191 404          | 44 800 000         |
| Non-profit institutions                             | 480 000            | 440 000            | 480 000            | 440 000            |
| <b>Total</b>                                        | <b>480 000</b>     | <b>440 000</b>     | <b>9 671 404</b>   | <b>45 240 000</b>  |

# Polokwane Municipality

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2023

## Notes to the Unaudited Consolidated Annual Financial Statements

| Figures in Rand                                                    | Group                |                     | Company              |                     |
|--------------------------------------------------------------------|----------------------|---------------------|----------------------|---------------------|
|                                                                    | 2023                 | 2022                | 2023                 | 2022                |
| <b>45. Operational cost</b>                                        |                      |                     |                      |                     |
| Advertising, Publicity and Marketing                               | 26 460 835           | 10 284 894          | 26 409 470           | 10 272 490          |
| Bank Charges, Facility and Card Fees                               | 5 906 560            | 4 583 592           | 5 870 081            | 4 547 772           |
| Bursaries (Employees)                                              | 2 518 454            | 698 798             | 2 518 454            | 698 798             |
| Commission                                                         | 159 958              | -                   | 159 958              | -                   |
| Communication                                                      | 17 827 281           | 19 850 075          | 17 743 856           | 19 754 462          |
| Contribution to Provisions                                         | (8 177 040)          | -                   | (8 177 040)          | -                   |
| Drivers Licences and Permits                                       | 525                  | 56 112              | 525                  | 56 112              |
| Entrance Fees                                                      | 26 025               | 45 160              | 26 025               | 45 160              |
| External Audit Fees                                                | 17 390 021           | 16 219 155          | 16 190 028           | 15 140 226          |
| External Computer Service                                          | 24 580 271           | 8 180 152           | 24 580 271           | 8 180 152           |
| Hire Charges                                                       | 8 209 438            | 8 800 397           | 8 209 438            | 8 800 397           |
| Honoraria (Voluntarily Workers)                                    | 238 346              | 2 718 643           | -                    | -                   |
| Indigent Relief                                                    | 14 753 530           | 15 775 531          | 14 753 530           | 15 775 531          |
| Insurance Underwriting                                             | 29 160 914           | 24 226 709          | 28 941 519           | 24 024 486          |
| Learnerships and Internships                                       | 5 544 197            | 7 977 646           | 5 544 197            | 7 977 646           |
| Licences                                                           | -                    | 5 325               | -                    | 5 325               |
| Management Fee                                                     | 171 459              | 60 865              | 171 459              | 60 865              |
| Municipal Services                                                 | 4 699 860            | 23 187 159          | 4 699 860            | 23 187 159          |
| Staff welfare                                                      | 768                  | -                   | -                    | -                   |
| Printing, Publications and Books                                   | 134 359              | 394 299             | 129 616              | 335 452             |
| Professional Bodies, Membership and Subscription                   | 11 240 277           | 10 354 798          | 11 194 977           | 10 316 698          |
| Registration Fees                                                  | 4 255 034            | 4 341 017           | 4 221 458            | 4 276 246           |
| Remuneration to Ward Committees                                    | 7 103 775            | 69 239              | 7 103 775            | 69 239              |
| Security services                                                  | 2 646 003            | 2 139 011           | -                    | -                   |
| Signage                                                            | -                    | 2 200 901           | -                    | 2 200 901           |
| Skills Development Fund Levy                                       | 9 537 990            | 11 908 925          | 9 458 946            | 11 825 826          |
| System Access and Information Fees                                 | 804 070              | 1 065 571           | 716 900              | 987 652             |
| Toll Gate Fees                                                     | 69 120               | 36 972              | 69 120               | 36 972              |
| Travel Agency and Visa's                                           | 2 989 251            | 2 752 250           | 2 989 251            | 2 752 250           |
| Travel and Subsistence                                             | 1 787 675            | 424 654             | 1 582 353            | 353 052             |
| Uniform and Protective Clothing                                    | 11 297 708           | 17 354 977          | 11 297 708           | 17 329 936          |
| Wet Fuel                                                           | 61 939 578           | 50 548 984          | 61 939 578           | 50 548 984          |
| <b>Total</b>                                                       | <b>263 276 242</b>   | <b>246 261 811</b>  | <b>258 345 313</b>   | <b>239 559 789</b>  |
| <b>46. Gain/(Loss) on disposal of fixed and intangible assets</b>  |                      |                     |                      |                     |
| Gains/(losses) on disposals                                        | 46.1 (583 009 739)   | (68 287 563)        | (583 009 739)        | (68 287 563)        |
| <b>46.1 Gains/(losses) on disposals</b>                            |                      |                     |                      |                     |
| Investment property                                                | (5 899 998)          | (63 314 879)        | (5 899 998)          | (63 314 879)        |
| Property, plant and equipment                                      | (575 010 422)        | (4 972 684)         | (575 010 422)        | (4 972 684)         |
| Living resources                                                   | (2 099 319)          | -                   | (2 099 319)          | -                   |
| <b>Total</b>                                                       | <b>(583 009 739)</b> | <b>(68 287 563)</b> | <b>(583 009 739)</b> | <b>(68 287 563)</b> |
| <b>Analysis of Gains/(losses) on property, plant and equipment</b> |                      |                     |                      |                     |
| Loss on disposal                                                   | (7 537 657)          | (4 972 684)         | (7 537 657)          | (4 972 684)         |
| Revaluation loss                                                   | (567 472 765)        | -                   | (567 472 765)        | -                   |
|                                                                    | <b>(575 010 422)</b> | <b>(4 972 684)</b>  | <b>(575 010 422)</b> | <b>(4 972 684)</b>  |

# Polokwane Municipality

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## Notes to the Unaudited Consolidated Annual Financial Statements

| Figures in Rand                                                                                                    | Group               |                      | Company             |                      |
|--------------------------------------------------------------------------------------------------------------------|---------------------|----------------------|---------------------|----------------------|
|                                                                                                                    | 2023                | 2022                 | 2023                | 2022                 |
| <b>47. Fair value adjustment</b>                                                                                   |                     |                      |                     |                      |
| Biological assets                                                                                                  | 57 875              | 5 844 163            | 57 875              | 5 844 163            |
| Investment property                                                                                                | 39 142 057          | (92 838 613)         | 39 142 057          | (92 838 613)         |
| Living resources                                                                                                   | 6 148 752           | 1 489 293            | 6 148 752           | 1 489 293            |
| Actuarial Assessments                                                                                              | 69 485 677          | 68 834 102           | 69 485 677          | 68 834 102           |
|                                                                                                                    | <b>114 834 361</b>  | <b>(16 671 055)</b>  | <b>114 834 361</b>  | <b>(16 671 055)</b>  |
| <b>48. Inventory (write down)</b>                                                                                  |                     |                      |                     |                      |
| Inventory                                                                                                          | (792 800)           | (29 116 710)         | (792 800)           | (29 116 710)         |
| Water losses                                                                                                       | (87 344 085)        | (86 994 953)         | (87 344 085)        | (86 994 953)         |
|                                                                                                                    | <b>(88 136 885)</b> | <b>(116 111 663)</b> | <b>(88 136 885)</b> | <b>(116 111 663)</b> |
| <b>49. Impairment losses on financial assets</b>                                                                   |                     |                      |                     |                      |
| Property, plant and equipment                                                                                      | 31 150 752          | 18 543 608           | 31 148 802          | 18 527 940           |
| <b>50. Auditors remuneration</b>                                                                                   |                     |                      |                     |                      |
| External Audit Fees                                                                                                | 17 390 021          | 16 219 155           | 16 190 028          | 15 140 226           |
| <b>51. Net cash from/(used) operating activities</b>                                                               |                     |                      |                     |                      |
| Deficit for the year                                                                                               | (331 702 784)       | (283 754 693)        | (326 848 516)       | (312 757 307)        |
| <b>Adjustments for:</b>                                                                                            |                     |                      |                     |                      |
| Depreciation and amortisation                                                                                      | 728 502 944         | 764 758 804          | 723 166 105         | 762 176 405          |
| Bad debts written off                                                                                              | 328 701 294         | 206 268 071          | 324 015 241         | 199 542 544          |
| (Gains) / Losses on disposal of assets                                                                             | 583 009 739         | 68 287 563           | 583 009 739         | 68 287 563           |
| Fair value adjustment                                                                                              | (45 348 684)        | 85 505 157           | (45 348 684)        | 85 505 157           |
| Impairment loss                                                                                                    | 31 150 752          | 18 543 608           | 31 148 802          | 18 527 940           |
| Inventory losses                                                                                                   | 792 800             | 29 116 710           | 792 800             | 29 116 710           |
| Water losses                                                                                                       | 87 344 085          | 86 994 953           | 87 344 085          | 86 994 953           |
| <b>Movement in working capital</b>                                                                                 |                     |                      |                     |                      |
| (Increase) / Decrease in receivables                                                                               | (307 993 405)       | (396 526 218)        | (304 055 708)       | (399 025 000)        |
| (Increase) / Decrease in inventory                                                                                 | (59 479 374)        | (64 472 278)         | (59 479 374)        | (64 472 278)         |
| Increase / (Decrease) in Provisions                                                                                | (28 070 072)        | (23 001 295)         | (27 590 984)        | (23 058 468)         |
| Increase / (Decrease) in VAT                                                                                       | (16 458 452)        | 36 115 714           | (16 458 450)        | 36 115 711           |
| Increase / (Decrease) in trade and other payables                                                                  | (214 882 868)       | (26 735 066)         | (215 846 923)       | (30 375 056)         |
| Increase / (Decrease) in unspent conditional grants and receipts trade and other payable non-exchange transactions | (130 036 255)       | 75 270 628           | (130 036 255)       | 75 270 628           |
| <b>Net cash flows from operating activities</b>                                                                    | <b>625 529 720</b>  | <b>576 371 658</b>   | <b>623 811 878</b>  | <b>531 849 502</b>   |
| <b>52. Financial instruments</b>                                                                                   |                     |                      |                     |                      |
| <b>52.1 Fair value of financial instruments</b>                                                                    |                     |                      |                     |                      |

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

# Polokwane Municipality

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2023

## Notes to the Unaudited Consolidated Annual Financial Statements

| Figures in Rand                                        | Group |                      | Company              |                      |                      |
|--------------------------------------------------------|-------|----------------------|----------------------|----------------------|----------------------|
|                                                        | 2023  | 2022                 | 2023                 | 2022                 |                      |
| <b>52. Financial instruments (continued)</b>           |       |                      |                      |                      |                      |
| <b>Group</b>                                           |       |                      |                      |                      |                      |
| <b>Financial assets</b>                                |       |                      |                      |                      |                      |
| <b>Amortised cost</b>                                  |       |                      |                      |                      |                      |
| Trade and other receivables from exchange transactions | 4     | 723 147 192          | 723 147 192          | 796 823 669          | 796 823 669          |
| Other receivables from exchange transactions           | 15    | 34 455 233           | 34 455 233           | 31 787 715           | 31 787 715           |
| Receivables from non exchange transactions             |       | 346 407 367          | 346 407 367          | 295 297 700          | 295 297 700          |
| Cash and cash equivalents                              | 3     | 187 784 673          | 187 784 673          | 235 040 446          | 235 040 446          |
| VAT receivable                                         |       | 45 397 113           | 45 397 113           | 14 896 268           | 14 896 268           |
|                                                        |       | <b>1 337 191 578</b> | <b>1 337 191 578</b> | <b>1 373 845 798</b> | <b>1 373 845 798</b> |
| <b>Financial liabilities</b>                           |       |                      |                      |                      |                      |
| <b>Amortised cost</b>                                  |       |                      |                      |                      |                      |
| <b>Unsecured bank facilities:</b>                      |       |                      |                      |                      |                      |
| Financial liabilities                                  |       | 352 265 231          | 352 265 231          | 387 346 324          | 387 346 324          |
| <b>Trade and other payables:</b>                       |       |                      |                      |                      |                      |
| Consumer deposits                                      | 17    | 66 794 150           | 66 794 150           | 67 346 075           | 67 346 075           |
| Trade and other payables from exchange transactions    | 18    | 630 074 969          | 630 074 969          | 833 225 825          | 833 225 825          |
| Current portion of financial liabilities               |       | 46 141 112           | 46 141 112           | 30 802 875           | 30 802 875           |
|                                                        |       | <b>743 010 231</b>   | <b>743 010 231</b>   | <b>931 374 775</b>   | <b>931 374 775</b>   |
| <b>Total financial liabilities</b>                     |       | <b>1 095 275 462</b> | <b>1 095 275 462</b> | <b>1 318 721 099</b> | <b>1 318 721 099</b> |
| <b>Total financial instruments</b>                     |       | <b>241 916 116</b>   | <b>241 916 116</b>   | <b>55 124 699</b>    | <b>55 124 699</b>    |

# Polokwane Municipality

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2023

## Notes to the Unaudited Consolidated Annual Financial Statements

| Figures in Rand                                        | Group |                      | Company              |                      |                      |
|--------------------------------------------------------|-------|----------------------|----------------------|----------------------|----------------------|
|                                                        | 2023  | 2022                 | 2023                 | 2022                 |                      |
| <b>52. Financial instruments (continued)</b>           |       |                      |                      |                      |                      |
| <b>Company</b>                                         |       |                      |                      |                      |                      |
|                                                        |       | 2023                 |                      | 2022                 |                      |
|                                                        |       | Carrying amount      | Fair value           | Carrying amount      | Fair value           |
| <b>Financial assets</b>                                |       |                      |                      |                      |                      |
| <b>Amortised cost</b>                                  |       |                      |                      |                      |                      |
| Trade and other receivables from exchange transactions | 4     | 723 147 192          | 723 147 192          | 796 823 669          | 796 823 669          |
| Other receivables from exchange transactions           | 15    | 33 748 015           | 33 748 015           | 31 136 848           | 31 136 848           |
| Receivables from non exchange transactions             |       | 346 399 818          | 346 399 818          | 295 294 041          | 295 294 041          |
| Cash and cash equivalents                              | 3     | 184 371 391          | 184 371 391          | 232 670 007          | 232 670 007          |
| VAT receivable                                         |       | 45 397 113           | 45 397 113           | 14 896 268           | 14 896 268           |
| Investment in associate                                |       | 1 000                | 1 000                | 1 000                | 1 000                |
|                                                        |       | <b>1 333 064 529</b> | <b>1 333 064 529</b> | <b>1 370 821 833</b> | <b>1 370 821 833</b> |
| <b>Financial liabilities</b>                           |       |                      |                      |                      |                      |
| <b>Amortised cost</b>                                  |       |                      |                      |                      |                      |
| <b>Unsecured bank facilities:</b>                      |       |                      |                      |                      |                      |
| Financial liabilities                                  |       | 352 265 231          | 352 265 231          | 387 346 324          | 387 346 324          |
| <b>Trade and other payables:</b>                       |       |                      |                      |                      |                      |
| Consumer deposits                                      | 17    | 66 794 150           | 66 794 150           | 67 346 075           | 67 346 075           |
| Trade and other payables from exchange transactions    | 18    | 613 278 176          | 613 278 176          | 829 062 586          | 829 062 586          |
| Current portion of financial liabilities               |       | 46 141 112           | 46 141 112           | 30 802 875           | 30 802 875           |
|                                                        |       | <b>726 213 438</b>   | <b>726 213 438</b>   | <b>927 211 536</b>   | <b>927 211 536</b>   |
| <b>Total financial liabilities</b>                     |       | <b>1 078 478 669</b> | <b>1 078 478 669</b> | <b>1 314 557 860</b> | <b>1 314 557 860</b> |
| <b>Total financial instruments</b>                     |       | <b>254 585 860</b>   | <b>254 585 860</b>   | <b>56 263 973</b>    | <b>56 263 973</b>    |

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

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

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

### 52.2 Liquidity risk

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

# Polokwane Municipality

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2023

## Notes to the Unaudited Consolidated Annual Financial Statements

| Figures in Rand | Group |      | Company |      |
|-----------------|-------|------|---------|------|
|                 | 2023  | 2022 | 2023    | 2022 |

### 52. Financial instruments (continued)

#### Group - 30 June 2023

|                                                   | Within 1 year      | 2 to 5 years       | 5 years +          | Total                |
|---------------------------------------------------|--------------------|--------------------|--------------------|----------------------|
| <b>Maturity analysis</b>                          |                    |                    |                    |                      |
| Borrowings - capital repayments                   | 25 088 399         | 174 036 420        | 173 652 083        | 372 776 902          |
| Borrowings - interest                             | 39 835 654         | 150 583 843        | 38 145 738         | 228 565 235          |
| Trade and other payables                          | 630 074 969        | -                  | -                  | 630 074 969          |
| Finance lease - capital repayments - vehicles     | 12 906 261         | -                  | -                  | 12 906 261           |
| Finance lease - capital repayments - cellphones   | 4 626 243          | 4 576 736          | -                  | 9 202 979            |
| Finance lease - capital repayments - photocopiers | 3 520 208          | -                  | -                  | 3 520 208            |
| Finance lease - interest - vehicles               | 210 486            | -                  | -                  | 210 486              |
| Finance lease - interest - cellphones             | 1 149 076          | 379 798            | -                  | 1 528 874            |
| Finance lease - interest - photocopiers           | 210 656            | -                  | -                  | 210 656              |
|                                                   | <b>717 621 952</b> | <b>329 576 797</b> | <b>211 797 821</b> | <b>1 258 996 570</b> |

#### Group - 30 June 2022

|                                                   | Within 1 year      | 2 to 5 years       | 5 years +          | Total                |
|---------------------------------------------------|--------------------|--------------------|--------------------|----------------------|
| <b>Maturity analysis</b>                          |                    |                    |                    |                      |
| Borrowings - capital repayments                   | 22 587 835         | 156 627 917        | 216 148 985        | 395 364 737          |
| Borrowings - interest                             | 42 336 217         | 179 382 555        | 60 572 888         | 282 291 660          |
| Trade and other payables                          | 833 225 825        | -                  | -                  | 833 225 825          |
| Finance lease - capital repayments - vehicles     | 3 491 164          | 12 906 261         | -                  | 16 397 425           |
| Finance lease - capital repayments - cellphones   | 3 135 425          | 213 122            | -                  | 3 348 547            |
| Finance lease - capital repayments - photocopiers | 1 588 450          | 1 450 049          | -                  | 3 038 499            |
| Finance lease - interest - vehicles               | 2 906 888          | 210 485            | -                  | 3 117 373            |
| Finance lease - interest - cellphones             | 157 804            | 9 638              | -                  | 167 442              |
| Finance lease - interest - photocopiers           | 232 355            | 67 288             | -                  | 299 643              |
|                                                   | <b>909 661 963</b> | <b>350 867 315</b> | <b>276 721 873</b> | <b>1 537 251 151</b> |

#### Company - 30 June 2023

|                                                   | Within 1 year      | 2 to 5 years       | 5 years +          | Total                |
|---------------------------------------------------|--------------------|--------------------|--------------------|----------------------|
| <b>Maturity analysis</b>                          |                    |                    |                    |                      |
| Borrowings - capital repayments                   | 25 088 399         | 174 036 420        | 173 652 083        | 372 776 902          |
| Borrowings - interest                             | 39 835 654         | 150 583 843        | 38 145 738         | 228 565 235          |
| Trade and other payables                          | 613 278 178        | -                  | -                  | 613 278 178          |
| Finance lease - capital repayments - vehicles     | 12 906 261         | -                  | -                  | 12 906 261           |
| Finance lease - capital repayments - cellphones   | 4 626 243          | 4 576 736          | -                  | 9 202 979            |
| Finance lease - capital repayments - photocopiers | 3 520 208          | -                  | -                  | 3 520 208            |
| Finance lease - interest - vehicles               | 210 486            | -                  | -                  | 210 486              |
| Finance lease - interest - cellphones             | 1 149 076          | 379 798            | -                  | 1 528 874            |
| Finance lease - interest - photocopiers           | 210 656            | -                  | -                  | 210 656              |
|                                                   | <b>700 825 161</b> | <b>329 576 797</b> | <b>211 797 821</b> | <b>1 242 199 779</b> |

# Polokwane Municipality

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## Notes to the Unaudited Consolidated Annual Financial Statements

| Figures in Rand | Group |      | Company |      |
|-----------------|-------|------|---------|------|
|                 | 2023  | 2022 | 2023    | 2022 |

### 52. Financial instruments (continued)

#### Company - 30 June 2022

|                                                   | Within 1 year      | 2 to 5 years       | 5 years +          | Total                |
|---------------------------------------------------|--------------------|--------------------|--------------------|----------------------|
| <b>Maturity analysis</b>                          |                    |                    |                    |                      |
| Borrowings - capital repayments                   | 22 587 835         | 156 627 917        | 216 148 985        | 395 364 737          |
| Borrowings - interest                             | 42 336 217         | 179 382 555        | 60 572 888         | 282 291 660          |
| Trade and other payables                          | 829 062 586        | -                  | -                  | 829 062 586          |
| Finance lease - capital repayments - vehicles     | 3 491 164          | 12 906 261         | -                  | 16 397 425           |
| Finance lease - capital repayments - cellphones   | 3 135 425          | 213 122            | -                  | 3 348 547            |
| Finance lease - capital repayments - photocopiers | 1 588 450          | 1 450 049          | -                  | 3 038 499            |
| Finance lease - interest - vehicles               | 2 906 888          | 210 485            | -                  | 3 117 373            |
| Finance lease - interest - cellphones             | 157 804            | 9 638              | -                  | 167 442              |
| Finance lease - interest - photocopiers           | 232 355            | 67 288             | -                  | 299 643              |
|                                                   | <b>905 498 724</b> | <b>350 867 315</b> | <b>276 721 873</b> | <b>1 533 087 912</b> |

### 52.3 Credit risk management

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

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

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

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

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

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

|                                                        |   |                    |                      |                    |                      |
|--------------------------------------------------------|---|--------------------|----------------------|--------------------|----------------------|
| Trade and other receivables from exchange transactions | 4 | 723 147 192        | 796 823 669          | 723 147 192        | 796 823 669          |
| Bank and cash balances                                 | 3 | 187 784 673        | 235 040 446          | 184 371 391        | 232 670 007          |
| <b>Maximum credit and interest risk exposure</b>       |   | <b>910 931 865</b> | <b>1 031 864 115</b> | <b>907 518 583</b> | <b>1 029 493 676</b> |

### 53. Contingent assets and liabilities

|                                                                      |             |             |             |             |
|----------------------------------------------------------------------|-------------|-------------|-------------|-------------|
| Contingent liabilities                                               | 284 086 122 | 259 596 972 | 284 086 122 | 259 596 972 |
| Contingent assets                                                    | 14 095 040  | 3 453 000   | 14 095 040  | 3 453 000   |
| The above legal matters are ongoing and have not yet been finalised. |             |             |             |             |

Refer to Annexure G for the contingent assets & liabilities register.



# Polokwane Municipality

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2023

## Notes to the Unaudited Consolidated Annual Financial Statements

| Figures in Rand | Group |      | Company |      |
|-----------------|-------|------|---------|------|
|                 | 2023  | 2022 | 2023    | 2022 |

### 53. Contingent assets and liabilities (continued)

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

Refer to Annexure G for the contingent assets & liabilities register.

### 54. Unauthorised, irregular, fruitless and wasteful expenditure

#### 54.1 Unauthorised expenditure

|                                          |                      |                      |                      |                      |
|------------------------------------------|----------------------|----------------------|----------------------|----------------------|
| Opening balance as previously reported   | 1 669 131 938        | 1 152 224 580        | 1 669 131 938        | 1 152 224 580        |
| Add: Unauthorised expenditure – current  | 1 040 556 577        | 539 098 503          | 1 040 556 577        | 539 098 503          |
| Less: Amounts written off – current      | (1 077 762 333)      | -                    | (1 077 762 333)      | -                    |
| Less: Amounts written-off – prior period | -                    | (22 191 145)         | -                    | (22 191 145)         |
| <b>Closing balance</b>                   | <b>1 631 926 182</b> | <b>1 669 131 938</b> | <b>1 631 926 182</b> | <b>1 669 131 938</b> |

#### The over expenditure incurred by the municipal departments during the year is attributable to the following categories

|                |                      |                    |                      |                    |
|----------------|----------------------|--------------------|----------------------|--------------------|
| Non-cash items | 1 040 556 577        | 539 098 503        | 1 040 556 577        | 539 098 503        |
| Cash items     | -                    | -                  | -                    | -                  |
|                | <b>1 040 556 577</b> | <b>539 098 503</b> | <b>1 040 556 577</b> | <b>539 098 503</b> |

#### Analysed as follows: non cash items

|                                                                                             |                      |                    |                      |                    |
|---------------------------------------------------------------------------------------------|----------------------|--------------------|----------------------|--------------------|
| Depreciation and amortisation                                                               | 278 769 927          | 511 893 476        | 278 769 927          | 511 893 476        |
| Finance charges (i.e interest charge on the provision for rehabilitation of landfill sites) | -                    | 6 500 022          | -                    | 6 500 022          |
| Inventories (consumed/issued/write-down)                                                    | 88 136 885           | 16 485 205         | 88 136 885           | 16 485 205         |
| Losses on disposal of assets                                                                | 583 009 739          | -                  | 583 009 739          | -                  |
| Impairment losses                                                                           | 31 148 802           | -                  | 31 148 802           | -                  |
| Bad debts written off                                                                       | 59 491 224           | 4 219 800          | 59 491 224           | 4 219 800          |
|                                                                                             | <b>1 040 556 577</b> | <b>539 098 503</b> | <b>1 040 556 577</b> | <b>539 098 503</b> |

The write off of R22 191 145 related to the unauthorised expenditure incurred in the financial year 2016/17. The write off was approved in Council Resolution number CR/65/10/21.

#### 54.2 Irregular expenditure

|                                           |                    |                    |                    |                    |
|-------------------------------------------|--------------------|--------------------|--------------------|--------------------|
| Opening balance as previously reported    | 262 322 692        | 649 697 036        | 241 163 582        | 628 537 926        |
| Correction of prior period error          | -                  | (18 130 028)       | -                  | (18 130 028)       |
| <b>Opening balance as restated</b>        | <b>262 322 692</b> | <b>631 567 008</b> | <b>241 163 582</b> | <b>610 407 898</b> |
| Add: Irregular expenditure - current      | 255 808 363        | 89 762 828         | 255 808 363        | 89 762 828         |
| Add: Irregular expenditure – prior period | -                  | 10 489 146         | -                  | 10 489 146         |
| Less: Amounts written-off                 | (228 594 269)      | (469 496 290)      | (228 594 269)      | (469 496 290)      |
| <b>Closing balance</b>                    | <b>289 536 786</b> | <b>262 322 692</b> | <b>268 377 676</b> | <b>241 163 582</b> |

Included in the opening balance is an amount of R7 101 865 from the former Aganang municipality.

# Polokwane Municipality

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| Figures in Rand                                                                    | Group                |                    | Company            |                    |
|------------------------------------------------------------------------------------|----------------------|--------------------|--------------------|--------------------|
|                                                                                    | 2023                 | 2022               | 2023               | 2022               |
| <b>54. Unauthorised, irregular, fruitless and wasteful expenditure (continued)</b> |                      |                    |                    |                    |
| <b>54.3 Fruitless and wasteful expenditure</b>                                     |                      |                    |                    |                    |
| Opening balance as previously reported                                             | 17 619 446           | 1 693 527          | 17 125 046         | 1 199 127          |
| Add: Fruitless and wasteful expenditure – current                                  | -                    | 17 125 046         | -                  | 17 125 046         |
| Less: Amount recoverable – current                                                 | -                    | (1 199 127)        | -                  | (1 199 127)        |
| <b>Closing balance</b>                                                             | <b>17 619 446</b>    | <b>17 619 446</b>  | <b>17 125 046</b>  | <b>17 125 046</b>  |
| Incident                                                                           |                      |                    |                    |                    |
| Interest due to late payments                                                      | -                    | 444 793            | -                  | 444 793            |
| Prepayments for goods delivered                                                    | -                    | 16 680 253         | -                  | 16 680 253         |
| <b>Total</b>                                                                       | <b>-</b>             | <b>17 125 046</b>  | <b>-</b>           | <b>17 125 046</b>  |
| <b>55. Commitments</b>                                                             |                      |                    |                    |                    |
| <b>Authorised capital expenditure</b>                                              |                      |                    |                    |                    |
| <b>Already contracted for but not provided for</b>                                 |                      |                    |                    |                    |
| • Infrastructure                                                                   | 998 789 789          | 705 502 041        | 998 789 789        | 705 502 041        |
| • Other                                                                            | -                    | 29 895 961         | -                  | 25 111 380         |
|                                                                                    | <b>998 789 789</b>   | <b>735 398 002</b> | <b>998 789 789</b> | <b>730 613 421</b> |
| <b>Total capital commitments</b>                                                   |                      |                    |                    |                    |
| Already contracted for but not provided for                                        | 998 789 789          | 735 398 002        | 998 789 789        | 730 613 421        |
| <b>Authorised operational expenditure</b>                                          |                      |                    |                    |                    |
| <b>Already contracted for but not provided for</b>                                 |                      |                    |                    |                    |
| • Expenditure                                                                      | 1 246 264            | 3 927 368          | -                  | -                  |
| <b>Total operational commitments</b>                                               | <b>1 246 264</b>     | <b>3 927 368</b>   | <b>-</b>           | <b>-</b>           |
| Already contracted for but not provided for                                        | 1 246 264            | 3 927 368          | -                  | -                  |
| <b>Total commitments</b>                                                           |                      |                    |                    |                    |
| <b>Total commitments</b>                                                           |                      |                    |                    |                    |
| Authorised capital expenditure                                                     | 998 789 789          | 735 398 002        | 998 789 789        | 730 613 421        |
| Authorised operational expenditure                                                 | 1 246 264            | 3 927 368          | -                  | -                  |
|                                                                                    | <b>1 000 036 053</b> | <b>739 325 370</b> | <b>998 789 789</b> | <b>730 613 421</b> |

# Polokwane Municipality

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| Figures in Rand | Group |      | Company |      |
|-----------------|-------|------|---------|------|
|                 | 2023  | 2022 | 2023    | 2022 |

### 56. Related party disclosures

#### 56.1 Nature of related party relationships

|                           |                                                                                        |
|---------------------------|----------------------------------------------------------------------------------------|
| Councillor remuneration   | Refer to General Information page                                                      |
| Related party             | Nature of relationship                                                                 |
| Director                  | Refer to accounting officer's note                                                     |
| Ultimate company          | Polokwane Local Municipality                                                           |
| Company                   | Polokwane Local Municipality                                                           |
| Controlled entities       | Polokwane Housing Association. Refer to related party transactions note below and note |
| Members of key management | Refer to Note 36 for remuneration                                                      |
| Councillor remuneration   | Refer to General Information page                                                      |
| Councillor remuneration   | Refer to General Information page                                                      |

#### 56.2 Related party transactions

Compensation to councillors - Payments to councillors are for allowances as gazetted. Refer to Note 37 for remuneration of councillors.

Controlled entities - the municipality has exempted PHA from paying municipal rates and taxes.

#### Polokwane Housing Association

|                                                           |                   |                   |                   |                   |
|-----------------------------------------------------------|-------------------|-------------------|-------------------|-------------------|
| Grants                                                    | 9 191 404         | 44 800 000        | 9 191 404         | 44 800 000        |
| Accounting fees paid on behalf of PHA - Munsoft (Pty) Ltd | 1 096 046         | 996 405           | 1 096 046         | 996 405           |
| Accounting fees paid on behalf of PHA - MMB Consulting    | 1 071 823         | 1 225 381         | 1 071 823         | 1 225 381         |
|                                                           | <u>11 359 273</u> | <u>47 021 786</u> | <u>11 359 273</u> | <u>47 021 786</u> |

#### 56.3 Related party balances

##### Controlled entities

No guarantees were given or received.

There were no loans given or taken from Polokwane Housing Association during the year.

#### 56.4 Remuneration of management

##### Management class: Councillors/mayoral committee members

Refer to Note 37 - Remuneration of councillors"

##### Management class: Executive management

Refer to note 36 "Employee related costs"

# Polokwane Municipality

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|-----------------|-------|------|---------|------|
|                 | 2023  | 2022 | 2023    | 2022 |

### 57. Deviations from SCM regulations - SCM Regulation 36

In terms of section 36 of the group SCM regulations, any deviations from SCM policy needs to be approved by the director and noted by Council. The awards listed below have been approved by the director and noted by Council.

Nature and value of deviations from SCM Regulations granted during the reporting year:

|                                                                   |                  |                   |                  |                   |
|-------------------------------------------------------------------|------------------|-------------------|------------------|-------------------|
| Information technology upgrades                                   | 1 056 788        | 11 206 628        | 1 056 788        | 11 206 628        |
| Other                                                             | 421 165          | -                 | 421 165          | -                 |
| Deviations less than R200,000                                     | 1 190 428        | 1 435 759         | 1 190 428        | 1 435 759         |
| <b>Total amount approved by the director and noted by council</b> | <b>2 668 381</b> | <b>12 642 387</b> | <b>2 668 381</b> | <b>12 642 387</b> |

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting officer and includes a note to the audited annual financial statements.

Prescribed procurement processes were not followed but was approved by the Municipal Manager in terms of delegated powers and in accordance with Supply Chain Management Regulations and Policy. Valid reasons for deviations were recorded in all instances

### 58. Budget information

#### Explanation of variances between approved and final budget amounts

The reason for the variances between the approved and final budgets are mainly due to reallocations made within the approved budget parameters allowed for by the Virement Policy of Polokwane Municipality as approved by Council.

Explanation of variances greater than 10%: Final Budget and Actual Amounts.

# Polokwane Municipality

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|-----------------|-------|------|---------|------|
|                 | 2023  | 2022 | 2023    | 2022 |

### 58. Budget information (continued)

#### Statement of Financial Performance

BD1: The variance is below 10%. No explanation is necessary.

BD2: The underperformance on licence and permits is due to no performance on instructor's certificate.

BD3: There was an increase in interest rate which resulted in an increase in debt book.

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

BD5: The interest earned increased as the municipality has commenced investing during the current year and also due to the increase in interest rate.

PHA: This variance is as a result of the entity not being able to bill Annadale Ext 2 due to late completion of the property. Interest has therefore been lost.

BD6: The underperformance of interest earned from outstanding debtors is attributable to the fact that most customers were given incentive on the balance outstanding as well as write down of debts. Interest was reversed for Mankweng estimations as actual flat rate was levied on the system.

BD7: Overperformance of operational revenue is due to the incidental cash surpluses from prior year that was recognised as operational revenue in the current year as approved by Council.

BD8: Rental from fixed assets anticipated revenue increase is attributable to the revenue from straight lining as required by GRAP and due to the increase in customers that are using the municipal facilities for events.

PHA: The variance is a result of uninhabitable rental units that require maintenance.

BD9: The increase is due to bus fare services, occupational certificates and academic services.

BD10: The reason for the decrease is attributable to consumers using alternative energy; as well as the impact of loadshedding.

BD11: The normal increase are attributable to the work in progress as zoning on properties are being verified and adjustments made to accounts. The completeness exercise is continuing to ensure alignment between zoning and billing.

BD12: Water is underperforming because of faulty meters and flat batteries. Most of the accounts without readings were billed a fixed charge as approved by Council.

BD13: The increase in irrecoverable debts is attributable to the fact that most customers were given incentives on the balance outstanding and some debts were written down.

PHA: The variance is due to the entity having an improved collection rate which led to less impairment of debt.

BD14: Actual depreciation journal is captured monthly. This highly indicates insufficient budget for depreciation. In terms of National Treasury Circular the municipality cannot budget for a deficit.

PHA: Less depreciation due to late completion of Annadale Ext 2.

BD15: The underperformance of inventory consumed is due to decrease in sale of water and customers using alternative water supply, eg Boreholes.

BD16: This expenditure is dependant on needs and requirements of departments.

PHA: Stringent cash flow management led to less spending on operational costs.

BD17: Performance is dependant on the municipal entity's need of expenditure. The municipal entity (Polokwane Housing Association) submits grant requests as and when funds are needed to meet their planned expenditure.

#### Statement of Financial Position

BD18: Decrease attributable to timely performance on grants transferred.

# Polokwane Municipality

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2023

## Notes to the Unaudited Consolidated Annual Financial Statements

| Figures in Rand | Group |      | Company |      |
|-----------------|-------|------|---------|------|
|                 | 2023  | 2022 | 2023    | 2022 |

### 58. Budget information (continued)

BD19: Increase attributable to non-payment and increased interest rates on non-receivables.

BD20: Attributable to water reticulation and electrical supplies. Cable theft and water pipe bursts were not anticipated.

BD21: Increase due to revaluation on assets.

BD22: Intangible assets were provided for on Property, plant and equipment.

BD23: Increase due to revaluation on assets.

BD24: A higher revaluation on assets was anticipated.

BD25: Under budget on finance lease.

BD26: The underbudget was due to no increase in the Provision for Fleet Africa.

BD27: Underprovision for employee benefits.

### Cash flow Statement

CF1: Immaterial

CF2: The reason for the decrease is attributable to consumers using alternative energy and loadshedding.

CF3: The interest earned increased as the municipality has started investing in the current year and due to increase in interest rate.

CF4: The underperformance on bulk purchases electricity is due to loadshedding.

CF5: Underprovision on finance charges.

CF6: This relates to the proceeds from the game auction.

CF7: Underperformance due to the reclassification of RAL roads from capital to operational expenditure.

CF8: Underprovision on finance leases.

CF9: Decrease attributable to timely performance on grants transferred.

# Polokwane Municipality

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2023

## Notes to the Unaudited Consolidated Annual Financial Statements

| Figures in Rand | Group |      | Company |      |
|-----------------|-------|------|---------|------|
|                 | 2023  | 2022 | 2023    | 2022 |

### 59. Principal-agent arrangements

#### 59.1 Group acting as the principal

##### SANRAL

The group is a party to a principal-agent arrangement with SANRAL, wherein the municipality acts as the principal.

SANRAL is entitled to 5% of the service fee.

No resources held at SANRAL are owned by the municipality. All resources that are utilised by SANRAL in support of the function is owned by SANRAL. Consequently, there will be no cost implications in the event of termination of the arrangement.

|                                      |                |          |                |          |
|--------------------------------------|----------------|----------|----------------|----------|
| Fees paid as commission to the agent | <u>159 958</u> | <u>-</u> | <u>159 958</u> | <u>-</u> |
|--------------------------------------|----------------|----------|----------------|----------|

##### Cigicell Pty Ltd

The group is a party to a principal- agent arrangement with Cigicell Pty Ltd, wherein the municipality acts as the principal.

Polokwane Municipality appointed Cigicell for vending of prepaid electricity and water to its customers (third party) on its behalf.

Cigicell Pty Ltd is entitled to 2.25% of the face value of the revenue collected via the vending machine.

No resources held at Cigicell Pty Ltd are owned by the municipality. All resources that are utilised by Cigicell Pty Ltd in support of the function is owned by Cigicell Pty Ltd. Consequently, there will be no cost implications in the event of termination of the arrangement.

|                                      |                   |                   |                   |                   |
|--------------------------------------|-------------------|-------------------|-------------------|-------------------|
| Fees paid as commission to the agent | <u>23 046 898</u> | <u>19 159 353</u> | <u>23 046 898</u> | <u>19 159 353</u> |
|--------------------------------------|-------------------|-------------------|-------------------|-------------------|

##### Park Point Pty Ltd

The group is a party to a principal- agent arrangement with Park Point Pty Ltd, wherein the municipality acts as the principal.

Polokwane Municipality appointed Park Point Pty Ltd for collection of parking fees from its customers (third party) on its behalf.

Park Point Pty Ltd is entitled to 75% of the face value of the revenue collected on street parking.

No resources held at Park Point Pty Ltd are owned by the municipality. All resources that are utilised by Park Point Pty Ltd in support of the function is owned by Park Point Pty Ltd. Consequently, there will be no cost implications in the event of termination of the arrangement.

|                                      |          |          |          |          |
|--------------------------------------|----------|----------|----------|----------|
| Fees paid as commission to the agent | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
|--------------------------------------|----------|----------|----------|----------|

# Polokwane Municipality

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2023

## Notes to the Unaudited Consolidated Annual Financial Statements

| Figures in Rand                                                                                | Group         |               | Company       |               |
|------------------------------------------------------------------------------------------------|---------------|---------------|---------------|---------------|
|                                                                                                | 2023          | 2022          | 2023          | 2022          |
| <b>59. Principal-agent arrangements (continued)</b>                                            |               |               |               |               |
| <b>59.2 Group acting as the agent</b>                                                          |               |               |               |               |
| Revenue recognised as compensation for the transactions carried out on behalf of the principal | 23 554 336    | 22 640 956    | 23 554 336    | 22 640 956    |
| Revenue received or to be received on behalf of the principal                                  | 118 811 213   | 104 154 444   | 118 811 213   | 104 154 444   |
| <b>Payables held on behalf of the principal</b>                                                |               |               |               |               |
| Opening balance                                                                                | -             | 126 795 400   | -             | 126 795 400   |
| Expenses incurred                                                                              | 118 811 213   | 104 154 444   | 118 811 213   | 104 154 444   |
| Cash paid                                                                                      | (118 811 213) | (230 949 844) | (118 811 213) | (230 949 844) |
| <b>Closing balance</b>                                                                         | <b>-</b>      | <b>-</b>      | <b>-</b>      | <b>-</b>      |

There are no expenditure paid or incurred on behalf of the principal.

There are no receivables held on behalf of the principal.

The municipality is a party to two principal-agent arrangements:

- Department of Transport
- South African National Roads Agency

### 1. Department of Transport

The municipality is the agent to the provincial Department of Transport.

The provincial government, through the respective provincial department of transport, is mandated to collect motor vehicle licenses on an annual basis. The provincial department of transport determines the fee that is payable annually by motor vehicle owners, which varies depending on the type of motor vehicle owned.

To make the payment of the motor vehicle licenses easier, the provincial departments entered into a contractual arrangement with the Polokwane municipality to undertake this activity on their behalf. In terms of the arrangement:

- The provincial department of transport issues the motor vehicle licence renewal form to the respective owners of the motor vehicles, indicating the amount due for the year
- The municipality provide facilities for owners of motor vehicles to pay their licences.
- The provincial department provides the municipality with access to its IT systems so that they can capture the amounts received and issue the motor vehicle licenses on their behalf. The system automatically generates the motor vehicle license upon capturing the payment of the fees due.
- The municipality collect the fees due from motor vehicles owners and simultaneously issue the new licenses on behalf of the provincial government.
- The municipalities are required to pay over any revenue (cash) collected to the provincial government in respect of motor vehicle licenses.
- The municipalities are entitled to retain 20% and 3% of the cash collected for undertaking this activity for the provincial Department of Transport and AARTO respectively.

No significant risks exist other than risks associated with cash management. The application controls designed within the IT system are adequate to correctly account for such revenues.

### 2. South African National Roads Agency Ltd

The municipality is entitled to a commission of 4% based on the proceeds collected by SANRAL.



# Polokwane Municipality

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2023

## Notes to the Unaudited Consolidated Annual Financial Statements

|                 | Group |      | Company |      |
|-----------------|-------|------|---------|------|
| Figures in Rand | 2023  | 2022 | 2023    | 2022 |

### 60. Events after the reporting date

Management is not aware of any events after the balance sheet date that are indicative of conditions that existed at 30 June 2023.

# Polokwane Municipality

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2023

## Notes to the Unaudited Consolidated Annual Financial Statements

| Figures in Rand                                                               | Group          |                  | Company        |                  |
|-------------------------------------------------------------------------------|----------------|------------------|----------------|------------------|
|                                                                               | 2023           | 2022             | 2023           | 2022             |
| <b>61. Additional disclosure in terms of Municipal Finance Management Act</b> |                |                  |                |                  |
|                                                                               | Group          |                  | Company        |                  |
| <b>Contributions to SALGA</b>                                                 |                |                  |                |                  |
| Current year subscription / fee                                               | 10 924 197     | 10 293 063       | 10 924 197     | 10 293 063       |
| Amount paid - current year                                                    | (10 924 197)   | (10 293 063)     | (10 924 197)   | (10 293 063)     |
|                                                                               | <u>-</u>       | <u>-</u>         | <u>-</u>       | <u>-</u>         |
| <b>Audit fees</b>                                                             |                |                  |                |                  |
| Opening balance                                                               | 1 469 515      | -                | 1 469 515      | -                |
| Current year subscription / fee                                               | 17 390 021     | 16 219 155       | 16 190 028     | 15 140 226       |
| Amount paid - current year                                                    | (18 692 648)   | (14 749 640)     | (17 492 655)   | (13 670 711)     |
|                                                                               | <u>166 888</u> | <u>1 469 515</u> | <u>166 888</u> | <u>1 469 515</u> |
| <b>PAYE and UIF</b>                                                           |                |                  |                |                  |
| Current year subscription / fee                                               | 180 519 971    | 170 185 135      | 180 473 195    | 170 131 210      |
| Amount paid - current year                                                    | (180 519 971)  | (170 185 135)    | (180 473 195)  | (170 131 210)    |
|                                                                               | <u>-</u>       | <u>-</u>         | <u>-</u>       | <u>-</u>         |
| <b>Pension and Medical Aid Deductions</b>                                     |                |                  |                |                  |
| Current year subscription / fee                                               | 242 036 848    | 230 420 460      | 240 544 317    | 230 362 542      |
| Amount paid - current year                                                    | (242 036 848)  | (230 420 460)    | (240 544 317)  | (230 362 542)    |
|                                                                               | <u>-</u>       | <u>-</u>         | <u>-</u>       | <u>-</u>         |

### VAT

VAT output payables and VAT input receivables are shown in note .

All VAT returns have been submitted by the due date throughout the year.

VAT on accrual basis reflects a net VAT receivable amount of R2 012 554 (2022: 14 414 507 (payablen))

# Polokwane Municipality

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2023

## Notes to the Unaudited Consolidated Annual Financial Statements

| Figures in Rand | Group |      | Company |      |
|-----------------|-------|------|---------|------|
|                 | 2023  | 2022 | 2023    | 2022 |

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

#### Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2023:

| 30 June 2023   | Outstanding<br>less than 90<br>days<br>R | Outstanding<br>more than 90<br>days<br>R | Total<br>R    |
|----------------|------------------------------------------|------------------------------------------|---------------|
| TPK Murwa      | 2 620                                    | 6 737                                    | 9 357         |
| MF Ramaphakela | 3 319                                    | 1 545                                    | 4 864         |
|                | <b>5 939</b>                             | <b>8 282</b>                             | <b>14 221</b> |

| 30 June 2022    | Outstanding<br>more than 90<br>days<br>R | Total<br>R     |
|-----------------|------------------------------------------|----------------|
| MA Mohlapamaswi | 984                                      | 984            |
| TPK Murwa       | 173 819                                  | 173 819        |
| TA Pheedi       | 2 036                                    | 2 036          |
| MD Makhafola    | 2 266                                    | 2 266          |
| CM Radise       | 1 162                                    | 1 162          |
| ML Segole       | 756                                      | 756            |
| TP Mothiba      | 5 356                                    | 5 356          |
|                 | <b>186 379</b>                           | <b>186 379</b> |

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

| 30 June 2023 | Highest<br>outstanding<br>amount | Aging<br>(in days) |
|--------------|----------------------------------|--------------------|
| TPK Murwa    | 9 357                            | 120                |
| ML Segole    | 4 864                            | 120                |
|              | <b>14 221</b>                    | -                  |

| 30 June 2022    | Highest<br>outstanding<br>amount | Aging<br>(in days) |
|-----------------|----------------------------------|--------------------|
| MA Mohlapamaswi | 984                              | 90                 |
| TPK Murwa       | 173 819                          | 90                 |
| TA Pheedi       | 2 036                            | 90                 |
| MD Makhafola    | 2 266                            | 90                 |
| CM Radise       | 1 162                            | 90                 |
| ML Segole       | 756                              | 90                 |
| TP Mothiba      | 5 356                            | 90                 |
|                 | <b>186 379</b>                   | -                  |

### 62. Segment information

#### General information

# Polokwane Municipality

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2023

## Notes to the Unaudited Consolidated Annual Financial Statements

| Figures in Rand | Group |      | Company |      |
|-----------------|-------|------|---------|------|
|                 | 2023  | 2022 | 2023    | 2022 |

### 62. Segment information (continued)

#### Identification of segments

The group is organised and reports to management on the basis of three major functional areas: Community and public safety, Economic and environmental services and Trading services. The segments were organised around the type of service delivered and the target market. Management uses these same segments for determining strategic objectives. Segments were aggregated for reporting purposes.

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

The municipality's operations are in the Limpopo Province.

Separate financial and other relevant information on geographical areas in which the municipality operates is not available. The cost to develop the necessary information would be excessive.

#### Company - 2023

|                                                 | Community and public safety | Economic and environmental services | Trading services     | Other         | Unallocated          | Total                |
|-------------------------------------------------|-----------------------------|-------------------------------------|----------------------|---------------|----------------------|----------------------|
| <b>Segment revenue</b>                          |                             |                                     |                      |               |                      |                      |
| External revenue from non-exchange transactions | 7 146                       | 32 392 200                          | 9 041 812            | -             | 2 631 799 491        | 2 673 240 649        |
| External revenue from exchange transactions     | 26 728 649                  | 65 424 031                          | 1 742 845 717        | 61 612        | 123 141 081          | 1 958 201 090        |
| Interests on investments                        | -                           | -                                   | -                    | -             | 38 814 996           | 38 814 996           |
| Gain on disposal of assets                      | -                           | 38 744 119                          | 19 951 164           | -             | 56 139 078           | 114 834 361          |
| <b>Total</b>                                    | <b>26 735 795</b>           | <b>136 560 350</b>                  | <b>1 771 838 693</b> | <b>61 612</b> | <b>2 849 894 646</b> | <b>4 785 091 096</b> |
| <b>Segment expenses</b>                         |                             |                                     |                      |               |                      |                      |
| Total segment expenses                          | 269 898 216                 | 468 631 871                         | 1 678 688 093        | -             | 1 210 996 887        | 3 628 215 067        |
| Depreciation and amortisation                   | 137 921 496                 | 314 955 112                         | 229 007 860          | -             | 41 281 638           | 723 166 106          |
| Loss on disposal of assets                      | -                           | 570 000 884                         | -                    | -             | 13 008 855           | 583 009 739          |
| Impairment losses                               | -                           | -                                   | -                    | -             | 31 148 803           | 31 148 803           |
| Interest expense                                | -                           | -                                   | -                    | -             | 57 837 288           | 57 837 288           |
| Inventory write-down                            | -                           | -                                   | -                    | -             | 792 800              | 792 800              |
| Water losses                                    | -                           | -                                   | -                    | -             | 87 344 085           | 87 344 085           |
| <b>Total</b>                                    | <b>407 819 712</b>          | <b>1 353 587 867</b>                | <b>1 907 695 953</b> | <b>-</b>      | <b>1 442 410 356</b> | <b>5 111 513 888</b> |
| <b>Surplus for the year</b>                     | <b>(381 083 917)</b>        | <b>(1 217 027 517)</b>              | <b>(135 857 260)</b> | <b>61 612</b> | <b>1 407 484 290</b> | <b>(326 422 792)</b> |
| <b>Other information</b>                        |                             |                                     |                      |               |                      |                      |
| Segment assets                                  | 2 943 127 388               | 4 548 672 494                       | 4 405 296 060        | 15 172        | 5 376 916 566        | 17 274 027 680       |
| Segment liabilities                             | (9 458 122)                 | (11 824 521)                        | (78 827 945)         | -             | (1 663 198 219)      | (1 763 308 807)      |
| Total capital expenditure                       | 210 246 926                 | 19 349 280                          | 376 330 486          | -             | 46 907 016           | 652 833 708          |

#### Company - 2022

# Polokwane Municipality

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2023

## Notes to the Unaudited Consolidated Annual Financial Statements

| Figures in Rand                                 | Group                       |                                     | Company              |                      |                      |
|-------------------------------------------------|-----------------------------|-------------------------------------|----------------------|----------------------|----------------------|
|                                                 | 2023                        | 2022                                | 2023                 | 2022                 |                      |
| <b>62. Segment information (continued)</b>      |                             |                                     |                      |                      |                      |
|                                                 | Community and public safety | Economic and environmental services | Trading services     | Unallocated          | Total                |
| <b>Segment revenue</b>                          |                             |                                     |                      |                      |                      |
| External revenue from non-exchange transactions | 1 125                       | 17 979 477                          | 12 022 247           | 2 401 250 307        | 2 431 253 156        |
| External revenue from exchange transactions     | 28 572 698                  | 55 114 520                          | 1 815 198 323        | 5 505 341            | 1 904 390 882        |
| Interests on investments                        | -                           | -                                   | -                    | 9 640 821            | 9 640 821            |
| Interest earned from receivables                | -                           | -                                   | -                    | 70 456 273           | 70 456 273           |
| <b>Total</b>                                    | <b>28 573 823</b>           | <b>73 093 997</b>                   | <b>1 827 220 570</b> | <b>2 486 852 742</b> | <b>4 415 741 132</b> |
| <b>Segment expenses</b>                         |                             |                                     |                      |                      |                      |
| Total segment expenses                          | 245 738 960                 | 594 037 150                         | 1 706 859 007        | 1 140 351 764        | 3 686 986 881        |
| Depreciation and amortisation                   | 154 974 548                 | 560 293 204                         | 130                  | 46 908 523           | 762 176 405          |
| Loss on disposal of assets                      | -                           | 61 194 822                          | -                    | 7 092 741            | 68 287 563           |
| Impairment losses                               | -                           | -                                   | 18 527 940           | -                    | 18 527 940           |
| Fair value adjustments                          | -                           | 92 838 613                          | (23 967 557)         | (52 200 000)         | 16 671 056           |
| Interest expense                                | -                           | -                                   | 59 736 932           | -                    | 59 736 932           |
| Inventory write-down                            | -                           | -                                   | -                    | 29 116 709           | 29 116 709           |
| Water losses                                    | -                           | -                                   | 86 994 953           | -                    | 86 994 953           |
| <b>Total</b>                                    | <b>400 713 508</b>          | <b>1 308 363 789</b>                | <b>1 848 151 405</b> | <b>1 171 269 737</b> | <b>4 728 498 439</b> |
| <b>Surplus for the year</b>                     | <b>(372 139 685)</b>        | <b>(1 235 269 792)</b>              | <b>(20 930 835)</b>  | <b>1 315 583 005</b> | <b>(312 757 307)</b> |
| <b>Other information</b>                        |                             |                                     |                      |                      |                      |
| Segment assets                                  | 2 983 014 225               | 3 020 576 927                       | 4 612 050 593        | 4 621 773 534        | 15 237 415 279       |
| Segment liabilities                             | (6 476 700)                 | (35 926 738)                        | (237 415 757)        | (1 879 101 227)      | (2 158 920 422)      |
| Total capital expenditure                       | 366 360 289                 | 2 510 342                           | 200 653 080          | -                    | 569 523 711          |

### 63. GRAP 3 adjustments

The following restatements and adjustments occurred which are set out below:

# Polokwane Municipality

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2023

## Notes to the Unaudited Consolidated Annual Financial Statements

### 63. GRAP 3 adjustments (continued)

#### 63.1 Adjustments of Statement of financial position items

##### Group - 2023

|                                              | Note | Previously reported   | Correction of error  | Re-classification  | Restated              |
|----------------------------------------------|------|-----------------------|----------------------|--------------------|-----------------------|
| <b>Assets</b>                                |      |                       |                      |                    |                       |
| <b>Current assets</b>                        |      |                       |                      |                    |                       |
| Cash and cash equivalents                    | 3    | 235 040 446           | -                    | -                  | 235 040 446           |
| Receivables from exchange transactions       | 4    | 779 871 516           | 16 952 153           | -                  | 796 823 669           |
| Receivables from non-exchange transactions   | 6    | 325 710 057           | (30 412 357)         | -                  | 295 297 700           |
| Inventories                                  | 7    | 124 039 073           | (1 386 240)          | -                  | 122 652 833           |
| Other receivables from exchange transactions | 5    | 63 180 151            | (31 392 436)         | -                  | 31 787 715            |
| VAT receivable/(payable)                     |      | -                     | -                    | 14 896 268         | 14 896 268            |
| VAT input accrual                            |      | -                     | -                    | 108 169 344        | 108 169 344           |
|                                              |      | <b>1 527 841 243</b>  | <b>(46 238 880)</b>  | <b>123 065 612</b> | <b>1 604 667 975</b>  |
| <b>Non-current assets</b>                    |      |                       |                      |                    |                       |
| Long-term receivables                        | 15   | 144 352               | (144 352)            | -                  | -                     |
| Investment property                          | 9    | 973 542 543           | (12 255 250)         | -                  | 961 287 293           |
| Property, plant and equipment                | 10   | 13 102 331 148        | (133 774 036)        | -                  | 12 968 557 112        |
| Biological assets                            | 11   | 14 872 363            | -                    | -                  | 14 872 363            |
| Heritage assets                              | 12   | 21 867 568            | -                    | -                  | 21 867 568            |
| Intangible assets                            | 13   | 190 174 296           | (151 562 233)        | -                  | 38 612 063            |
| Living resources                             | 16   | 5 939 645             | (27 000)             | -                  | 5 912 645             |
|                                              |      | <b>14 308 871 915</b> | <b>(297 762 871)</b> | <b>-</b>           | <b>14 011 109 044</b> |
| <b>Total assets</b>                          |      | <b>15 836 713 158</b> | <b>(344 001 751)</b> | <b>123 065 612</b> | <b>15 615 777 019</b> |
| <b>Net assets and liabilities</b>            |      |                       |                      |                    |                       |
| <b>Current liabilities</b>                   |      |                       |                      |                    |                       |
| Borrowings                                   | 20   | 22 587 835            | -                    | -                  | 22 587 835            |
| Lease liabilities                            | 21   | 8 256 113             | (41 073)             | -                  | 8 215 040             |
| Consumer deposits                            | 17   | 67 555 872            | (209 797)            | -                  | 67 346 075            |
| Payables from exchange transactions          | 18   | 836 553 668           | (3 327 843)          | -                  | 833 225 825           |
| Payables from non-exchange transactions      | 19   | 155 816 530           | -                    | -                  | 155 816 530           |
| Employee benefits                            | 23   | 12 932 006            | 1                    | -                  | 12 932 007            |
| Provisions                                   | 22   | 10 504 499            | -                    | -                  | 10 504 499            |
| VAT receivable/(payable)                     |      | 14 281 871            | 84 919               | (14 366 790)       | -                     |
| VAT output accrual                           |      | -                     | -                    | 137 432 402        | 137 432 402           |
|                                              |      | <b>1 128 488 394</b>  | <b>(3 493 793)</b>   | <b>123 065 612</b> | <b>1 248 060 213</b>  |
| <b>Non-current liabilities</b>               |      |                       |                      |                    |                       |
| Borrowings                                   | 20   | 372 776 892           | -                    | -                  | 372 776 892           |
| Lease liabilities                            | 21   | 14 721 270            | (151 838)            | -                  | 14 569 432            |
| Employee benefits                            | 23   | 405 586 008           | -                    | -                  | 405 586 008           |
| Provisions                                   | 22   | 123 129 315           | -                    | -                  | 123 129 315           |
|                                              |      | <b>916 213 485</b>    | <b>(151 838)</b>     | <b>-</b>           | <b>916 061 647</b>    |
| <b>Total net assets</b>                      |      |                       |                      |                    |                       |
| Reserves                                     | 24   | 7 737 429 934         | (175 831 042)        | -                  | 7 561 598 892         |
| Accumulated surplus                          |      | 6 054 581 345         | (164 525 088)        | -                  | 5 890 056 257         |
|                                              |      | <b>13 792 011 279</b> | <b>(340 356 130)</b> | <b>-</b>           | <b>13 451 655 149</b> |
| <b>Total net assets and liabilities</b>      |      | <b>15 836 713 158</b> | <b>(344 001 761)</b> | <b>123 065 612</b> | <b>15 615 777 009</b> |

# Polokwane Municipality

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2023

## Notes to the Unaudited Consolidated Annual Financial Statements

### 63. GRAP 3 adjustments (continued)

#### 63.2 Adjustments of Statement of financial performance items

##### Group - 2023

|                                           | Note | Previously reported    | Correction of error | Re-classification | Restated                 |
|-------------------------------------------|------|------------------------|---------------------|-------------------|--------------------------|
| <b>Revenue</b>                            |      |                        |                     |                   |                          |
| <b>Non-exchange revenue</b>               |      |                        |                     |                   |                          |
| Property rates                            | 25   | 544 917 825            | (16 869 237)        | -                 | 528 048 588              |
| Transfers and subsidies                   | 26   | 1 871 344 458          | -                   | -                 | 1 871 344 458            |
| Fines, penalties and forfeits             | 27   | 32 030 491             | -                   | -                 | 32 030 491               |
| Interest on receivables                   | 28   | 28 235 969             | (4 827)             | -                 | 28 231 142               |
|                                           |      | <b>2 476 528 743</b>   | <b>(16 874 064)</b> |                   | <b>- 2 459 654 679</b>   |
| <b>Exchange revenue</b>                   |      |                        |                     |                   |                          |
| Services charges - Electricity            | 29   | 1 214 406 449          | 3 442 410           | -                 | 1 217 848 859            |
| Services charges - Water                  | 29   | 294 127 397            | (5 730 358)         | -                 | 288 397 039              |
| Services charges - Waste water management | 29   | 166 196 547            | (3 049 718)         | -                 | 163 146 829              |
| Services charges - Waste management       | 29   | 147 037 830            | (1 232 234)         | -                 | 145 805 596              |
| Rental                                    | 30   | 37 979 798             | -                   | 1 973 272         | 39 953 070               |
| Interest on investments                   | 31   | 9 640 821              | -                   | -                 | 9 640 821                |
| Interest on receivables                   | 28   | 54 011 015             | (11 790 711)        | -                 | 42 220 304               |
| Licences or permits                       | 32   | 13 494 592             | -                   | -                 | 13 494 592               |
| Agency services                           | 33   | 24 614 228             | (775 732)           | (1 973 272)       | 21 865 224               |
| Operational revenue                       | 34   | 3 116 628              | 847 123             | -                 | 3 963 751                |
| Sales of goods and rendering of services  | 35   | 21 692 246             | (441 192)           | -                 | 21 251 054               |
|                                           |      | <b>1 986 317 551</b>   | <b>(18 730 412)</b> |                   | <b>- 1 967 587 139</b>   |
| <b>Total revenue</b>                      |      | <b>4 462 846 294</b>   | <b>(35 604 476)</b> |                   | <b>- 4 427 241 818</b>   |
| <b>Expenditure</b>                        |      |                        |                     |                   |                          |
| Employee related cost                     | 36   | (1 037 529 538)        | -                   | -                 | (1 037 529 538)          |
| Remuneration of councillors               | 37   | (39 349 489)           | -                   | -                 | (39 349 489)             |
| Bad debt written off                      |      | (206 268 071)          | -                   | -                 | (206 268 071)            |
| Depreciation and amortisation             | 39   | (767 023 206)          | 2 264 402           | -                 | (764 758 804)            |
| Finance costs                             | 40   | (59 778 378)           | 41 446              | -                 | (59 736 932)             |
| Bulk purchases                            | 41   | (878 180 156)          | 86 994 953          | (86 994 953)      | (878 180 156)            |
| Inventory consumed                        | 42   | (341 046 818)          | -                   | 86 994 953        | (254 051 865)            |
| Contracted services                       | 43   | (949 685 566)          | (55 120 392)        | -                 | (1 004 805 958)          |
| Transfers and subsidies                   | 44   | (440 000)              | -                   | -                 | (440 000)                |
| Operating expenses                        | 45   | (245 717 017)          | (544 794)           | -                 | (246 261 811)            |
| <b>Total expenditure</b>                  |      | <b>(4 525 018 239)</b> | <b>33 635 615</b>   |                   | <b>- (4 491 382 624)</b> |
| <b>Gains and losses</b>                   |      |                        |                     |                   |                          |
| Impairment losses                         |      | (18 550 502)           | 6 894               | -                 | (18 543 608)             |
| Gain/(loss) on disposal of assets         | 46   | (69 947 563)           | 1 660 000           | -                 | (68 287 563)             |
| Fair value adjustments                    |      | (15 875 045)           | (796 010)           | -                 | (16 671 055)             |
| Inventory losses/write-downs              |      | (29 116 710)           | (86 994 953)        | -                 | (116 111 663)            |
|                                           |      | <b>(133 489 820)</b>   | <b>(86 124 069)</b> |                   | <b>- (219 613 889)</b>   |
| <b>(Deficit) surplus for the year</b>     |      | <b>(195 661 765)</b>   | <b>16 883 978</b>   |                   | <b>- (283 754 693)</b>   |

#### Statement of Financial Position

##### Receivables from exchange transactions

# Polokwane Municipality

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2023

## Notes to the Unaudited Consolidated Annual Financial Statements

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### 63. GRAP 3 adjustments (continued)

|                                                                                                                                  |                    |
|----------------------------------------------------------------------------------------------------------------------------------|--------------------|
| Balance as previously reported                                                                                                   | 779 871 516        |
| Raising of debtor for land sold in prior years                                                                                   | 1 909 000          |
| Reclassification of operating lease straight lining from other receivables from exchange transactions to Property rental debtors | 27 315 428         |
| Correction of customer accounts                                                                                                  | (18 017 925)       |
| Correction of municipal accounts                                                                                                 | (387 012)          |
| Correction of journal omitted during AFS preparation in the prior year                                                           | (212 650)          |
| Reclassification of impairment of other debtors from consumer debtors to other receivables                                       | 6 345 312          |
|                                                                                                                                  | <b>796 823 669</b> |

### Other receivables from exchange transactions

|                                                                                            |                   |
|--------------------------------------------------------------------------------------------|-------------------|
| Balance as previously reported                                                             | 63 180 151        |
| Correction of accounting treatment of councillor debt                                      | 674 788           |
| Reclassification of impairment of other debtors from consumer debtors to other receivables | (6 345 312)       |
| Reclassification of impairment from abeyance to R/D cheques                                | 1 449 164         |
| Reclassification of impairment from abeyance to housing selling scheme                     | 144 352           |
| Reclassification of operating lease straight lining to property rental debtors             | (27 315 428)      |
|                                                                                            | <b>31 787 715</b> |

### Receivables from non exchange transactions

|                                                             |                    |
|-------------------------------------------------------------|--------------------|
| Balance as previously reported                              | 325 710 057        |
| Correction of customer accounts                             | (16 737 736)       |
| Reclassification of impairment from abeyance to R/D cheques | (1 449 164)        |
| Correction of intercompany eliminating journal entry        | (7 602 072)        |
| Correction of municipal accounts                            | (136 329)          |
| PHA: Correction of 2022 opening balance - grant receivable  | (4 487 056)        |
|                                                             | <b>295 297 700</b> |

### Inventory

|                                                                  |                    |
|------------------------------------------------------------------|--------------------|
| Balance as previously reported                                   | 124 039 073        |
| Correction of land inventory transferred in the previous periods | (1 386 240)        |
|                                                                  | <b>122 652 833</b> |

### Property, plant and equipment

|                                                                                                |                       |
|------------------------------------------------------------------------------------------------|-----------------------|
| Balance as previously reported                                                                 | 13 102 331 148        |
| Projects completed in prior year corrections                                                   | 35 242 096            |
| Derecognition of gated community roads infrastructure                                          | (122 653 774)         |
| Capitalisation and expensing of operational costs incorrectly paid through capital expenditure | (126 871 948)         |
| Assessment of useful life correction of error                                                  | 6 853 478             |
| Disposal of finance lease vehicle correction                                                   | (179 766)             |
| Municipal entity correction                                                                    | 73 835 878            |
|                                                                                                | <b>12 968 557 112</b> |

### Investment property

|                                                                                             |                    |
|---------------------------------------------------------------------------------------------|--------------------|
| Balance as previously reported                                                              | 973 542 543        |
| Correction of land inventory incorrectly included as part of the investment property (2021) | (11 180 400)       |
| Correction of 2022 fair value adjustment relating to land inventory                         | (796 010)          |
| Derecognition of investment property                                                        | (278 840)          |
|                                                                                             | <b>961 287 293</b> |



# Polokwane Municipality

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2023

## Notes to the Unaudited Consolidated Annual Financial Statements

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### 63. GRAP 3 adjustments (continued)

#### Intangible assets

|                                                |                   |
|------------------------------------------------|-------------------|
| Balance as previously reported                 | 190 174 296       |
| Assessment of useful life correction of error  | 989 787           |
| Capitalisation of software incorrectly omitted | 90 980            |
| Incorrect capitalisation of operating licences | (152 643 000)     |
|                                                | <b>38 612 063</b> |

#### Living resources

|                                                                            |                  |
|----------------------------------------------------------------------------|------------------|
| Balance as previously reported                                             | 5 939 645        |
| Correction of value of young species (mothers are valued with their young) | (27 000)         |
|                                                                            | -                |
|                                                                            | <b>5 912 645</b> |

#### Consumer deposits

|                                                                          |                   |
|--------------------------------------------------------------------------|-------------------|
| Balance as previously reported                                           | 67 555 872        |
| Correction of journal omitted during audit preparation in the prior year | (209 797)         |
|                                                                          | <b>67 346 075</b> |

#### Payables from exchange transactions

|                                                                            |                    |
|----------------------------------------------------------------------------|--------------------|
| Balance as previously reported                                             | 836 553 668        |
| Correction of accounting treatment relating to councillor debt             | 337 387            |
| Recognition of agency fee received in advance                              | 892 092            |
| Correction of payment received from learners but services not yet rendered | 441 730            |
| PHA: correction of 2022 opening balance                                    | (5 034 116)        |
| PHA: Recognition of accrual not recognised in the prior year               | 35 064             |
|                                                                            | <b>833 225 825</b> |

#### Lease liability - Current

|                                                          |                  |
|----------------------------------------------------------|------------------|
| Balance as previously reported                           | 8 256 113        |
| Derecognition of leased asset disposed off in prior year | (41 073)         |
|                                                          | <b>8 215 040</b> |

#### VAT payable

|                                                                  |               |
|------------------------------------------------------------------|---------------|
| Balance as previously reported                                   | 14 281 871    |
| Raising of debtor for land sold in prior years                   | 249 000       |
| Reversal of VAT recognised on agency fee received in advance     | (116 364)     |
| Impact of VAT on correction of customer and municipal accounts   | (47 717)      |
| Reclassification of Net VAT refundable by SARS to VAT receivable | 14 896 268    |
| Separate disclosure of input VAT accrual                         | 108 169 344   |
| Separate disclosure of output VAT accrual                        | (137 432 402) |
|                                                                  | -             |

#### VAT receivable

# Polokwane Municipality

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2023

## Notes to the Unaudited Consolidated Annual Financial Statements

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### 63. GRAP 3 adjustments (continued)

|                                                         |                   |
|---------------------------------------------------------|-------------------|
| Balance as previously reported                          | -                 |
| Reclassification from VAT payable (seperate disclosure) | 14 896 268        |
|                                                         | <u>14 896 268</u> |

#### VAT input accrual

|                                                         |                    |
|---------------------------------------------------------|--------------------|
| Balance as previously reported                          | -                  |
| Reclassification from VAT payable (seperate disclosure) | 108 169 344        |
|                                                         | <u>108 169 344</u> |

#### VAT output accrual

|                                                         |                    |
|---------------------------------------------------------|--------------------|
| Balance as previously reported                          | -                  |
| Reclassification from VAT payable (seperate disclosure) | 137 432 402        |
|                                                         | <u>137 432 402</u> |

#### Non current lease liabilities

|                                                          |                   |
|----------------------------------------------------------|-------------------|
| Balance as previously reported                           | 14 721 270        |
| Derecognition of leased asset disposed off in prior year | (151 838)         |
|                                                          | <u>14 569 432</u> |

#### Long term receivables

|                                                                        |           |
|------------------------------------------------------------------------|-----------|
| Balance as previously reported                                         | 144 352   |
| Reclassification of impairment from abeyance to housing selling scheme | (144 352) |
|                                                                        | <u>-</u>  |

#### Revaluation reserve

|                                                                           |                      |
|---------------------------------------------------------------------------|----------------------|
| Balance as previously reported                                            | 7 737 429 934        |
| Correction due to derecognition of roads infrastructure (Gated community) | (120 606 238)        |
| Realignment of revaluation reserve                                        | (55 224 804)         |
|                                                                           | <u>7 561 598 892</u> |

#### Accumulated surplus

# Polokwane Municipality

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2023

## Notes to the Unaudited Consolidated Annual Financial Statements

### 63. GRAP 3 adjustments (continued)

|                                                                                                |                             |
|------------------------------------------------------------------------------------------------|-----------------------------|
| Balance as previously reported                                                                 | 6 054 581 345               |
| Adjustments affecting periods prior to 2021-22 financial year                                  | -                           |
| - Depreciation relating to disposed vehicle                                                    | 85 834                      |
| - Depreciation relating to useful life reassessment                                            | 17 303 194                  |
| - Depreciation relating to projects not capitalised in the past                                | (6 754 838)                 |
| - Correction of amortisation                                                                   | 488 108                     |
| - Fair value correction relating to living and non living resources                            | (27 000)                    |
| - Fair value correction on duplicated land inventory                                           | (11 180 400)                |
| - Fair value impact on derecognition of investment property                                    | (278 840)                   |
| - Finance cost reversal relating to disposed vehicle                                           | 77 403                      |
| - Transport service cost reversal relating to disposed vehicle                                 | (119 179)                   |
| - Gain/loss on disposal correction relating to leased vehicle                                  | (294 991)                   |
| - Gain/loss on disposal correction relating to gated community infrastructure assets           | (14 145 139)                |
| - Gain/loss on disposal correction relating to realignment of movable assets                   | 35 195                      |
| - Gain/loss on disposal correction relating to land inventory transferred out                  | (1 386 240)                 |
| - Gain/loss on disposal correction relating to redemption of disposed vehicle                  | 268 513                     |
| - Incorrect capitalisation of intangible assets (operating licences)                           | (152 643 000)               |
| - Reversal of incorrect capitalisation of Work in Progress                                     | (428 800)                   |
| - Contracted services correction relating to RAL roads that were removed from Work in Progress | (26 890 316)                |
| - Transfer from revaluation                                                                    | 55 224 804                  |
| - PHA: Corrections                                                                             | 71 835 605                  |
| Adjustments of profit and loss items for the 2021-22 financial year:                           | -                           |
| - Service charges: Electricity                                                                 | 3 442 412                   |
| - Service charges: Water                                                                       | (5 730 359)                 |
| - Service charges: Waste management                                                            | (1 232 235)                 |
| - Service charges: Waste water management                                                      | (3 049 718)                 |
| - Interest from receivables                                                                    | (11 790 711)                |
| - Interest from non exchange receivables                                                       | (4 827)                     |
| - Agency fees                                                                                  | (775 732)                   |
| - Property rates                                                                               | (16 869 237)                |
| - Operational revenue                                                                          | 847 123                     |
| - Sale of goods and services                                                                   | (441 191)                   |
| - Contracted services                                                                          | (55 120 392)                |
| - Depreciation and amortisation                                                                | (282 928)                   |
| - Finance costs                                                                                | 41 446                      |
| - Operational costs                                                                            | (509 729)                   |
| - Gain/(loss) on disposal of assets                                                            | 1 660 000                   |
| - Fair value adjustments                                                                       | (796 010)                   |
| - Impairment loss                                                                              | 6 895                       |
| - PHA: Depreciation and amortisation                                                           | 2 547 331                   |
| - PHA: Operational costs                                                                       | (35 065)                    |
| Correction of intercompany eliminating entry                                                   | (7 602 074)                 |
|                                                                                                | <b><u>5 890 056 257</u></b> |

### Statement of Financial Performance

#### Property rates

|                                 |                           |
|---------------------------------|---------------------------|
| Balance as previously reported  | 544 917 825               |
| Correction of customer accounts | (16 869 237)              |
|                                 | <b><u>528 048 588</u></b> |

#### Interest on receivables - non exchange

# Polokwane Municipality

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2023

## Notes to the Unaudited Consolidated Annual Financial Statements

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### 63. GRAP 3 adjustments (continued)

|                                  |                   |
|----------------------------------|-------------------|
| Balance as previously reported   | 28 235 969        |
| Correction of municipal accounts | (4 827)           |
|                                  | <b>28 231 142</b> |

#### Service charges - electricity

|                                 |                      |
|---------------------------------|----------------------|
| Balance as previously reported  | 1 214 406 449        |
| Correction of customer accounts | 3 442 410            |
|                                 | <b>1 217 848 859</b> |

#### Service charges - water

|                                 |                    |
|---------------------------------|--------------------|
| Balance as previously reported  | 294 127 397        |
| Correction of customer accounts | (5 730 358)        |
|                                 | <b>288 397 039</b> |

#### Service charges - Waste water management

|                                 |                    |
|---------------------------------|--------------------|
| Balance as previously reported  | 166 196 547        |
| Correction of customer accounts | (3 049 718)        |
|                                 | <b>163 146 829</b> |

#### Service charges - Waste management

|                                 |                    |
|---------------------------------|--------------------|
| Balance as previously reported  | 147 037 830        |
| Correction of customer accounts | (1 232 234)        |
|                                 | <b>145 805 596</b> |

#### Operational revenue

|                                                          |                  |
|----------------------------------------------------------|------------------|
| Balance as previously reported                           | 3 116 628        |
| Reallocation of commission earned from expense to income | 847 123          |
|                                                          | <b>3 963 751</b> |

#### Sale of goods and rendering of services

|                                                                            |                   |
|----------------------------------------------------------------------------|-------------------|
| Balance as previously reported                                             | 21 692 246        |
| Correction of journal omitted during audit preparation in the prior year   | 538               |
| Correction of payment received from learners but services not yet rendered | (441 730)         |
|                                                                            | <b>21 251 054</b> |

#### Interest on receivables

|                                 |                   |
|---------------------------------|-------------------|
| Balance as previously reported  | 54 011 015        |
| Correction of customer accounts | (11 790 711)      |
|                                 | <b>42 220 304</b> |

A decision was taken to obtain an actuarial valuation on the provision of leave. The approach was to adjust retrospectively which impacted the employee related costs.

#### Agency fees

# Polokwane Municipality

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2023

## Notes to the Unaudited Consolidated Annual Financial Statements

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### 63. GRAP 3 adjustments (continued)

|                                                           |                   |
|-----------------------------------------------------------|-------------------|
| Balance as previously reported                            | 24 614 228        |
| Reversal of agency fee recognised in the incorrect period | (775 732)         |
| PHA: Reclassification to rental revenue                   | (1 973 272)       |
|                                                           | <b>21 865 224</b> |

#### Rental

|                                        |                   |
|----------------------------------------|-------------------|
| Balance as previously reported         | 37 979 798        |
| PHA: Reclassification from Agency fees | 1 973 272         |
|                                        | <b>39 953 070</b> |

#### Depreciation and amortisation

|                                                                             |                    |
|-----------------------------------------------------------------------------|--------------------|
| Balance as previously reported                                              | 767 023 206        |
| Correction of 2022 depreciation due to review of useful life                | 3 857 396          |
| Correction of 2022 amortisation due to review of useful life                | (48 815)           |
| Correction of depreciation from gated community infrastructure derecognised | (3 525 653)        |
| Municipal entity corrections                                                | (2 547 331)        |
|                                                                             | <b>764 758 803</b> |

#### Inventory consumed

|                                                          |                    |
|----------------------------------------------------------|--------------------|
| Balance as previously reported                           | 341 046 818        |
| Reclassification of water losses to inventory write-down | (86 994 953)       |
|                                                          | <b>254 051 865</b> |

#### Finance cost

|                                                                 |                   |
|-----------------------------------------------------------------|-------------------|
| Balance as previously reported                                  | 59 778 378        |
| Reversal of finance cost recognised on disposal of leased asset | (41 446)          |
|                                                                 | <b>59 736 932</b> |

#### Inventory write-down

|                                                          |                    |
|----------------------------------------------------------|--------------------|
| Balance as previously reported                           | 29 116 710         |
| Reclassification of water losses from inventory consumed | 86 994 953         |
|                                                          | <b>116 111 663</b> |

#### Contracted services

|                                                                             |                      |
|-----------------------------------------------------------------------------|----------------------|
| Balance as previously reported                                              | 949 685 566          |
| Impact of transport fees relating to leased asset disposed off              | 75 271               |
| Correction of third party projects that were paid for using capital program | 55 045 121           |
|                                                                             | <b>1 004 805 958</b> |

#### Operational costs

|                                                                |                    |
|----------------------------------------------------------------|--------------------|
| Balance as previously reported                                 | 245 717 017        |
| Correction of accounting treatment relating to councillor debt | (337 393)          |
| Reallocation of commission earned from expense to income       | 847 123            |
| Municipal entity corrections                                   | 35 065             |
|                                                                | <b>246 261 812</b> |

# Polokwane Municipality

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2023

## Notes to the Unaudited Consolidated Annual Financial Statements

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### 63. GRAP 3 adjustments (continued)

#### Loss on disposal of assets

|                                                                                                          |                     |
|----------------------------------------------------------------------------------------------------------|---------------------|
| Balance as previously reported                                                                           | (69 947 563)        |
| Correction of gain on disposal of properties previously recognised as revenue (Audit finding correction) | 1 660 000           |
|                                                                                                          | <u>(68 287 563)</u> |

#### Fair value adjustments

|                                                                     |                     |
|---------------------------------------------------------------------|---------------------|
| Balance as previously reported                                      | (15 875 045)        |
| Correction of 2022 fair value adjustment relating to land inventory | (796 010)           |
|                                                                     | <u>(16 671 055)</u> |

#### Impairment loss

|                                |                     |
|--------------------------------|---------------------|
| Balance as previously reported | (18 550 502)        |
| Impairment reversal            | 6 894               |
|                                | <u>(18 543 608)</u> |

### 63.3 Adjustments to disclosure notes

#### Note 56.2 - Related party transactions

|                                                                     |                   |
|---------------------------------------------------------------------|-------------------|
| Balance as previously reported                                      | 45 796 405        |
| Inclusion of accounting fees paid on behalf of PHA - MMB Consulting | 1 225 381         |
|                                                                     | <u>47 021 786</u> |