City of Ekurhuleni Metropolitan Municipality
Annual Financial Statements
for the year ended 30 June 2026

General Information

Legal form of entity	City
Legislation governing the entity's operations	Municipal Finance Management Act (Act No. 56 of 2003)
Mayoral committee	
Executive Mayor	Cllr: N Xhakaza
Speaker	Cllr: J Senona
Chief Whip	Cllr: P Nkunjana
Members of Mayoral Committee	MMC: Finance and Strategy: Cllr J Dlabathi MMC: Community Safety: Cllr M Ngwenya MMC : Metro Operations and Maintenance: Cllr B Nkosi MMC : Metro Utilities (Trading) Services: J Sthato MMC : Community Services: Cllr S Moloi MMC : Development Planning and Real Estate : Cllr D Peterson MMC : Roads and Transport: Cllr L Mnguni MMC : Corporate Shared Services: Cllr S Ntombela MMC : Economic Infrastructure and Development: Cllr D Mlambo MMC : Human Settlement: Cllr N Mekgwe
Grading of local authority	The City is a category A grade 6 local authority in respect of item 4 of the Government Notice R1227 of 18 December 2007 published in terms of the Remuneration of Public Office Bearers act, 1998
Accounting Officer	Mr. K Lerutla 011 999 1310 kagiso.lerutla@ekurhuleni.gov.za
Acting Group Chief Finance Officer (AGCFO)	Mr. G Moruri 011 999 2837 general.moruri@ekurhuleni.gov.za
Registered office	Corner of Rose and Cross Streets Germiston 1400
Business address	Corner of Rose and Cross Streets Germiston 1400
Postal address	Private Bag X69 Germiston 1400
Bankers	Standard Bank
Auditors	Auditor-General of South Africa

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

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Abbreviations used:

COID	Compensation for Occupational Injuries and Diseases
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IPSAS	International Public Sector Accounting Standards
MFMA	Municipal Finance Management Act
mSCOA	Municipal Standard Chart of Accounts

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the City as at the end of the financial year and the results of its operations and cash flows for the period then ended.

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

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

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

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

The accounting officer has reviewed the City’s cash flow forecast for the year to 30 June 2027 and, in the light of this review and the current financial position, he is satisfied that the City has or has access to adequate resources to continue in operational existence for the foreseeable future.

he accounting officer is responsible for the financial affairs of the City, and he is assisted by the City's Senior management team
.
The annual financial statements set out on pages 4 to 105, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2026 and were signed on its behalf by:

Accounting Officer
Mr. K Lerutla

Acting Group Chief Financial Officer
Mr. G Moruri

Statement of Financial Position as at 30 June 2026

Figures in Rand	Note(s)	2026	2025 Restated*
Assets			
Current Assets			
Inventories	10	1 671 740 288	1 697 656 222
Other investments	8	157 806 699	147 373 328
Receivables from exchange transactions	11	11 444 326 999	10 867 338 613
Receivables from non-exchange transactions (Statutory)	12	2 519 490 742	2 305 547 109
Cash and cash equivalents	13	1 565 871 226	1 272 314 448
		17 359 235 954	**16 290 229 720**
Non-Current Assets			
Investment property	3	614 417 371	605 135 125
Property, plant and equipment	4	61 292 724 703	60 882 152 626
Intangible assets	5	974 676 582	1 030 962 865
Heritage assets	6	82 007 433	82 007 433
Investments in controlled entities	7	100	100
Long-term receivables and other receivables	9	44 188 325	1 942 966
Other investments	8	351 633 532	225 173 226
		63 359 648 046	**62 827 374 341**
Total Assets		**80 718 884 000**	**79 117 604 061**
Liabilities			
Current Liabilities			
Short - term borrowings	15	909 650 919	885 112 588
Trade and other payables from exchange transactions	16	21 509 623 559	17 489 351 851
Deposits	17	1 423 658 017	1 335 960 527
Retirement benefit obligation	18	130 635 379	132 961 398
Unspent conditional grants and receipts	19	119 743 122	2 105 924
Provisions	20	1 207 503 833	1 119 918 369
		25 300 814 829	**20 965 410 657**
Non-Current Liabilities			
Trade payables from exchange transactions: Non current liabilities	14	325 223 901	-
Long - term borrowings	15	5 647 993 838	6 470 401 042
Retirement benefit obligation	18	2 499 393 475	2 284 300 555
Provisions	20	1 235 776 802	1 118 765 033
		9 708 388 016	**9 873 466 630**
Total Liabilities		**35 009 202 845**	**30 838 877 287**
Net Assets		**45 709 681 155**	**48 278 726 774**
Accumulated surplus		45 709 681 155	48 278 726 774
Total Net Assets		**45 709 681 155**	**48 278 726 774**

* See Note 48 & 47

Statement of Financial Performance

Figures in Rand	Note(s)	2026	2025 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	23	37 933 282 103	32 814 571 459
Construction contracts - HSDG	26	-	6 109 610
Rental of facilities and equipment	24	125 145 178	102 823 565
Interest earned on outstanding debtors	21&22	1 541 129 839	1 061 864 158
Income from agency services	60	341 602 839	339 766 336
Licences and permits	21	43 209 086	39 860 333
Other income	27	231 981 639	338 356 807
Interest revenue	25	124 676 956	112 620 641
Total revenue from exchange transactions		**40 341 027 640**	**34 815 972 909**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	28	10 558 396 905	8 839 917 596
Property rates - penalties and collection charges	28	380 621 890	268 776 503
Transfer revenue			
Government grants & subsidies	29	11 054 804 207	10 670 767 196
Public contributions		49 987 705	189 968 651
Fines	30	430 644 177	349 628 398
Total revenue from non-exchange transactions		**22 474 454 884**	**20 319 058 344**
Total revenue	21	**62 815 482 524**	**55 135 031 253**
Expenditure			
Employee related costs	31	(11 292 644 008)	(10 785 739 560)
Remuneration of councillors	32	(169 693 785)	(161 437 346)
Depreciation and amortisation	33	(2 575 337 166)	(2 654 161 101)
Impairment and derecognition loss	34	(75 830 505)	(18 576 460)
Finance costs	35	(1 134 246 182)	(1 062 102 104)
Debt Impairment	37	(7 597 413 796)	(5 093 056 007)
Collection costs	38	(42 920 151)	(113 058 841)
Bulk purchases	39	(29 625 737 035)	(26 106 665 557)
Contracted Services	40	(4 452 633 560)	(4 363 814 860)
Grants and subsidies paid	41	(1 176 160 897)	(1 126 121 377)
General Expenses	42	(4 937 272 891)	(4 473 057 327)
Total expenditure		**(63 079 889 976)**	**(55 957 790 540)**
Deficit for the year		**(264 407 452)**	**(822 759 287)**

* See Note 48 & 47

Statement of Changes in Net Assets

Figures in Rand	Note(s)	Accumulated surplus / deficit	Total net assets
Opening balance as previously reported		49 434 628 264	49 434 628 264
Adjustments			
Prior year adjustments	47	(333 142 203)	(333 142 203)
Balance at 01 July 2024 as restated*		**49 101 486 061**	**49 101 486 061**
Changes in net assets			
Deficit for the year		(822 759 287)	(822 759 287)
Total changes		(822 759 287)	(822 759 287)
Balance at 30 June 2025 as restated*		**48 278 726 774**	**48 278 726 774**
Adjustments			
Change in accounting policy and accounting estimates	48	(2 304 628 167)	(2 304 628 167)
Balance at 01 July 2025 as adjusted*		**45 974 088 607**	**45 974 088 607**
Changes in net assets			
Deficit for the year		(264 407 452)	(264 407 452)
Total changes		(264 407 452)	(264 407 452)
Balance at 30 June 2026		**45 709 681 155**	**45 709 681 155**

* See Note 48 & 47

Cash Flow Statement

Figures in Rand	Note(s)	2026	2025 Restated*
Cash flows from operating activities			
Receipts			
Property rates and fines		8 803 205 649	8 345 282 848
Income from services rendered		31 552 138 996	29 432 864 412
Interest income		124 676 956	112 620 641
Grants - operational		8 713 619 362	8 430 021 432
Grants - capital		2 458 822 083	2 233 308 841
Other receipts		641 095 392	247 099 887
		52 293 558 438	48 801 198 061
Payments			
Employee costs		(11 412 099 335)	(10 605 513 700)
Suppliers		(34 664 831 673)	(31 588 821 858)
Finance costs		(764 720 227)	(882 665 991)
Other payments		(1 221 481 367)	(1 323 040 017)
		(48 063 132 602)	(44 400 041 566)
Net cash flows from operating activities	43	**4 230 425 836**	**4 401 156 495**
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(2 922 495 991)	(2 629 390 504)
Purchase of investment property	3	(14 186 980)	(13 538 904)
Purchase of other intangible assets	5	(23 178 176)	(29 526 352)
(Increase) in investments		(136 893 677)	(123 481 148)
(Increase)/decrease in long-term and other receivables		(42 245 359)	1 980 204
Net cash flows from investing activities		**(3 139 000 184)**	**(2 793 956 705)**
Cash flows from financing activities			
Repayment of long - term borrowings		(797 868 873)	(950 710 524)
Net cash flows from financing activities		**(797 868 874)**	**(950 710 524)**
Net increase in cash and cash equivalents		**293 556 778**	**656 489 266**
Cash and cash equivalents at the beginning of the year		1 272 314 448	615 825 182
Cash and cash equivalents at the end of the year	13	**1 565 871 226**	**1 272 314 448**

* See Note 48 & 47

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Actual outcome as % of final budget	Reference
Statement of Financial Performance							
Revenue							
Revenue from exchange transactions							
Service charges	40 794 330 936	914 072 667	**41 708 403 603**	37 933 282 103	**(3 775 121 500)**	**91 %**	58
Rental of facilities and equipment	115 034 042	-	**115 034 042**	125 145 178	**10 111 136**	**109 %**	58
Interest earned on outstanding debtors	1 098 142 237	244 558 110	**1 342 700 347**	1 541 129 839	**198 429 492**	**115 %**	58
Income from agency services	348 280 865	-	**348 280 865**	341 602 839	**(6 678 026)**	**98 %**	
Licences and permits	35 836 359	452 509	**36 288 868**	43 209 086	**6 920 218**	**119 %**	58
Other income	186 997 743	3 656 681	**190 654 424**	231 981 639	**41 327 215**	**122 %**	58
Interest revenue	120 064 609	50 000	**120 114 609**	124 676 956	**4 562 347**	**104 %**	
Total revenue from exchange transactions	**42 698 686 791**	**1 162 789 967**	**43 861 476 758**	**40 341 027 640**	**(3 520 449 118)**	**92 %**	
Revenue from non-exchange transactions							
Taxation revenue							
Property rates	10 833 546 224	-	**10 833 546 224**	10 558 396 905	**(275 149 319)**	**97 %**	
Property rates - penalties and collection charges	266 472 544	88 475 892	**354 948 436**	380 621 890	**25 673 454**	**107 %**	
Transfer revenue							
Government grants & subsidies	11 133 932 780	125 861 010	**11 259 793 790**	11 054 804 207	**(204 989 583)**	**98 %**	
Public contributions and donations	-	-	**-**	49 987 705	**49 987 705**	**- %**	
Fines	1 024 158 103	(401 198 373)	**622 959 730**	430 644 177	**(192 315 553)**	**69 %**	58
Total revenue from non-exchange transactions	**23 258 109 651**	**(186 861 471)**	**23 071 248 180**	**22 474 454 884**	**(596 793 296)**	**97 %**	
Total revenue	**65 956 796 442**	**975 928 496**	**66 932 724 938**	**62 815 482 524**	**(4 117 242 414)**	**94 %**	

City of Ekurhuleni Metropolitan Municipality
Annual Financial Statements for the year ended 30 June 2026

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Actual outcome as % of final budget	Reference
Expenditure							
Employee related costs	(13 045 349 164)	363 283 696	**(12 682 065 468)**	(11 292 644 008)	**1 389 421 460**	**89 %**	58
Remuneration of councillors	(177 669 114)	-	**(177 669 114)**	(169 693 785)	**7 975 329**	**96 %**	
Depreciation, amortisation, impairment and derecognition loss	(3 075 371 138)	100 000 000	**(2 975 371 138)**	(2 651 167 671)	**324 203 467**	**89 %**	58
Finance costs	(1 598 372 559)	30 266 000	**(1 568 106 559)**	(1 134 246 182)	**433 860 377**	**72 %**	58
Debt Impairment - other	(5 904 273 483)	(845 213 870)	**(6 749 487 353)**	(7 597 413 796)	**(847 926 443)**	**113 %**	58
Collection costs	(158 501 570)	(60 575 433)	**(219 077 003)**	(42 920 151)	**176 156 852**	**20 %**	58
Bulk purchases	(29 705 490 783)	180 000 000	**(29 525 490 783)**	(29 625 737 035)	**(100 246 252)**	**100 %**	
Contracted Services	(3 401 812 459)	(396 900 189)	**(3 798 712 648)**	(4 452 633 560)	**(653 920 912)**	**117 %**	58
Grants and subsidies paid	(1 171 354 046)	(18 935 767)	**(1 190 289 813)**	(1 176 160 897)	**14 128 916**	**99 %**	
General Expenses	(4 789 134 979)	(36 699 906)	**(4 825 834 885)**	(4 937 272 891)	**(111 438 006)**	**102 %**	
Total expenditure	**(63 027 329 295)**	**(684 775 469)**	**(63 712 104 764)**	**(63 079 889 976)**	**632 214 788**	**99 %**	
Deficit for the year	**2 929 467 147**	**291 153 027**	**3 220 620 174**	**(264 407 452)**	**(3 485 027 626)**	**(8)%**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**2 929 467 147**	**291 153 027**	**3 220 620 174**	**(264 407 452)**	**(3 485 027 626)**	**(8)%**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Actual outcome as % of final budget	Reference
Statement of Financial Position							
Assets							
Current Assets							
Inventories	1 819 154 252	(9 880 634)	**1 809 273 618**	1 671 740 288	**(137 533 330)**	**92 %**	58
Other investments	-	-	**-**	157 806 699	**157 806 699**	**- %**	
Receivables from exchange transactions	12 921 557 189	(205 943 814)	**12 715 613 375**	11 444 326 999	**(1 271 286 376)**	**90 %**	58
Receivables from non-exchange transactions (Statutory)	2 720 661 741	10 126 560	**2 730 788 301**	2 519 490 742	**(211 297 559)**	**92 %**	
Cash and cash equivalents	2 382 903 502	208 209 582	**2 591 113 084**	1 565 871 226	**(1 025 241 858)**	**60 %**	58
	19 844 276 684	**2 511 694**	**19 846 788 378**	**17 359 235 954**	**(2 487 552 424)**	**87 %**	
Non-Current Assets							
Investment property	464 608 496	29 457 499	**494 065 995**	614 417 371	**120 351 376**	**124 %**	
Property, plant and equipment	57 215 334 006	(694 380 078)	**56 520 953 928**	61 292 724 703	**4 771 770 775**	**108 %**	
Intangible assets	1 380 917 050	(91 187 907)	**1 289 729 143**	974 676 582	**(315 052 561)**	**76 %**	58
Heritage assets	82 007 433	-	**82 007 433**	82 007 433	**-**	**100 %**	
Investments in controlled entities	100	-	**100**	100	**-**	**100 %**	
Other investments	307 973 958	(87 218 408)	**220 755 550**	351 633 532	**130 877 982**	**159 %**	58
Long - term receivables and other receivables	3 706 623	(1 079 303)	**2 627 320**	44 188 325	**41 561 005**	**1 682 %**	58
	59 454 547 666	**(844 408 197)**	**58 610 139 469**	**63 359 648 046**	**4 749 508 577**	**108 %**	
Total Assets	**79 298 824 350**	**(841 896 503)**	**78 456 927 847**	**80 718 884 000**	**2 261 956 153**	**103 %**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Actual outcome as % of final budget	Reference
Liabilities							
Current Liabilities							
Short - term borrowings	822 409 454	-	**822 409 454**	909 650 919	**87 241 465**	**111 %**	58
Trade and other payables from exchange transactions	12 430 536 693	(931 888 859)	**11 498 647 834**	21 509 623 562	**10 010 975 728**	**187 %**	58
Deposits	1 372 527 223	48 378 193	**1 420 905 416**	1 423 658 017	**2 752 601**	**100 %**	
Retirement benefit obligation	-	-	**-**	130 635 379	**130 635 379**	**- %**	
Unspent conditional grants and receipts	9 542 846	(7 436 922)	**2 105 924**	119 743 122	**117 637 198**	**5 686 %**	58
Provisions	921 129 754	-	**921 129 754**	1 207 503 833	**286 374 079**	**131 %**	58
	15 556 145 970	**(890 947 588)**	**14 665 198 382**	**25 300 814 832**	**10 635 616 450**	**173 %**	
Non-Current Liabilities							
Long - term borrowings	5 648 005 432	(15 879)	**5 647 989 553**	5 973 217 739	**325 228 186**	**106 %**	
Retirement benefit obligation	1 823 022 013	364 318 447	**2 187 340 460**	2 499 393 475	**312 053 015**	**114 %**	58
Provisions	1 251 711 906	-	**1 251 711 906**	1 235 776 802	**(15 935 104)**	**99 %**	
	8 722 739 351	**364 302 568**	**9 087 041 919**	**9 708 388 016**	**621 346 097**	**107 %**	
Total Liabilities	**24 278 885 321**	**(526 645 020)**	**23 752 240 301**	**35 009 202 848**	**11 256 962 547**	**147 %**	
Net Assets	**55 019 939 029**	**(315 251 483)**	**54 704 687 546**	**45 709 681 152**	**(8 995 006 394)**	**84 %**	
Net Assets							
Net Assets Attributable to Owners of Controlling Entity							
Reserves							
Accumulated surplus	55 019 939 029	(315 251 483)	**54 704 687 546**	45 708 199 623	**(8 996 487 923)**	**84 %**	58

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Actual outcome as % of final budget	Reference
Cash Flow Statement							
Cash flows from operating activities							
Receipts							
Property rates and fines	9 752 502 260	-	**9 752 502 260**	9 725 799 967	**(26 702 293)**	**100 %**	
Income from services rendered	37 781 175 921	(742 439 069)	**37 038 736 852**	30 663 680 302	**(6 375 056 550)**	**83 %**	58
Grants - operational	6 381 352 780	12 690 510	**6 394 043 290**	8 713 619 362	**2 319 576 072**	**136 %**	58
Grants - capital	2 958 935 220	113 170 500	**3 072 105 720**	2 458 822 073	**(613 283 647)**	**80 %**	58
Interest income	1 121 737 936	513 841 139	**1 635 579 075**	124 676 956	**(1 510 902 119)**	**8 %**	58
Other receipts	1 452 877 657	(345 700 833)	**1 107 176 824**	619 052 516	**(488 124 308)**	**56 %**	58
	59 448 581 774	**(448 437 753)**	**59 000 144 021**	**52 305 651 176**	**(6 694 492 845)**	**89 %**	
Payments							
Suppliers and employee costs	(51 905 071 967)	215 346 536	**(51 689 725 431)**	(45 985 920 508)	**5 703 804 923**	**89 %**	58
Finance costs	(748 348 794)	23 188 542	**(725 160 252)**	(764 720 227)	**(39 559 975)**	**105 %**	
Other payments	(961 029 801)	(8 000 000)	**(969 029 801)**	(1 324 584 605)	**(355 554 804)**	**137 %**	58
	(53 614 450 562)	**230 535 078**	**(53 383 915 484)**	**(48 075 225 340)**	**5 308 690 144**	**90 %**	
Net cash flows from operating activities	**5 834 131 212**	**(217 902 675)**	**5 616 228 537**	**4 230 425 836**	**(1 385 802 701)**	**75 %**	
Cash flows from investing activities							
Purchase of property, plant and equipment	(3 583 079 931)	(163 281 364)	**(3 746 361 295)**	(2 959 861 148)	**786 500 147**	**79 %**	58
(Increase) in investments	(106 204 328)	-	**(106 204 328)**	(136 893 677)	**(30 689 349)**	**129 %**	58
(Increase) in long term receivables and other recievables	(336 966)	-	**(336 966)**	(42 245 359)	**(41 908 393)**	**12 537 %**	58
Net cash flows from investing activities	**(3 689 621 225)**	**(163 281 364)**	**(3 852 902 589)**	**(3 139 000 184)**	**713 902 405**	**81 %**	
Cash flows from financing activities							
Repayment of long term liabilities and consumer deposits	(704 179 980)	-	**(704 179 980)**	(797 868 874)	**(93 688 894)**	**113 %**	58

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Actual outcome as % of final budget	Reference
Net increase/(decrease) in cash and cash equivalents	1 440 330 007	(381 184 039)	**1 059 145 968**	293 556 778	**(765 589 190)**	**28 %**	58
Cash and cash equivalents at the beginning of the year	942 573 495	589 393 621	**1 531 967 116**	1 272 314 448	**(259 652 668)**	**83 %**	58
Cash and cash equivalents at the end of the year	**2 382 903 502**	**208 209 582**	**2 591 113 084**	**1 565 871 226**	**(1 025 241 858)**	**60 %**	

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget	Ref.
2026												
Financial Performance												
Property rates	11 100 018 768	88 475 892	11 188 494 660	-		11 188 494 660	10 939 018 795		(249 475 865)	98 %	99 %	
Service charges	40 794 330 936	914 072 667	41 708 403 603	-		41 708 403 603	37 933 282 103		(3 775 121 500)	91 %	93 %	58
Investment revenue	120 064 609	50 000	120 114 609	-		120 114 609	124 676 956		4 562 347	104 %	104 %	
Transfers recognised - operational	8 848 319 780	14 849 357	8 863 169 137	-		8 863 169 137	8 713 619 362		(149 549 775)	98 %	98 %	
Other own revenue	2 808 449 349	(152 531 073)	2 655 918 276	-		2 655 918 276	2 596 075 501		(59 842 775)	98 %	92 %	58
Total revenue (excluding capital transfers and contributions)	**63 671 183 442**	**864 916 843**	**64 536 100 285**	**-**		**64 536 100 285**	**60 306 672 717**		**(4 229 427 568)**	**93 %**	**95 %**	
Employee costs	(13 045 349 164)	363 283 696	(12 682 065 468)	-	-	(12 682 065 468)	(11 292 644 008)	-	1 389 421 460	89 %	87 %	
Remuneration of councillors	(177 669 114)	-	(177 669 114)	-	-	(177 669 114)	(169 693 785)	-	7 975 329	96 %	96 %	
Depreciation, amortisation, impairment and derecognition loss	(3 075 371 138)	100 000 000	(2 975 371 138)			(2 975 371 138)	(2 651 167 671)	-	324 203 467	89 %	86 %	
Debt impairment	(5 904 273 483)	(845 213 870)	(6 749 487 353)			(6 749 487 353)	(7 597 513 796)	-	(848 026 443)	113 %	129 %	58
Finance charges	(1 598 372 559)	30 266 000	(1 568 106 559)	-	-	(1 568 106 559)	(1 134 246 182)	-	433 860 377	72 %	71 %	58
Inventory consumed and bulk purchases	(29 705 490 783)	180 000 000	(29 525 490 783)	-	-	(29 525 490 783)	(29 625 737 035)	-	(100 246 252)	100 %	100 %	
Transfers and grants	(1 173 090 266)	(22 422 903)	(1 195 513 169)	3 487 136	-	(1 192 026 033)	(1 176 160 897)	-	15 865 136	99 %	100 %	58
Other expenditure	(8 349 449 008)	(490 688 392)	(8 840 137 400)	(3 487 136)	-	(8 843 624 536)	(9 432 826 602)	-	(589 202 066)	107 %	113 %	
Total expenditure	**(63 029 065 515)**	**(684 775 469)**	**(63 713 840 984)**	**-**	**-**	**(63 713 840 984)**	**(63 079 989 976)**	**-**	**633 851 008**	**99 %**	**100 %**	
Surplus/(Deficit)	**642 117 927**	**180 141 374**	**822 259 301**	**-**		**822 259 301**	**(2 773 317 259)**		**(3 595 576 560)**	**(337)%**	**(432)%**	

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget	Ref.
Transfers and subsidies - capital	2 287 349 220	111 011 653	2 398 360 873	-		2 398 360 873	2 458 822 073		60 461 200	103 %	107 %	
Public contributions	-	-	-	-		-	49 987 705		49 987 705	- %	- %	58
Surplus (Deficit) after capital transfers and contributions	**2 929 467 147**	**291 153 027**	**3 220 620 174**	**-**		**3 220 620 174**	**(264 507 481)**		**(3 485 127 655)**	**(8)%**	**(9)%**	
Surplus/(Deficit) for the year	**2 929 467 147**	**291 153 027**	**3 220 620 174**	**-**		**3 220 620 174**	**(264 507 481)**		**(3 485 127 655)**	**(8)%**	**(9)%**	
Capital expenditure and funds sources												
Total capital expenditure	2 896 410 220	158 261 653	3 054 671 873	-		3 054 671 873	2 959 861 147		(94 810 726)	100 %	100 %	
Cash flows												
Net cash from (used) operating	5 834 131 212	(217 902 675)	5 616 228 537	-		5 616 228 537	4 230 425 836		(1 385 802 701)	75 %	73 %	
Net cash from (used) investing	(3 689 621 225)	(163 281 364)	(3 852 902 589)	-		(3 852 902 589)	(3 139 000 184)		713 902 405	81 %	85 %	
Net cash from (used) financing	(704 179 980)	-	(704 179 980)	-		(704 179 980)	(797 868 874)		(93 688 894)	113 %	113 %	
Net increase/(decrease) in cash and cash equivalents	**1 440 330 007**	**(381 184 039)**	**1 059 145 968**	**-**		**1 059 145 968**	**293 556 778**		**(765 589 190)**	**28 %**	**20 %**	
Cash and cash equivalents at the beginning of the year	942 573 495	589 393 621	1 531 967 116	-		1 531 967 116	1 272 314 448		(259 652 668)	83 %	135 %	
Cash and cash equivalents at year end	**2 382 903 502**	**208 209 582**	**2 591 113 084**	**-**		**2 591 113 084**	**1 565 871 226**		**1 025 241 858**	**60 %**	**66 %**	58

Significant Accounting Policies

Figures in Rand	Note(s)	2026	2025

1. Presentation of Annual Financial Statements

1.1 Basis of preparation

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

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

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

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

The principal accounting policies, applied in the preparation of the annual financial statements, are set out below. These accounting policies are consistent with those applied in the preparation of the prior year annual financial statements, unless, otherwise specified. Details of any changes in the accounting policies are provided in the note “Changes in accounting policy, where applicable”.

The amounts presented in the annual financial statements are rounded to the nearest rand

1.2 Presentation currency

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

1.3 Significant judgements and sources of estimation uncertainty

In the process of applying the City’s accounting policies, and in preparing the annual financial statements, management has made the following significant accounting judgements, estimates and assumptions, which have significant effect on the amounts recognised in the annual financial statements and as well as related disclosures. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively in the annual financial statements.

Going Concern

Management considers key financial metrics and approved medium-term budgets, together with the City’s dependency on the grants from national and provincial government, to conclude that the going concern assumptions used in the compilation of its annual financial statements, is appropriate.

Operating lease commitments - City as lessor or leases

Leases where risks and rewards of ownership are not transferred to the lessee are classified as operating leases. Payments received or paid under operating leases are recognised in statement of financial performance on a straight-line basis over the period of the lease.

Pension and other post – employment benefits

The cost of defined-benefit pension plans and other employment medical benefits is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty. Further assumptions and estimates are disclosed in note 18 to the annual financial statements.

Cash-generating assets

The City is not a profit-oriented entity as its primary objective is service delivery. Tariffs and charges are cost-reflective to ensure continued financial sustainability. No profit element is included in the determination of the tariff.

As such, management has determined that the City does not control assets that meet the definition of cash-generating assets, and that the GRAP standard for the impairment of non-cash-generating assets will apply to all assets of the City.

Impairment of property, plant and equipment

The calculation in respect of the impairment of property, plant and equipment is based on an assessment of the extent to which the recoverable amount of the asset has declined below the carrying amount. This was performed across all classes of property, plant and equipment

Significant Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Residual value of property, plant and equipment

Management has determined that none of its infrastructure assets have an active market value, and the value of the amount at the end of their useful lives would therefore be insignificant

Useful lives of property, plant and equipment and investment property held at cost

The useful lives of assets are based on management's estimates. Management considers the impact of technology, service requirements and required return on assets to determine the optimum useful-life expectation, where appropriate. The estimated residual values of assets are also based on management judgements on whether the assets will be sold or used to the end of their useful lives, and what their condition will be at that time.

Significant delays in assets under construction

The City regards delays in assets under construction of more than three years as significant. Further disclosures are made in notes 3 to 5 to the annual financial statements

Investment accounted using the cost model

The City has accounted for the investment in Rand airport using the cost model, the City has a 20% shareholding. The reason for accounting this under the cost model is due to the fact the City has not exercised significant control, does not participate in operations or management decision nor serve on the board of directors of the entity.

Provisions, contingent liabilities and contingent assets

Management's judgement is required when recognising and measuring provisions, as well as when measuring contingent liabilities and assets. Provisions are discounted, where the effect of discounting is material, using cost of capital.

Property, Plant and Equipment

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. The City depreciates separately each part of an item of property,plant and equipment that has a cost that is significant in relation to the total cost of the item.

Investment property

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. The City depreciates separately each part of an item of investment property that has a cost that is significant in relation to the total cost of the item.

Traffic Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset. Assets arising from fines are measured at the best estimate of the inflow of resources to the City.

Budget information

A difference of 8% or more between budget and actual amounts is regarded as material. All material differences are explained in the notes to the annual financial statements.

Material losses

Material losses are losses that occur due to factors other than normal production and utilisation and are regarded as material if their omission or misstatement will affect the decisions made by users of the information. The losses disclosed include that of technical losses and non-technical losses related to water and electricity.

Losses that occur due to normal production and utilisation are classified as production costs and factored into the City's tariffs. They, therefore, do not constitute material losses. If actual production and utilisation losses exceed the normal budgeted production and utilisation losses factored into the tariff, this difference is considered material losses.

Service charges

Service charges relating to electricity, water and sanitation are based on consumption. Waste removal is based on the size of the bin and the number of times it is collected. Meters are read and billed on a monthly basis and revenue is recognised when invoiced. Estimates of consumption are made monthly when meter readings have not been performed. The estimates of consumption are recognised as revenue when invoiced. Adjustments to estimates of consumption are made in the invoicing period when meters have been read. These adjustments are recognised as revenue in the invoicing period. Waste removal services are billed on a monthly basis.

Significant Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Service provided on a prepaid basis

Various services are provided on a prepaid basis in which case no formal billing takes place and revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date.

Intangible assets

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential.

Impairment – expected credit losses (ECL)

The City measures expected credit losses (ECL) on financial assets measured at amortised cost, lease receivables, and on loan commitments and financial guarantee contracts, using the requirements in GRAP 104. Financial assets measured at cost (i.e. investments in residual interests where fair value cannot be measured reliably) are subject to a separate impairment model. ECL measurement involves significant judgement, including in:

- defining “default” and segmenting exposures into appropriate groups;
- estimating probabilities of default, loss given default and exposures at default;
- assessing the impact of collateral and other credit enhancements; and
- incorporating forward-looking information and any post-model adjustments where model outputs do not fully capture emerging risks.

The city’s assumptions and inputs used to measure expected credit losses or determine the extent of increases in credit risk since initial recognition include information obtained from internal historical information, payments pattens , any amount not collected through collections process or rating reports where available and changes in the economic sphere of the city and other political polies, and other available information or assumptions about the expected credit losses on life of receivables raised, and are subsequently measured of the amount equal to lifetime expected credit losses. Loss rates are measured from the City's own payment history over 36 months and are the:

Probability-weighted proportion of a balance that is ultimately not recovered;
Forward-looking information is incorporated through an overlay based on approved tarriff increases relative to consumer price inflation, quantified in note 50.

Loan commitments and financial guarantee contracts

The City recognises expected credit losses on loan commitments and financial guarantee contracts from the date it becomes a party to the irrevocable commitment or guarantee. Judgement is applied in estimating:

- the expected utilisation of loan commitments;
- exposure profiles over the contractual period; and
- the period over which expected credit losses are measured, taking into account contractual and behavioural factors.

1.4 Investment property

Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations

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

At initial recognition, the City measures an 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.

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in the Statement of Financial Performance in the period of retirement or disposal.

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

Significant Accounting Policies

1.4 Investment property (continued)

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. The City depreciates separately each part of an item of investment property that has a cost that is significant in relation to the total cost of the item. A significant part of an item of investment property may have a useful life and a depreciation method that are the same as the useful life and the depreciation method of another significant part of that same item. Such parts may be grouped in determining the depreciation charge. Costs of replacing parts are capitalised and the existing parts being replaced are derecognised. The annual depreciation rates are based on the following estimated average asset lives:

Item	Useful life
• Property - land	Indefinite
• Property - buildings	14 - 80years

Investment property is derecognised 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.

1.5 Property, plant and equipment

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

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

Property, plant and equipment is initially measured at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost. Cost also includes initial estimate of the costs of dismantling and removing the asset and restoring the site on which it is located. Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management. Servitudes that are acquired with the relevant infrastructure items are capitalised with the relating infrastructure asset when it is an integral part of the asset.

Assets under construction represents capital expenditure incurred on projects not yet completed nor ready for use at period end. Assets under construction are carried at cost.

Property, plant and equipment are subsequently measured at cost, less accumulated depreciation and accumulated impairment losses. Where property, plant and equipment are acquired through non-exchange transactions, the cost is deemed to be the item’s fair value on the date of acquisition. The cost of an item of property, plant and equipment acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets is measured at its fair value. If the acquired item could not be measured at its fair value, its cost was measured at the carrying amount of the asset given up

Subsequent cost is capitalised when the recognition and measurement criteria of an asset are met.

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

The City maintains and acquires assets to provide a social service to the community. The useful lives and economic lives of these assets are equal and consequently no residual values are determined.

The City depreciates separately each part of an item of property, plant and equipment that has a cost that is significant in relation to the total cost of the item. A significant part of an item of property, plant and equipment may have a useful life and a depreciation method that are the same as the useful life and the depreciation method of another significant part of that same item. Such parts may be grouped in determining the depreciation charge. Costs of replacing parts are capitalised and the existing parts being replaced are derecognised. Depreciation is calculated at cost, using the straight-line method, over the estimated useful lives of the assets. Depreciation starts when the asset is available for use. Assets under construction are not depreciated.

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

Item	Depreciation method	Average useful life
Land	Straight-line	Indefinite
Buildings	Straight-line	14 - 80 years
Infrastructure		.
Roads and storm water		2 - 100 years
Pedestrian bridges		10 - 60 years
Electricity		3 - 100 years
Water		3 - 100 years
Sewer		3 - 100 years

1.5 Property, plant and equipment (continued)

Housing		80 years
Solid Waste		5 - 100 years
ICT		5 - 50 years
Waste water purification works		2 - 82 years
Community	Straight-line	.
Buildings		14 - 80 years
Recreational facilities		10 - 80 years
Security		5 - 15 years
Landfill sites		10 - 80 years
Other property, plant and equipment	Straight-line	.
Furniture and fittings		3 - 45 years
Water craft		15 years
Office equipment		3 - 35 years
Specialised plant and equipment		10 - 26 years
Other items of plant and equipment		2 - 56 years
Buildings		20 - 80 years
Specialised vehicles		3 - 20 years
Other vehicles		3 - 54 years

The asset management policy contains the details of the components and their specific useful life estimates.

The residual value, the useful life and the depreciation method of property, plant and equipment are reviewed at least at every reporting date..

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the statement of financial performance.

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

The depreciation charge for each period is recognised in the statement of financial performance unless it is included in the carrying amount of another asset.

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

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

1.6 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.

Intangible assets are initially recognised at cost. The cost of an intangible asset is the purchase price and other costs attributable to bring the intangible asset to the location and condition necessary for it to be capable of operating in the manner intended by the City, or where an intangible asset 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.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

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

Significant Accounting Policies

1.6 Intangible assets (continued)

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

Intangible assets are derecognised on disposal, or when no future economic benefits are expected from its use or disposal. Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Item	Amortisation method	Average useful life
Computer software	Straight-line	1 - 23 years
Servitudes	Straight-line	Indefinite

The gain or loss arising from the derecognition of an intangible asset is recognised in the statement of financial performance when the asset is derecognised.

1.7 Heritage assets

A heritage asset has a cultural, environmental, historical, natural, scientific, technological or artistic significance, and is held indefinitely for the benefit of present and future generations.

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

Heritage assets are measured at cost. Where a heritage asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition. The cost of a purchased heritage asset comprises:

- its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates; and
- any costs directly attributable to bringing the heritage asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Heritage assets are subsequently measured at cost, less accumulated impairment losses. Where a heritage asset is acquired through a nonexchange transaction, its cost is deemed to be its fair value as at the date of acquisition.

Transfers to heritage assets are made only when the asset meets the definition of a heritage asset and transfers from heritage assets are made only when the asset no longer meets the definition of a heritage asset. Transfers to and from heritage assets are done at the carrying amount of the assets transferred at the date of transfer.

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

Most heritage assets have an indefinite useful life as they are to be preserved for current and future generations and might appreciate in value over time due to their cultural, environmental, historical, natural, scientific, technological and/or artistic significance. Based on this analysis, there is no definite limit to the period over which a heritage asset is expected to be held by the City. The useful life of the heritage asset is therefore likely to be indefinite or the annual depreciation is likely to be immaterial.

The City de-recognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal. The gain or loss arising from the derecognition of a heritage asset is recognised in the statement of financial performance when the asset is derecognised.

1.8 Investments in controlled entities

Municipal controlled entities are those entities which the City owns or over whose financial and operating policies it has the power to exercise beneficial control.

In the controlling entity's annual financial statements, investments in controlled entities are carried at cost less any accumulated impairment.

1.9 Financial instruments - GRAP 104 (Previous policy applied in comparative period)

Financial Instruments

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

Financial Assets

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

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

The City 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 assets	Classifications
Other investments	Amortised cost
Receivables from exchange	Amortised cost
Cash and cash equivalents	Amortised cost
Long-term receivables	Amortised cost
Other investments (unlisted shares)	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 measure:
- Financial liabilities measured at amortised cost.

The City 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	Classifications
Long-term liabilities	Amortised cost
Trade and other-payables from exchange transactions	Amortised cost
Consumer deposits	Amortised cost

Initial recognition

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

The City recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The City measures a financial asset and financial liability initially at its fair value plus, in the case of a financial asset or a liability not subsequently measured at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Subsequent measurement of financial assets and financial liabilities

The City measures all financial assets and financial liabilities after initial recognition using the following categories:
- Financial instruments at amortised cost; and
- Financial instruments at cost.

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

Gains and losses

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

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

Impairment and uncollectability of financial assets

The City assess at the end of each reporting period whether there is any objective evidence that a financial asset is impaired.

Significant Accounting Policies

1.9 Financial instruments - GRAP 104 (Previous policy applied in comparative period) (continued)

a) Financial assets measured at amortised cost:

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

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

b) Financial assets measured at cost:

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

Derecognition

a) Financial assets

The City derecognises financial assets (or part of a financial assets) when the contractual rights to the cash flows from the financial asset expire, are settled or waived or when the City has transferred all of the significant risks and rewards of ownership using trade date accounting. On de recognition of a financial asset (or part of a financial asset), the difference between the carrying amount and the sum of the consideration received is recognised in the statement of financial performance.

b) Financial liabilities

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

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

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in the statement of financial performance.

Gains and losses relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in the statement of financial performance.

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

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

Significant Accounting Policies

1.10 Financial instruments - GRAP 104 (revised 2019)

Definitions

Financial assets include:

- cash;
- residual interests of another entity; or
- contractual rights to receive or exchange cash or another financial asset.

Financial liabilities are contractual obligations to deliver cash or another financial asset, or to exchange financial assets or liabilities under conditions that are potentially unfavourable to the entity.

Residual interests represent a claim on the entity's net assets after deducting all liabilities and include contributions from owners, equity instruments such as shares, or formal arrangements establishing an interest in the net assets of the entity.

The **amortised cost** of a financial asset or liability is the amount at which it is measured initially, minus principal repayments, plus or minus cumulative amortisation using the effective-interest rate method, and less any loss allowance.

12 month expected credit losses is the portion of lifetime expected credit losses that represent the expected credit losses that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

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

Credit-adjusted effective interest rate is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial asset to the amortised cost of a financial asset that is a purchased or originated credit-impaired financial asset. When calculating the credit-adjusted effective interest rate, an entity shall estimate the expected cash flows by considering all contractual terms of the financial asset (for example, prepayment, extension, call and similar options) and expected credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the remaining life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Credit-impaired financial asset is a financial asset that is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired include observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;

(e) the disappearance of an active market for that financial asset because of financial difficulties; or

(f) the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

It may not be possible to identify a single discrete event - instead, the combined effect of several events may have caused financial assets to become credit-impaired.

Credit loss is the difference between all contractual cash flows that are due to an entity in accordance with the contract and all the cash flows that the entity expects to receive (i.e. all cash shortfalls), discounted at the original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets). An entity shall estimate cash flows by considering all contractual terms of the financial instrument (for example, prepayment, extension, call and similar options) through the expected life of that financial instrument. The cash flows that are considered shall include cash flows from the sale of collateral held (where applicable) or other credit enhancements that are integral to the contractual terms. There is a presumption that the expected life of a financial instrument can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the expected life of a financial instrument, the entity shall use the remaining contractual term of the financial instrument.

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

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

Expected credit losses are the weighted average of credit losses with the respective risks of a default occurring as the weights.

Significant Accounting Policies

1.10 Financial instruments - GRAP 104 (revised 2019) (continued)

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

A **financial asset** is:

(a) cash;

(b) a residual interest of another entity; or

(c) a contractual right to:

(i) receive cash or another financial asset from another entity; or

(ii) exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

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

A **financial 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.

A **financial liability** is any liability that is a contractual obligation to:

(a) deliver cash or another financial asset to another entity; or

(b) exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity.

Firm commitment is a binding agreement for the exchange of a specified quantity of resources at a specified price on a specified future date or dates.

(c) is a derivative (except for a derivative that is a financial guarantee contract).

Impairment gain or loss is a gain or loss that is recognised in the statement of financial performance.

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of a financial instrument.

Initial Recognition

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

The City recognises financial assets using trade date accounting.

Distinguishing financial liabilities and residual interests

The City as an issuer of a financial instrument classifies the instrument, or its component parts, on initial recognition as a financial liability, a financial asset or a residual interest in accordance with the substance of the contractual arrangement and the definitions of a financial liability, a financial asset and a residual interest.

1.10 Financial instruments - GRAP 104 (revised 2019) (continued)

Classification

Classification of Financial Assets

The City classifies financial assets as subsequently measured at amortised cost through the statement of financial performance on the basis of both:

(a) the entity's management model for managing the financial assets; and

(b) the contractual cash flow characteristics of the financial asset.

A financial asset is measured at amortised cost if both of the following conditions are met:

(a) the financial asset is held within a management model whose objective is to hold financial assets in order to collect contractual cash flows; and

(b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Investments in residual interests are measured at fair value through the statement of financial performance. As a practical expedient, an investment in a residual interest whose fair value cannot be reliably measured is measured at cost. If a reliable measure of fair value becomes available, the investment is measured at fair value through the statement of financial performance.

Classification of Financial Liabilities

The City classifies all financial liabilities as subsequently measured at amortised cost, except for:

(a) Financial liabilities at fair value through statement of financial performance. Such liabilities, including derivatives that are liabilities, are subsequently measured at fair value.

(b) Financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition.
(c) Financial gaurantee contract
(d) Commitments to provide a loan at a below-market interest rate.
(e) Contingent consideration recognised by an acquirer in a transfer of functions between entities not under common control to which the Standard of GRAP on Transfers of Functions Between Entities Not Under Common Control applies. Such contingent consideration is subsequently measured at fair value with changes recognised in the Statement of Financial Performance.

Reclassification

The City reclassifies financial assets when:

(a) it changes its management model for managing financial assets, it reclassifies all affected financial asset in accordance with GRAP 104;

(b) a reliable measure of fair value either becomes, or ceases to be, available for an investment in a residual interest.

The City does not reclassify any financial liability.

Significant Accounting Policies

1.10 Financial instruments - GRAP 104 (revised 2019) (continued)

Measurement

Subsequent measurement of financial assets

After initial recognition, the City measures a financial asset at:

(a) amortised cost;

(b) fair value through surplus or deficit; or

(c) cost.

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

Subsequent measurement of financial liabilities

After initial recognition, the City measures a financial liability in accordance with the section on "Classification of Financial Liabilities".

Amortised cost measurement

Financial assets

Effective interest method

Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:

(a) Purchased or originated credit-impaired financial assets. For those financial assets, the entity applies the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition.

(b) Financial assets, other than receivables, that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the entity applies the effective interest rate to the amortised cost of the financial asset in subsequent reporting periods.

Modification of contractual cash flows

When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial asset in accordance with GRAP 104, the entity recalculates the gross carrying amount of the financial asset and recognises a modification gain or loss in surplus or deficit. The gross carrying amount of the financial asset is recalculated as the present value of the renegotiated or modified contractual cash flows that are discounted at the financial asset’s original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets). Any costs or fees incurred adjust the carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset.

Write-off

The entity directly reduces the gross carrying amount of a financial asset when the entity has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. A write-off constitutes a derecognition event.

Impairment

Recognition of expected credit losses

General approach

The City recognises a loss allowance for expected credit losses on a financial asset, a lease receivable, or a loan commitment and a financial guarantee contract to which the impairment requirements apply.

At each reporting date, the City measures the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses if the credit risk on that financial instrument has increased significantly since initial recognition.

If the City measured the loss allowance for a financial instrument at an amount equal to lifetime expected credit losses in the previous reporting period, but determines at the current reporting date that the above paragraph is no longer met, the City will measure the loss allowance at an amount equal to 12-month expected credit losses at the current reporting date.

At the reporting date, the credit risk on a financial instrument has not increased significantly since initial recognition, the City measures the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses.

1.10 Financial instruments - GRAP 104 (revised 2019) (continued)

The City recognises in the Statement of Financial Performance, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognised in accordance with GRAP 104.

Determining significant increases in credit risk

At each reporting date, the entity assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the entity uses the change in the risk of a default occurring over the expected life of the financial instrument instead of the change in the amount of expected credit losses. To make that assessment, the entity compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and consider reasonable and supportable information, that is available without undue cost or effort, that is indicative of significant increases in credit risk since initial recognition.

Measurement of expected credit losses

The City recognises a loss allowance for expected credit losses on all financial assets measured at amortised cost. In accordance with the simplified approach, the loss allowance for consumer and other trade receivables, and for lease receivables, is measured at an amount equal to lifetime expected credit losses from initial recognition until derecognition.

A financial asset is regarded as in default when it remains unpaid after the due date stipulated on the monthly account, this being the point at which credit control action becomes available under the approved policy. A balance is regarded as credit-impaired where observable evidence indicates that the full contractual amount will not be recovered, including prolonged non-payment, the failure of credit control and legal collection action, insolvency, liquidation or business rescue of the consumer, and the granting of relief under approved schemes.

Expected credit losses are measured using a provision matrix calibrated from the City’s own transaction history, as follows:

• Grouping (Step 1): receivables are grouped into twenty debtor groups with similar credit risk characteristics - including residential, business, government, agricultural, approved and deemed indigent, debt rehabilitation categories, estates, housing and other groups - and linked accounts of a single consumer (including handover, arrangement, abeyance and administration accounts) are consolidated into one debtor family, so that transfers between those accounts do not distort measured behaviour.

• Historical period (Step 2): the complete transaction history for the 36 months to the reporting date (approximately 582.7 million records), reconstructed per debtor family and reconciled to the billing system (99.5% of families within R100,000).

• Payment reconstruction (Step 3): receipts are applied to outstanding balances in the approved payment allocation hierarchy, oldest balances first, and cumulative payment behaviour is measured by group, service and ageing bucket.

• Historical loss rate (Step 4): for each group, service and bucket, the proportion of balances ultimately never collected is estimated by fitting the observed payment run-off; the loss rate for a bucket is that never-collected proportion as a fraction of balances still outstanding at that age, constrained to be non-decreasing with age and capped at 100%. Behaviour is measured across nine consolidated buckets: current; 30; 60; 90; 120–180; 210–360; 390–720; 750–1,080; and 1,110 days and older.

• Forward-looking information (Step 5): measured rates are adjusted for approved tariff increases in excess of consumer price inflation, applied per service to exchange receivables (2026 factors: water 1.0600; sanitation 1.0335; electricity 1.0376, against CPI of 5.0% - Statistics South Africa, June 2026). Other macroeconomic indicators considered (unemployment; the repurchase rate) are reflected in the calibration window and not separately quantified.

• Management adjustments (Step 6): approved management adjustments are applied as a documented, separately identifiable layer: measured rates to 180 days and 100% thereafter for approved and deemed indigent debtors; the debt rehabilitation category baselines; a 30% reduction of the calculated allowance on business balances aged up to 1,080 days pursuant to the Revenue Enhancement project (the 3-years-plus bracket and the manipulated-account balances are not reduced); the removal from the exposure base of deemed indigent balances funded for excess consumption through the operating budget; and the recognition of manipulated-account balances within business debtors at 181–360 days, measured at the rates applicable to that group.

• Calculation (Step 7): the resulting loss rates are applied to the ageing profile at the reporting date to determine lifetime expected credit losses.

• Time value of money (Step 8): interest is levied on arrear balances at the prime lending rate.

Financial assets measured at cost

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

Such impairment losses are not reversed.

Significant Accounting Policies

1.10 Financial instruments - GRAP 104 (revised 2019) (continued)

Gains and losses

A gain or loss on a financial asset or financial liability that is measured at fair value is recognised in the statement of financial performance unless it is a financial liability designated as at fair value through surplus or deficit and the City is required to present the effects of changes in the liability's credit risk in the statement of changes in net assets.

A gain or loss on a financial asset that is measured at amortised cost is recognised in the statement of financial performance when the financial asset is derecognised, reclassified, through the amortisation process or in order to recognise impairment gains or losses. A gain or loss on a financial liability that is measured at amortised cost is recognised in the statement of financial performance when the financial liability is derecognised and through the amortisation process.

Derecognition

Derecognition of financial assets

The City derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

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

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

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

(i) derecognises the asset; and

(ii) recognises separately any rights and obligations created or retained in the transfer.

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

Derecognition of financial liabilities

The City removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished.

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

Presentation

Interest, dividends or similar distributions, losses and gains

Interest, dividends or similar distributions, losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in the statement of financial performance. Distributions to holders of residual interests is recognised by the entity directly in net assets. Transaction costs incurred on residual interests is accounted for as a deduction from net assets.

1.11 Statutory receivables

Identification

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

The transaction amount for a statutory receivable means the amount specified in, or calculated, levied or charged in accordance with legislation, supporting regulations, or similar means. Statutory receivables consists of property rates and traffic fines.

Significant Accounting Policies

1.11 Statutory receivables (continued)

An entity shall recognise statutory receivables as follows:
(a) if the transaction is an exchange transaction;
(b) if the transaction is a non-exchange transaction; or
(c) if the transaction is not within the scope of the Standards of GRAP listed in (a) or (b) 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..

Statutory receivables that meets the definition of an asset shall be recognised as an asset when, and only when:
(a) it is probable that the future economic benefits or service potential associated with the asset will flow to the entity; and
(b) the fair value of the asset can be measured reliably

Statutory receivables are included as part of the non-exchange receivables on the face of the Statement of Financial Position in accordance with GRAP 1 Presentation of Financial Statements.

An entity shall derecognise a statutory receivable, or a part thereof, when:
(a) the rights to the cash flows from the receivable are settled, expire or are waived; or
(b) the entity transfers to another party substantially all of the risks and rewards of ownership of the receivable.

An entity shall measure statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:
(a) interest or other charges that may have accrued on the receivable (where applicable);
(b) impairment losses; and
(c) amounts derecognised

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

Interest on statutory receivables shall be recognised as revenue.

Statutory receivables are tested for impairment on an annual basis and results thereof will be recognised.

No discounting to the transactions is applied.

If there is objective evidence that there is an impairment loss on statutory receivables, the amount of the loss is measured by comparing the carrying amount of the receivable to the cash flows the entity expects to receive. The cash flows are discounted if the time value of money is material. The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in the statement of financial performance

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly by adjusting an allowance account. The reversal does not result in a carrying amount of the statutory receivable would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in the statement of financial performance

1.12 Inventories

Inventories are assets:
a) in the form of materials or supplies to be consumed in the production process;
b) in the form of materials or supplies to be consumed or distributed in the rendering of services;
c) held for sale or distribution in the ordinary course of operations; or
d) in the process of production for sale or distribution.

Inventories shall be 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 City; and
• the cost of the inventories can be measured reliably.

Inventories are initially recognised at cost. The cost of inventory shall comprise of all costs, costs of conversion and other costs, incurred to bringing the inventories to their present location and condition.

Where inventory is acquired by the City 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.

Inventories held for sale in the ordinary course of business are valued at the lower of cost and net realisable value, or where unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost or current replacement cost.

Inventories held for consumption, distribution, consumables stores, raw materials, finished goods and unsold properties, are valued at lower of cost and current replacement cost.

Significant Accounting Policies

1.12 Inventories (continued)

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 first-in-first-out method is the basis of allocating costs to inventories, except for water balance which is determined at weighted average cost at the reporting date based on the water volume in the network on hand.

Redundant and slow-moving inventories are identified and written down to the estimated net realisable value, and are recognised as an expense in the period in which the write-down or loss occurs. Inventories identified for write-down/write-off, but for which a council resolution, to authorise the write-down/write-off, has not yet been obtained, is provided for as a provision for obsolete stock. Differences arising on the valuation of inventory are recognised in the statement of financial performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.13 Provisions and contingencies

A provision is recognised when the City has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The City does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date. Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation. The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

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

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

a) COID provision

The provision for COID pensions and medical aid liability is based on eligible members, their current age and their future life expectancy. Cash flows are projected on the basis of current pension payments escalated at 5.01% (2025: 5.01%) per annum over members` expected lives. Resulting cash flows have been discounted to Net Present Value applying a discount rate of 11.00% (2025: 10.99%).

b) Landfill rehabilitation provision

The landfill rehabilitation provision is created for the rehabilitation of the current operational sites at the future estimated time of closure.The value of the provision is based on the expected future cost to rehabilitate the various sites discounted back to the statement of financial position date at the cost of capital (time value of money), which is currently 11.00% (2025: 10.99%).

The City has an obligation to rehabilitate these landfill sites. The cost of such property includes the initial estimate of the costs of rehabilitating the land and restoring the site on which it is located, the obligation for which the City incurs as a consequence of having used the property during a particular period for landfill purposes. The City estimates the useful lives and make assumptions as to the useful lives of these assets, which influence the provision for future costs

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

- subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current periodt:
- if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in the statement of financial performance; and
- if the adjustment results in an addition to the cost of an asset, the City considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If such an indication exists, the asset is tested for impairment by estimating its recoverable amount, and any impairment loss is recognised in the Statement of Financial Performance.

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 the statement of financial performance as they occur.

The periodic unwinding of the discount is recognised in the statement of financial performance as a finance cost as it occurs.

1.14 Impairment of cash-generating assets

The City does not have any cash generating assets, as its primary objective is service delivery, nor can any of its assets be associated with the purpose of making a commercial return.

1.15 Impairment of non-cash-generating assets

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

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

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset.

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 asset is determined using the most appropriate of the following approaches depending on the impairment event:

• Depreciated replacement cost approach; or

• Restoration cost approach; or

• Service units approach.

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

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

The City assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

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 had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

Designation

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

The City 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 City 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 City 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 City designates the asset as a non-cash-generating asset and applies this accounting policy, rather than the accounting policy on Impairment of Non-cash-generating assets.

Significant Accounting Policies

1.16 Employee benefits

Benefits

Short-term employee benefits

Remuneration to employees is recognised in the statement of financial performance as the services are rendered, except for non-accumulating benefits which are only recognised when the specific event occurs.

The costs of all short-term employee benefits such as leave pay, are recognised during the period in which the employee renders the related service.

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 expected cost of bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance and a reliable estimate can be made at the reporting date.

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total accrued leave days at year end, any unused leave days are forfeited six months after the end of leave cycle.

Long services awards

The City offers various types of long service awards to its employees. The provision is to recognise the present value of the obligation as at the reporting date.

Retirement funds

The City contributes to defined contribution and defined benefit funds. These funds are multi-employer funds.

Defined contribution plans

A defined contribution plan is a plan under which the City pays fixed contributions into a separate entity. The City has no legal or constructive obligation to pay further contributions, should the fund does not hold sufficient assets to pay all employees the benefits relating to service in the current or prior periods

The City's contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in the statement of financial performance in the period in which the service is rendered by the relevant employees.

1.16 Employee benefits (continued)

Defined benefit plans

Recognition and measurement

All short-term employee benefits

A defined benefit plan is a plan that defines an amount of benefit that an employee will receive on retirement:

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and unrecognised actuarial gains and losses, reduced by unrecognised past service costs. The plan is unfunded. The defined benefit obligation is calculated using the projected unit credit method, incorporating actuarial assumptions and a discount rate based on the government bond rate.

Valuations of these obligations are carried out by independent qualified actuaries regularly, as may be required for fair presentation.

Actuarial gains or losses recognised immediately in the statement of financial performance.

Past service costs are recognised immediately to the extent that the benefits are already vested, and are otherwise amortised on a straight line basis over the average period until the amended benefits become vested

The City recognises all liabilities and all gains and losses

Gains or losses on the curtailment or settlement of a defined benefit plan is recognised when the City is demonstrably committed to curtailment or settlement.

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 statement of financial performance, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement

The amount recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, and reduces by the fair value of plan assets.

The City does not apply “defined benefit accounting” to the defined benefit funds to which it is a member where these funds as classified in terms of GRAP 25 as multi-employer plans, as sufficient information is not available to apply the principles involved.

To the extent that a surplus or deficit in the place, based on available information, may affect the amount of future contributions, these are assessed. In the case of surpluses, no change is made in the rate of contributions. In the case of deficits, the City will increase contributions on a phased basis. To the extent that the full discounted value of obligations to the funds is not fully accounted for at year end, a contingent liability arises and is reported on accordingly.

Medical Aid: Continued Members

The City provides post-retirement benefits by subsidising the medical aid contributions of certain retired staff. According to the rules of the medical aid funds, with which the City is associated, a member (subject to the applicable conditions of service), on retirement, is entitled to remain a continued member of such medical aid fund, in which case the member is liable for the portion as determined by Council from time to time, of the medical aid membership fee, and the City for the remaining portion.

Multi-Employer Benefits Plans

The City is participate in a multi-employer benefits plans for the purpose of providing retirements benefits for its employees. The City accounting treatment of multi-employer benefits plans as defined contributions plans as there is no sufficient information for their treatment as defined befits plans, and the City’s risk is not exposed on any shortfall liability thereof.

Any asset is limited to unrecognised actuarial losses and past service costs, plus the present value of available refunds and reduction in future contributions to the plan.

1.17 Revenue from exchange transactions

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

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

1.17 Revenue from exchange transactions (continued)

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.

The City recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the City and when specific criteria have been met for each of the City's 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 City 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.

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 City directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Service Charges

Service charges relating to electricity and water are based on consumption. Meters are read on a periodic basis and are recognised as revenue when billed. 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. 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 refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month.

Service charges from sewerage and sanitation are based on the type of service and the number of sewer connections on all developed property, using the tariffs approved by Council and are levied monthly.

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

Services provided on prepaid

Various services are provided on a prepaid basis in which case there is no formal billing takes place and revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:
• the City has transferred to the buyer the significant risks and rewards of ownership of the goods;
• the City 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 City;
• the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Income from agency services

Income from agency services, where the entity acts as an agent, is recognised monthly once the income collected on behalf of principals is earned. The income is recognised in terms of the agency agreement.

Interest

Interest earned on investments is recognised in the statement of financial performance on a time-proportionate basis, which takes into account the effective yield on the investment.

Revenue Recognition of Unclaimed Deposits – exchange revenue

Unclaimed deposits older than one (1) year are recognised as revenue.

1.17 Revenue from exchange transactions (continued)

Interest

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

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

1.18 Revenue from non-exchange transactions

Revenue from non-exchange transactions refers to transactions where the City 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.

Rates and Taxes – non-exchange revenue

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 City is expected to enforce.

Subsequent to initial recognition and measurement, the City 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 City 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 when they are appropriated and received by the City.

Conditional Grants

Conditional grants recognised as revenue to the extent that the City 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

Interest earned on grants received and invested is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor and if it is the City's interest it is recognised as interest earned in the statement of financial performance

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 entity 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.

Unspent conditional grants and receipts

Amounts received before the related work is performed are included in the statement of financial position as a liability, as unspent conditional grants and receipts.

1.19 Grant - in - aid (expenses)

The City annually awards grants to individuals and organisations based on merit. When making these transfers, the City does not:
• receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
• expect to be repaid in future; or
• expect a financial return, as would be expected from an investment.

These transfers are recognised in the annual financial statements as expenses in the period that the events giving rise to the transfer occurred.

1.20 Leases

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

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

Finance leases - lessor

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

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

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

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

Finance leases - lessee

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

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

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

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

1.21 Borrowing costs

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

Borrowing costs are recognised as an expense in the period in which they are incurred.owing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

1.22 Accounting by principals and agents

Identification

When an entity is party to a principal-agent arrangement, it shall assess whether it is the principal or the agent in accounting for revenue, expenses, assets and/or liabilities that result from transactions with third parties undertaken in terms of the arrangement. The assessment of whether an entity is a principal or an agent requires the entity to assess whether the transactions it undertakes with third parties are for the benefit of another entity or for its own benefit.

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

When an entity 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 an entity concludes that it is not the agent, then it is the principal in the transactions.

Where an entity 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 in paragraph .25(a) to conclude that is an agent. Entities shall apply judgement in determining whether such powers exist and whether they are relevant in assessing whether an entity is an agent.

1.22 Accounting by principals and agents (continued)

An agent recognises only that portion of the revenue and expenses it receives or incurs in executing the transactions on behalf of the principal.

An entity recognises assets and liabilities arising from principal-agent arrangements in accordance with the requirements of other Standards of GRAP.

1.23 Value Added Tax

The City accounts for value-added tax (VAT) on the payment basis.

1.24 Unauthorised expenditure

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

1.25 Fruitless and wasteful expenditure

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

1.26 Irregular expenditure

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

1.27 Internal reserves

Included in the accumulated surplus are internal reserves, no separate line items are presented, in accordance with the GRAP reporting framework, but provision is made in the budget process for funding of these reserve. The amounts set aside for these reserves are invested in accordance with the investment policy of the City. The following internal reserves are maintained:

Capital replacement reserve (CRR)

The reserve is created for the replacement of service delivery assets when they reach the end of their economic lives to ensure continuation of provision of such services, and to minimise the impact of raising external funding or over-reliance on grant funds.

Self-insurance reserve

A self-insurance reserve was established for a self-insurance purpose and to minimize the external insurance costs. The reserve is based on recognised insurance industry principles to complement the external cover provided by insurance companies.

Sinking funds reserve

The reserve is created for the provision of repayments of long-term borrowing raised to fund capital projects, and to meet repayment conditions on such borrowings.

1.28 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.

An entity shall report separately information about each segment that has been identified or results from aggregating two or more of those segments.

Significant Accounting Policies

1.28 Segment information (continued)

The segments of the City has been identified as those activities of the City that generate economic benefits or service potential 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.

The City has aggregated some segments in accordance with GRAP 18.

These conditions are required to be met for aggregation of the City's segments
- Share nature of goods and services delivered
- Share class of customer or consumer
- Share methods used to distribute the services or goods;
- Share nature of regulatory environment
- Or
- May aggregate individually insignificant segments where practical limit of 10 segments has been reached;
- The City shall disclose the segment information in the financial statements in accordance with the standard.
- The City shall disclose the reportable segments, segment specific disclosures and geographic disclosures as prescribed by the standard.

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 annual financial statements.

1.29 Budget information

The approved budget is prepared in accordance with GRAP standards on an accrual basis, and are consistent with accounting policies as adopted by the Council for the preparation of the annual financial statements, and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2025/07/01 to 2026/06/30. These figures are those approved by Council both at the beginning and during the year, following a period of consultation with the public as part of the Integrated Development Plan (IDP). The amounts are scheduled as a separate additional financial statement, called the statement of comparison of budget and actual amounts. Explanatory comments to material differences are provided in the notes to the annual financial statements

1.30 Related parties

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions.

Management is regarded as a related party and comprises the councillors, Executive Mayor, Mayoral Committee members, City Manager, Head of departments and all other managers reporting directly to the City Manager or as designated by the City Manager.

1.31 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).

Reporting date means the date of the last day of the reporting period to which the annual financial statements relate. The City adjusts the amounts recognised in its annual financial statements to reflect adjusting events after the reporting date. The City does not adjust the amounts recognised in its annual financial statements to reflect non-adjusting events after the reporting date.

Significant Accounting Policies

1.32 Commitments

The City discloses capital expenditure as approved in the budget for each class of capital assets (PPE, investment properties, intangible assets and heritage assets) and as well as future minimum lease payments under non-cancellable operating leases. No commitments are disclosed for operating expenditure as the nature of the contracts “As and when required”.

1.33 Going concern

These annual financial statements have been prepared based on the expectation that the City will continue to operate as a going concern for at least the next 12 months. The City's budget for the next financial year as approved by Council is fully funded.

1.34 Comparative figures

When the presentation or classification of items in the annual financial statements is amended due to better presentation and/or better understand ability and/or comparability and/or due to the implementation of a new or amended standard, prior period comparative amounts are restated. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. 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.

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

The City has not applied the following standards and interpretations, which have been published and are mandatory for the City's accounting periods beginning on or after 01 July 2026 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 109(Revised) Accounting by Principals and Agents	Not yet set	Unlikely there will be a material impact
• GRAP 111 Social Benefits	Not yet set	Unlikely there will be a material impact
• Amendments Improvements Standards of GRAP 2023	01/04/28	Unlikely there will be a material impact
• Amendments Improvements Standards of GRAP 2026	Not yet set	Unlikely there will be a material impact
• GRAP 1 (amended): Presentation of Financial Statements (Going Concern)	01/04/27	Unlikely there will be a material impact
• GRAP 103 (amended): Heritage Assets	01/04/27	Unlikely there will be a material impact
• GRAP 105 (revised): Transfer of functions between Entities under common control	01/04/27	Unlikely there will be a material impact
• GRAP 106 (revised): Transfer of functions between Entities Not under common control	01/04/27	Unlikely there will be a material impact
• GRAP 107 (revised): Mergers	01/04/27	Unlikely there will be a material impact

Figures in Rand	2026	2025

3. Investment property

	2026			2025		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	803 529 077	(189 111 706)	614 417 371	783 079 278	(177 944 153)	605 135 125

Reconciliation of investment property - 2026

	Opening balance	Additions	Transfer (to)/from other assets	Depreciation	Total
Investment property	605 135 125	14 186 980	6 262 820	(11 167 554)	614 417 371

Reconciliation of investment property - 2025

	Opening balance	Additions	Transfer (to)/from other assets	Depreciation	Total
Investment property	606 315 974	13 538 904	(3 379 673)	(11 340 080)	605 135 125

Investment property in the process of being constructed or developed

	2026	2025
Cumulative expenditure of assets under construction recognised in the carrying value of investment property:		
Assets under construction	14 186 980	-

The City did not have any investment projects which took significant long to complete as projects are being implemented in phases. There were no projects which were halted during the year.

Transfer to/from other asset classes consist of:

Relating to 2025/26 FY:

Land amounting to R6,246,800 was received from PPE land and Land amounting to R 16,020 was received from land inventory as land is now held to earn rental income.

Relating to 2024/25 FY:

Amount of (R7,519,596) relating to investment property was transferred to operational and housing buildings as part of the capitalisation process.

Land amounting to R4,139,923 was received from land inventory (R 1,429,723) and PPE land (R 2,710,200) as land is held to earn rental income

	2026	2025
Other disclosure		
Total rental income received on investment property	47 301 329	30 568 805
Disclosure of repairs and maintenance (material and cost)	23 359 374	25 576 293
	70 660 703	**56 145 098**

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 City.

No assets of the City were pledged as security and there are no restrictions on the assets' title deeds

Notes to the Annual Financial Statements

Figures in Rand	2026	2025

4. Property, plant and equipment

	2026			2025		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	1 995 922 334	-	1 995 922 334	2 002 169 134	-	2 002 169 134
Infrastructure	78 825 054 244	(29 241 065 232)	49 583 989 012	76 407 199 610	(27 337 311 549)	49 069 888 061
Community	9 684 496 476	(3 785 681 290)	5 898 815 186	9 514 267 620	(3 462 442 483)	6 051 825 137
Moveable Assets	4 632 031 725	(3 950 032 379)	681 999 346	4 415 970 222	(3 793 995 300)	621 974 922
Operational and housing buildings	5 220 193 311	(2 088 194 486)	3 131 998 825	5 055 750 762	(1 919 455 390)	3 136 295 372
Total	**100 357 698 090**	**(39 064 973 387)**	**61 292 724 703**	**97 395 357 348**	**(36 513 204 722)**	**60 882 152 626**

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2026

	Opening balance	Additions	Disposals	Other Movements	Transfers To/From other classes	Depreciation	Impairment loss	Total
Land	2 002 169 134	-	-	-	(6 246 800)	-	-	1 995 922 334
Infrastructure	49 069 888 061	2 456 535 796	(1 911 673)	54 858 544	(89 414 850)	(1 905 058 295)	(908 571)	49 583 989 012
Community	6 051 825 137	164 997 505	(376 334)	-	9 613 278	(270 419 947)	(56 824 453)	5 898 815 186
Moveable Assets	621 974 922	216 061 503	-	-	-	(156 037 079)	-	681 999 346
Operational and housing buildings	3 136 295 372	84 901 187	(3 828)	-	79 801 558	(153 189 818)	(15 805 646)	3 131 998 825
	60 882 152 626	**2 922 495 991**	**(2 291 835)**	**54 858 544**	**(6 246 814)**	**(2 484 705 139)**	**(73 538 670)**	**61 292 724 703**

Reconciliation of property, plant and equipment - 2025

	Opening balance	Additions	Disposals	Other Movements	Transfer to/from other asset classes	Depreciation	Impairment loss	Total
Land	2 004 879 334	-	-	-	(2 710 200)	-	-	2 002 169 134
Infrastructure	48 579 248 827	2 248 794 754	(2 224 404)	182 435 723	28 058 291	(1 953 942 405)	(12 482 725)	49 069 888 061
Community	6 172 546 231	196 447 598	-	-	(52 353 227)	(262 338 111)	(2 477 354)	6 051 825 137
Moveable Assets	702 701 455	96 420 648	(1 391 977)	-	-	(175 755 204)	-	621 974 922
Operational and housing buildings	3 170 824 512	87 727 504	-	-	31 814 413	(154 071 057)	-	3 136 295 372
	60 630 200 359	**2 629 390 504**	**(3 616 381)**	**182 435 723**	**4 809 277**	**(2 546 106 777)**	**(14 960 079)**	**60 882 152 626**

Figures in Rand	2026	2025

4. Property, plant and equipment (continued)

Other movements and transfers to other assets

The other movement in infrastructure assets relates to changes in the provision for landfill for R4,870,839 (2025: R7,532,928) and the donated assets of R49,987,705 (2025: R189,968,651) received by the City in the current year.

Transfer (to)/from other assets classes relates to:

Relating to 2025/26 FY:
- The land amounting to R6,246,800 was transferred to investment properties as land is held to earn rental income
- Amount of (R89,414,850) relating to infrastructure assets were transferred to Community assets(R9,613,278) and to Operational and housing buildings (R79,801,558) as a part of the capitalisation process.
- Amount of R9,613,278 relating to community assets were received from infrastructure assets as part of the capitalisation process.
- Amount of R79,801,558 relating to Operational and housing buildings were received from infrastructure assets as part of the capitalisation process

Relating to 2024/25 FY:
- The land amounting to R2,710,200 was transferred to investment properties as land is held to earn income
- Amount of R28,058,291 relating to infrastructure assets were received from Community assets as part of the capitalisation process.
- Amount of (R52,353,227) relating to community assets that was transferred to Infrastructure assets (R28,058,291) and Operational and housing buildings (R24,294,834) as part of the capitalisation process
- Amount of R24,294,834 relating to Operational and housing buildings were received from Community assets and R7,519,579 were received from Investment properties as part of the capitalisation process

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

Cumulative expenditure recognised in the carrying value of property, plant and equipment		
Infrastructure	7 062 328 736	5 870 517 300
Community	668 345 216	788 080 658
Operational and housing buildings	636 544 465	565 926 033
	8 367 218 417	**7 224 523 991**

The City identified the followings projects deemed to be taking significantly longer to complete, these projects can be categorised into the following reasons, deferred due to budgets constraints and changes in grant reforms. The number projects stopped in 2026 (202 projects), 2025 (225 projects). These can also be attributed to adverse economic conditions and failing liquidity position.

The City disclosed the aggregate amount per class as per below:

Carrying value of property, plant and equipment that is taking a significantly longer period of time to complete than expected		
Infrastructure	339 862 618	380 599 245
Community	135 723 785	173 736 291
Operational and housing buildings	75 290 679	102 207 925
	550 877 082	**656 543 461**

Disclosure of repairs and maintenance (material and other costs))		
Infrastructure	3 232 287 128	3 248 871 911
Other assets	953 099 280	242 566 691
	4 185 386 408	**3 491 438 602**

Additional information

Included in other movement, are additions received from public contributed assets with deemed cost of R49,987,705 (2025: R189,968,651). Deemed cost was determined using fair value or depreciated replacement cost, depending on the most appropriate measurement for the specific asset/scenario.

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 City.

4. Property, plant and equipment (continued)

No assets of the City were pledged as security and there are no restrictions on the asset's title deeds.

The City owns living animals which are used to deliver services. However, the cost of these animals are not material and is recognised as part of Other property, plant and equipment and not separately as per GRAP 110, Living and non-living resources.

5. Intangible assets

	2026			2025		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	1 254 130 292	(523 252 349)	730 877 943	1 230 952 115	(443 787 889)	787 164 226
Servitudes	243 798 639	-	243 798 639	243 798 639	-	243 798 639
Total	**1 497 928 931**	**(523 252 349)**	**974 676 582**	**1 474 750 754**	**(443 787 889)**	**1 030 962 865**

Reconciliation of intangible assets -2026

	Opening balance	Additions	Amortisation	Total
Computer software, other	787 164 226	23 178 176	(79 464 459)	730 877 943
Servitudes	243 798 639	-	-	243 798 639
	1 030 962 865	**23 178 176**	**(79 464 459)**	**974 676 582**

Reconciliation of intangible assets - 2025

	Opening balance	Additions	Amortisation	Total
Computer software, other	854 352 133	29 526 352	(96 714 259)	787 164 226
Servitudes	243 798 639	-	-	243 798 639
	1 098 150 772	**29 526 352**	**(96 714 259)**	**1 030 962 865**

Other information

The City did not have any intangible assets/projects taking significantly longer to complete.

Intangible assets in the process of being constructed or developed

	2026	2025
Cumulative expenditure of assets under construction recognised in the carrying value of intangible assets:		
Software under development	142 991 867	119 813 691

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 City

No assets of the City were pledged as security and there are no restrictions on the asset's title deeds.

6. Heritage assets

	2026			2025		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Art Collections, antiquities and exhibits	20 216 333	-	20 216 333	20 216 333	-	20 216 333
Conservation areas	351 149	-	351 149	351 149	-	351 149
Historical buildings	5 425 362	(1 039 016)	4 386 346	5 425 362	(1 039 016)	4 386 346
Other heritage assets	58 931 439	(1 877 834)	57 053 605	58 931 439	(1 877 834)	57 053 605
Total	**84 924 283**	**(2 916 850)**	**82 007 433**	**84 924 283**	**(2 916 850)**	**82 007 433**

6. Heritage assets (continued)

Reconciliation of heritage assets 2026

	Opening balance	Total
Art Collections, antiquities and exhibits	20 216 333	20 216 333
Conservation areas	351 149	351 149
Historical buildings	4 386 346	4 386 346
Other heritage assets	57 053 605	57 053 605
	82 007 433	**82 007 433**

Reconciliation of heritage assets 2025

	Opening balance	Total
Art Collections, antiquities and exhibits	20 216 333	20 216 333
Conservation areas	351 149	351 149
Historical buildings	4 386 346	4 386 346
Other heritage assets	57 053 605	57 053 605
	82 007 433	**82 007 433**

Other additional information

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 City.

No assets of the City were pledged as security and there are no restrictions on the assets's title deeds.

7. Interests in other entities

Investments in controlled entities

Name	% ownership interest 2026	% ownership interest 2025	Carrying amount 2026	Carrying amount 2025
Ekurhuleni Water Care Company, NPC	97.00 %	97.00 %	-	-
Ekurhuleni Housing Company	100.00 %	100.00 %	100	100
			100	100

Split between financial instruments and non-financial instruments

	2026	2025
Other non-financial instruments related	100	100
Carrying amount of non-financial instruments	100	100
Total split between financial instruments and non-financial instruments	**100**	**100**

Notes to the Annual Financial Statements

Figures in Rand	2026	2025

8. Other investments

At cost	4 000 000	4 000 000
Unlisted shares		
At amortised cost	505 440 231	368 546 554
Investments		
These investments have varying interest rates as well as varying maturity dates		
Total	**509 440 231**	**372 546 554**

Split between non-current and current portions

Non-current assets at amortised cost	351 633 532	225 173 226
Current assets at cost	157 806 699	147 373 328
Total	**509 440 231**	**372 546 554**

Fair value information has not been provided for equity instruments that do not have a quoted market price therefore fair value cannot be measured reliably.

The carrying amounth of these finacial instrumements is as follows:

Rand Airport

20% interest in ordinary shares

The company's draft financial statements used were for the period ended 28 February 2021 and no further financial information is available.

The assets held by the Rand Airport company is represented by various assets and based on the company's information management believe that there is no impairment on the investment made in the company, as the value of the various assets has appreciated over the years. The value of the City's investment is insignificant, any future impairment will not impact the City's financial position

The City has not reclassified any financial assets from cost or amortised cost to fair value during the current or prior year.

There were no gains or losses realised on the disposal of held to maturity financial assets for the period ended 30 June 2026, as all the financial assets will be disposed of at their redemption date.

Investments with a carrying value of R347,633,532 (2025: R221,173,226) are held with the top two banks in South Africa for the repayment of long-term liabilities with a carrying value of R2,000,000,000 (2025: R2,000,000,000) as disclosed in the long-term liabilities note (note 17). The amount of R2,000,000,000 (2025: R2,000,000,000) consists of a loan for which structrured (deposit sinking funds) was established.

None of the investments at amortised cost are past due or impaired.

Credit quality of other financial assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (as determined by rating agencies) available, or to historical information about counterparty default rates. Investments are only made with South African top five banks.

Split between financial instruments and non-financial instruments

Carrying amount of financial instruments	509 440 231	372 546 554

Split of carrying amount of financial instruments into categories

Financial assets measured at cost	4 000 000	4 000 000
Financial assets measured at amortised cost	505 440 231	368 546 554
Carrying amount of financial instruments included in total split between financial instruments and non-financial instruments	**509 440 231**	**372 546 554**

Figures in Rand	2026	2025

8. Other investments (continued)

Financial instrument disclosure

Additional information on the financial instrument components of this note, as required by GRAP 104, is provided in note 50 - Financial Instruments - Risk Management and Other Disclosures.

9. Long-term receivables and other receivables

Non - current receivables	3 992 808	4 139 067
Bad debt provision	(2 224 992)	(2 196 101)
Vat input on Trade payables: non current liabilities	42 420 509	-
Total	**44 188 325**	**1 942 966**

Split between current and non-current portions

The vat input claimable relating to the Eskom payment arrangement is not subject to ECL requirements.

10. Inventories

Electrical consumables	348 773 068	406 589 869
Cleansing consumables	762 901	32 083 517
Consumable stores	9 341 591	18 116 129
Maintenance materials	52 885 692	15 337 033
Water consumables	77 680 645	49 808 531
Land held as inventory for social housing and development	1 165 281 875	1 165 297 895
Fuel (Diesel, Petrol)	17 014 516	10 423 248
Total	**1 671 740 288**	**1 697 656 222**

Inventory written down due to redundancy/obsolescence is valued at R10,265,202 (2025: R7,558,319) by way of a provision for obsolete inventories.

Land amounting to R 16,020 (2025:R1,429,723) was transferred to investment properties as land is now held to earn rental income

Included in the inventory balance

Included in the inventory balance is land held for social housing development that has been carried for more than 12 months due to the development of the social housing units taking morethan 12 months to complete.	1 165 281 875	1 151 382 861

Notes to the Annual Financial Statements

Figures in Rand	2026	2025

11. Receivables from exchange transactions

Trade service and consumer service debtors		
Consumer debtors - Electricity - Gross	6 525 080 229	5 870 224 683
Consumer debtors - Electricity - Impairment	(1 993 167 526)	(2 687 875 919)
Consumer debtors - Water - Gross	14 995 649 926	11 179 122 259
Consumer debtors - Water - Impairment	(12 174 033 966)	(7 984 865 052)
Consumer debtors - Waste water	4 281 006 569	3 240 528 187
Consumer debtors - Waste water - Impairment	(3 508 673 438)	(2 344 580 175)
Consumer debtors - Refuse - Gross	2 732 198 128	2 196 178 468
Consumer debtors - Refuse - Impairment	(2 161 871 090)	(1 763 810 384)
Consumer debtors - Other - Gross	418 163 297	359 499 597
Consumer debtors - Other - Impairment	(417 886 430)	(356 332 934)
Consumer debtors - Interest and sundries - Gross	4 905 930 186	4 455 850 191
Consumer debtors - Interest and sundries - Impairment	(4 438 309 227)	(3 480 913 053)
	9 164 086 658	**8 683 025 868**
Other receivables		
VAT accruals on outstanding creditors	1 986 818 796	1 616 327 282
Pre-paid electricity 3rd party vendors	40 797 752	40 947 120
VAT Control	-	325 082 300
Other receivables	252 623 793	201 956 043
	2 280 240 341	**2 184 312 745**
Total	**11 444 326 999**	**10 867 338 613**

Split between non-current and current portions

Split between financial instruments and non-financial instruments

Other non-financial instruments related	2 027 616 548	1 982 356 702
Carrying amount of non-financial instruments	2 027 616 548	1 982 356 702
Carrying amount of financial instruments	9 416 710 451	8 884 981 911
Carrying amount of financial instruments included in total split between financial instruments and non-financial instruments	**11 444 326 999**	**10 867 338 613**

Split of carrying amount of financial instruments into categories

Financial assets measured at amortised cost	9 416 710 451	8 884 981 911

11. Receivables from exchange transactions (continued)

Trade service and consumer service debtors

Despite the requirement to apply the Standard of GRAP on Financial Instruments (GRAP 104) retrospectively, the City was not required to restate prior periods, please refer to note 48.

The average credit period for consumer receivables is 30 days. No interest is charged on trade receivables for the first 30 days from the date of the invoice. Thereafter interest is charged at the prime rate per annum on the outstanding balance. The municipality strictly enforces its approved credit control policy to ensure the recovery of consumer receivables.

	2026 Gross	2026 Impairment	2026 Total	2025 Gross	2025 Impairment	2025 Total
Consumer debtors - Electricity	6 525 080 229	(1 993 167 526)	4 531 912 703	5 870 224 683	(2 687 875 920)	3 182 348 763
Consumer debtors - Water	14 995 649 925	(12 174 033 965)	2 821 615 960	11 179 122 259	(7 984 865 052)	3 194 257 207
Consumer debtors - Waste water	4 281 006 569	(3 508 673 437)	772 333 132	3 240 528 187	(2 344 580 176)	895 948 011
Consumer debtors - Refuse	2 732 198 128	(2 161 871 090)	570 327 038	2 196 178 468	(1 763 810 384)	432 368 084
Consumer debtors - Interest and sundries	4 905 930 186	(4 438 309 227)	467 620 959	4 455 850 192	(3 490 343 993)	965 506 199
Consumer debtors - Other	418 163 298	(417 886 430)	276 868	359 499 597	(346 901 990)	12 597 607
	33 858 028 335	**(24 693 941 675)**	**9 164 086 660**	**27 301 403 386**	**(18 618 377 515)**	**8 683 025 871**

2026

Ageing of impaired trade service and consumer service debtors	**Current**	**31 - 60 days**	**61 - 90 days**	**91 - 120 days +**	**Total**
Consumer debtors - Electricity	126 826 066	49 719 944	38 736 405	1 777 885 111	1 993 167 526
Consumer debtors - Water	399 761 606	424 500 411	251 524 255	11 098 247 692	12 174 033 964
Consumer debtors - Waste water	155 749 207	143 893 216	86 857 081	3 122 173 933	3 508 673 437
Consumer debtors - Refuse	151 453 258	44 383 447	38 028 702	1 928 005 683	2 161 871 090
Consumer debtors - Interest and sundries	155 233 612	121 006 758	109 242 109	4 052 826 748	4 438 309 227
Consumer debtors - Other	4 909 894	5 897 603	5 523 805	401 555 128	417 886 430
	993 933 643	**789 401 379**	**529 912 357**	**22 380 694 295**	**24 693 941 674**

	2026 Opening balance	2026 Implementation of GRAP 104 Revised	2026 Remeasurement of loss allowance	2026 Debt written off	2026 Closing balance
Trade and other receivables from exchange transactions	18 618 377 514	1 183 577 443	7 058 316 239	(2 166 329 520)	24 693 941 676

Notes to the Annual Financial Statements

Figures in Rand	2026	2025

11. Receivables from exchange transactions (continued)

The impairment provision for consumer debtors is calculated in accordance with GRAP 104's forward-looking expected credit loss model, applying the simplified approach which requires recognition of lifetime expected credit losses from initial recognition until derecognition. The model is calibrated from the municipality's own historical exposure and payment data over 36 months, grouped by debtor groups with similar credit risk characteristics, and estimates for each group, service and ageing bucket the probability that an outstanding balance will ultimately not be recovered

Loss rates are adjusted for approved tariff increases in excess of inflation and for approved management adjustments, each separately quantified in the impairment workings. The concentration of credit risk is limited: the consumer base is large and unrelated, with no single consumer representing a material concentration; concentration by group and by age is set out in the provision matrix. The municipality holds no collateral over consumer debtor balances other than consumer deposits, which are recognised as liabilities and not offset.

The impairment in the prior year as per the previous impairment policy was based on the payment on total outstaning debt, thereof it was never performed per service category and not debt ageing.

12. Receivables from non-exchange transactions (Statutory)

Traffic fines - Gross	3 484 899 095	3 355 078 712
Traffic fines - Impairment	(2 857 788 339)	(2 739 788 968)
Property rates debtors - Gross	8 418 581 154	6 174 414 734
Property rates debtors - Impairment	(6 526 201 168)	(4 484 157 369)
Total	**2 519 490 742**	**2 305 547 109**

Gross fines receivable		
Traffic fines opening balance	3 355 078 712	3 239 765 549
Fines collected during the year relating to prior years	(12 115 595)	(86 746 844)
Fines revenue accrued during the year	141 935 979	202 060 007
	3 484 899 096	**3 355 078 712**

Impairment -Traffic fines		
Opening balance	(2 739 788 968)	(2 653 787 031)
Impairment raised	(117 999 371)	(86 001 937)
	(2 857 788 339)	**(2 739 788 968)**

Credit quality of receivables from non-exchange transactions (statutory).

The credit quality of statutory receivables that are neither past nor due nor impaired can be assessed by previous payments and collection trends, and any other default information.

12. Receivables from non-exchange transactions (Statutory) (continued)

	2026			2025		
	Gross	**Impairment**	**Total**	**Gross**	**Impairment**	**Total**
Property rates debtors	8 418 581 164	(6 526 201 167)	1 892 379 997	6 174 414 734	(4 484 157 369)	1 690 257 365
Traffic fines	3 484 899 095	(2 857 788 339)	627 110 756	3 355 078 712	(2 739 788 968)	615 289 744
	11 903 480 259	**(9 383 989 506)**	**2 519 490 753**	**9 529 493 446**	**(7 223 946 337)**	**2 305 547 109**

Ageing of receivables from non-exchange transactions

2026

Ageing by type	**Current**	**31 - 60 days**	**61 - 90 days**	**91 - 120 days+**	**Total**
Property rates debtors	362 266 262	188 279 321	162 813 671	5 812 841 914	6 526 201 168
Traffic fines	627 110 756	-	-	-	627 110 756
	989 377 018	**188 279 321**	**162 813 671**	**5 812 841 914**	**7 153 311 924**

Impairment reconciliation of property rates debtors

	2026				
	Opening balance	**Change in accounting estimate**	**Remeasurement of loss allowance**	**Debt written off**	**Closing balance**
Property rates debtors	4 484 157 370	991 884 355	1 478 880 175	(428 720 732)	6 526 201 168

13. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	499 030	499 030
Bank balances	1 565 372 196	1 271 815 418
Total	**1 565 871 226**	**1 272 314 448**

Figures in Rand	2026	2025

13. Cash and cash equivalents (continued)

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

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

Credit rating		
ABSA BANK - Direct Banking Alberton - 111-840-0646	-	(1 447 000)
ABSA BANK - Direct banking Edenvale - 4055442596	(191 863)	-
CoE Income Edenvale - 4055442546	-	9 500
ABSA BANK - Direct banking Germiston - 250000804	-	(40 787)
ABSA BANK - Direct banking Kempton Park - 260181599	(14 061 073)	(2 097 638)
ABSA BANK - Direct Banking KLBoksburg - 230000220	(459 551)	(132 647)
ABSA BANK - Direct Banking Benoni - 4055328015	(12 127)	(316 520)
ABSA BANK - Direct Springs -280000051	(47 049)	(156 579)
CoE Springs Income	-	300
CoE Springs Market Account	-	244 505
ABSA BANK - Expenditure imprest acc - 4055571915	110 000	4 687
ABSA BANK - Income Brakpan - 240000024	(226 260)	(500 314)
COE Lease Account Nedbank	-	220 442
ABSA BANK - Mask Account Benoni- 4065622380	(2 637 609)	-
ABSA BANK - Primary bank Acc - 4053835084	60 422 260	66 240 401
ABSA BANK - Treasury account - 4055571931	114 186 446	171 120 933
ABSA BANK - Solid Waste - 4101446161	(616)	-
COE Investment Account	75 521 178	120 196 218
CoE License Income	-	2 075 941
COE Nedbank Call Account	252 282 405	95 407 329
COE Charges account Std 281183953	12 886 429	10 096 797
EFF (External Funding Fund)	6 291 365	2 173 756
COE Depreciation Reserve	697 986	681 367
COE Housing Call	6 837 175	1 217 453
COE Primary Call	115 816 848	117 806 701
COE USDG Account	6 907 480	1 782 230
FNB Mask account 62379403745	48 070 609	62 174 508
Nedbank Direct banking Boksburg	4 285 175	5 864 046
Nedbank Direct banking Germiston	3 449 396	4 333 150
Nedbank E-Siyakhokha	91 293	336 288
Nedbank IRPTN Bank 2 Funding 1119114845	25 938	1 289 875
Nedbank IRPTN Transport - collection 1120949068	14 616 832	8 059 591
Nedbank Library Account	80 719	56 408
Nedbank Primary Bank account 1119114764	4 885 985	19 796 538
Nedbank Mask account 1104446634 Charges	16 393 684	8 559 806
Nedbank Treasury account 1119114810	34 423 189	1 701 042
Cash on hand	499 030	499 030
Standard bank Mask account	-	(500)
COE Alberton direct banking Std 281181799	-	(367 522)
COE Benoni direct banking Std 281181969	(736 189)	(33 178)
COE Boksburg income Std 281182043	-	38 153
COE Boksburg direct banking Std 281182094	(356 092)	(34 252)
COE Brakpan income Std 281182221	89 303	-
COE Brakpan direct banking Std 281182280	(79 263)	(37 658)
COE Edenvale direct banking Std 281182493	(275 719)	(1 513 367)
COE Germiston income Std 281182604	515 192	-
COE Germiston direct banking Std 281182612	-	(26 997)
COE Bus income Std 281182779	-	(428)
COE Kempton park direct Std 281183287	(3 616 577)	(490 116)
COE Lease income Std 281183635	-	(79 970)
COE Nigel direct banking Std 281182949	(25 131)	(4 000)
COE Springs direct banking Std 281183023	(750 082)	(96 043)
COE Treasury account Std 281181365	718 282 224	481 437 268
COE Expenditure account Std 281181446	12 713 380	315 120
COE Salary account Std 281181527	7 057 701	46 860 085
City of Ekurhuleni metropolitan mun Std 281181578	32 258 615	26 280 977
COE License income Std 281183589	27 430 307	-
COE IRPTN collection Std 281183813	1 061 728	1 001 606
COE Fleet and travel cards account Std 281183937	1 240 874	1 749 791
COE Clearance refunds account Std 281183945	1 061 728	1 001 606

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Figures in Rand	2026	2025
13. Cash and cash equivalents (continued)		
COE Charges account Std 281183953	7 552 973	-
COE Springs market account Std 281183961	1 300 976	2 425 537
Nedbank Dir Banking Kempton Park	-	63 492
Nedbank Direct Banking Alberton	-	301 892
Nedbank Direct Banking Benoni	-	330 407
Nedbank Direct Banking Brakpan	-	113 327
Nedbank Direct Banking Edenvale	-	461 531
CoE Salary Account	-	24 006
Nedbank Direct Banking Nigel	-	2 077 567
Nedbank Direct Banking Springs	-	141 863
Nedbank License Account	-	(217)
	-	13 117 111
	1 565 871 226	**1 272 314 448**

Additional information on the financial instrument components of this note, as required by GRAP 104, is provided in note 50 Financial Instruments - Risk Management and Other Disclosures.

13. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2026	30 June 2025	30 June 2024	30 June 2026	30 June 2025	30 June 2024
ABSA BANK - Direct Banking Alberton - 111-840-0646	-	-	-	-	(1 447 000)	(227 985)
ABSA BANK - Direct banking Edenvale - 4055442596	(191 863)	-	-	(191 863)	-	(5 692)
CoE Income Edenvale - 4055442546	-	9 500	-	-	9 500	-
ABSA BANK - Direct banking Germiston - 250000804	-	-	-	-	(40 787)	(355 237)
ABSA BANK - Germiston Income Account	-	-	-	-	-	973
ABSA BANK - Direct banking Kempton Park - 260181599	(14 061 073)	-	-	(14 061 073)	(2 097 638)	(2 505 516)
ABSA BANK - Income Kempton Park	-	-	-	-	-	(16 870)
ABSA BANK - Direct Banking KLBoksburg - 230000220	(459 551)	-	-	(459 551)	(132 647)	(15 137)
ABSA BANK - Income Boksburg - 230000255	-	-	-	-	-	30 343
ABSA BANK - Direct Banking Benoni - 4055328015	(12 127)	-	-	(12 127)	(316 520)	(1 233 682)
ABSA BANK - Income Benoni - 4055327394	-	-	-	-	-	(8 369)
ABSA BANK - Direct Springs - 280000051	(47 049)	-	-	(47 049)	(156 579)	(198 152)
CoE Springs Income	-	300	-	-	300	(7 878)
CoE Springs Market Account	-	244 505	2 564 900	-	244 505	2 564 900
ABSA BANK - Expenditure imprest acc - 4055571915	110 000	4 687	2 401 552	110 000	4 687	7 374 276
ABSA BANK - Income Brakpan - 240000024	(226 260)	-	-	(226 260)	(500 314)	(23 656)
COE Lease Account Nedbank	-	232 302	-	-	220 442	(179 238)
ABSA BANK - Mask Account Benoni- 4065622380	(2 637 609)	-	-	(2 637 609)	-	(140 703)
ABSA BANK - Primary bank Acc - 4053835084	60 422 260	66 240 401	19 166 364	60 422 260	66 240 401	19 166 364
ABSA BANK - Treasury account - 4055571931	114 186 446	171 120 933	339 334 623	114 186 446	171 120 933	339 334 623
ABSA BANK - Solid Waste - 4101446161	(616)	-	-	(616)	-	-
COE Investment Account	75 521 178	120 196 218	1 528 017	75 521 178	120 196 218	1 528 017
CoE License Income	-	2 075 941	-	-	2 075 941	-
COE Nedbank Call Account	252 282 405	95 407 329	5 570 846	252 282 405	95 407 329	5 570 846
COE Charges account Std 281183953	12 886 429	10 096 797	-	12 886 429	10 096 797	-
EFF (External Funding Fund)	6 291 365	2 173 756	2 077 926	6 291 365	2 173 756	2 077 926
COE Depreciation Reserve	697 986	681 367	652 973	697 986	681 367	652 973
COE Housing Call	6 837 175	1 217 453	1 165 309	6 837 175	1 217 453	1 165 309
COE Primary Call	115 816 848	117 806 701	5 056 008	115 816 848	117 806 701	5 056 008
COE TRAFFIC FINES INC	-	-	(1 033)	-	-	(1 033)
COE USDG Account	6 907 480	1 782 230	1 704 286	6 907 480	1 782 230	1 704 286
FNB Mask account 62379403745	48 070 609	62 463 121	118 305 744	48 070 609	62 174 508	118 305 744
Nedbank Direct banking Boksburg	4 285 175	5 915 138	773 954	4 285 175	5 864 046	365 646
Nedbank Direct banking Germiston	3 449 396	4 386 197	468 206	3 449 396	4 333 150	427 470
Nedbank E-Siyakhokha	91 293	362 550	(500 132)	91 293	336 288	(2 234 304)
Nedbank IRPTN Bank 2 Funding 1119114845	25 938	1 289 875	492 917	25 938	1 289 875	492 918
Nedbank IRPTN Transport - collection 1120949068	14 616 832	8 059 591	5 405 570	14 616 832	8 059 591	5 405 570
Nedbank Library Account	80 719	56 408	-	80 719	56 408	-
Nedbank Primary Bank account 1119114764	4 885 985	19 796 538	3 246 776	4 885 985	19 796 538	3 246 776

13. Cash and cash equivalents (continued)

Nedbank Mask account 1104446634 Charges	16 393 684	8 559 806	7 234 392	16 393 684	8 559 806	7 234 392
Nedbank Treasury account 1119114810	34 423 189	1 701 042	36 162 673	34 423 189	1 701 042	36 162 673
Cash on hand	-	-	-	499 030	499 030	501 530
Standard bank Mask account	-	-	4 105 700	-	(500)	4 094 730
COE Alberton direct banking Std 281181799	-	-	-	-	(367 522)	-
COE Benoni direct banking Std 281181969	(736 189)	-	-	(736 189)	(33 178)	-
COE Boksburg income Std 281182043	-	-	-	-	38 153	-
COE Boksburg direct banking Std 281182094	(356 092)	-	-	(356 092)	(34 252)	-
COE Brakpan income Std 281182221	89 303	-	-	89 303	-	-
COE Brakpan direct banking Std 281182280	(79 263)	-	-	(79 263)	(37 658)	-
COE Edenvale direct banking Std 281182493	(275 719)	-	-	(275 719)	(1 513 367)	-
COE Germiston income Std 281182604	515 192	-	-	515 192	-	-
COE Germiston direct banking Std 281182612	-	-	-	-	(26 997)	-
COE Bus income Std 281182779	-	(428)	-	-	(428)	-
COE Kempton park direct Std 281183287	(3 616 577)	-	-	(3 616 577)	(490 116)	-
COE Lease income Std 281183635	-	-	-	-	(79 970)	-
COE Nigel direct banking Std 281182949	(25 131)	-	-	(25 131)	(4 000)	-
COE Springs direct banking Std 281183023	(750 082)	-	-	(750 082)	(96 043)	-
COE Treasury account Std 281181365	718 282 224	481 437 268	-	718 282 224	481 437 268	-
COE Expenditure account Std 281181446	12 713 380	355 569	-	12 713 380	315 120	-
COE Salary account Std 281181527	7 057 701	46 860 085	-	7 057 701	46 860 085	-
City of Ekurhuleni metropolitan mun Std 281181578	32 258 615	26 280 977	-	32 258 615	26 280 977	-
COE License income Std 281183589	27 430 307	-	-	27 430 307	-	-
COE IRPTN collection Std 281183813	1 061 728	1 001 606	-	1 061 728	1 001 606	-
COE Fleet and travel cards account Std 281183937	1 240 874	1 749 791	-	1 240 874	1 749 791	-
COE Clearance refunds account Std 281183945	1 061 728	1 001 606	-	1 061 728	1 001 606	-
COE Charges account Std 281183953	7 552 973	-	-	7 552 973	-	-
COE Springs market account Std 281183961	1 300 976	2 425 537	-	1 300 976	2 425 537	-
Nedbank Dir Banking Kempton Park	-	428 842	634 031	-	63 492	167 397
Nedbank Direct Banking Alberton	-	302 790	371 803	-	301 892	370 850
Nedbank Direct Banking Benoni	-	348 733	522 828	-	330 407	293 065
Nedbank Direct Banking Brakpan	-	474 417	290 975	-	113 327	12 873
Nedbank Direct Banking Edenvale	-	569 114	1 465 380	-	461 531	1 465 380
CoE Salary Account	-	24 006	9 172 001	-	24 006	9 172 001
Nedbank Direct Banking Nigel	-	3 206 671	20 921 344	-	2 077 567	19 792 240
Nedbank Direct Banking Springs	-	457 833	23 089 358	-	141 863	22 677 605
Nedbank Expenditure Account - 1119114829	-	-	1 708 859	-	-	1 708 859
Nedbank License Account	-	(217)	4 978	-	(217)	4 978
Nedbank Traffic Fines Account	-	-	24 465	-	-	24 465
E-Siyakhokha Mask Account	-	13 117 110	4 824 631	-	13 117 111	4 824 631
Total	**1 565 372 196**	**1 281 921 994**	**619 948 224**	**1 565 871 226**	**1 272 314 448**	**615 825 185**

Figures in Rand	2026	2025

14. Trade payables from exchange transactions: Non current liabilities

Trade payables from exchange transactions The City entered into a payment arrangement with Eskom relating debt owed.	325 223 901	-

Split between current and non-current portions

Split between financial instruments and non-financial instruments

Carrying amount of financial instruments	325 223 901	-

Split of carrying amount of financial instruments into categories

Financial liabilities measured at amortised cost	325 223 901	-

Financial instrument disclosure

Additional information on the financial instrument components of this note, as required by GRAP 104, is provided in note 50 Financial Instruments - Risk Management and Other Disclosures.

15. Long-term borrowings

Bank loan - DBSA Interest on the DBSA loans varies from 9.985% and 12.41%. The loans are unsecured. Capital will be repaid by means of a once-off bullet repayments and semi-annual installments at maturity of the loan, redemption date vary between September 2031 and May 2034.	4 383 140 106	4 759 391 533
Bank loan - Nedbank Interest rates on the loan is 10.27%. The loan is unsecured. The loan shall be repaid by not later than the termination date and shall be repaid in semi-annual instalments, redemption date: June 2034.	710 432 102	765 571 875
Municipal bonds Interest rates on the JSE CoE bonds vary between 9.155% and 11.80 % per annum. Redemption dates on these bonds vary between June 2025 and July 2032.	1 464 072 549	1 830 550 225
Total	**6 557 644 757**	**7 355 513 633**

Split between current and non-current portions

Non-current liabilities	5 647 993 838	6 470 401 042
Current liabilities	909 650 919	885 112 591
	6 557 644 757	**7 355 513 633**

Split between financial instruments and non-financial instruments

Carrying amount of financial instruments	6 557 644 757	7 355 513 633

Encumbered investments

Investments with a carrying value of R351,633,532 are included in non-current assets (2025: R221,173,226) and are held with the top two banks in South Africa for the repayment of long-term liabilities with a carrying value of R2,000,000,000 (2025: R2,000,000,000) as disclosed in the long-term liabilities note (note 17). The amount of R2,000,000,000 (2025: R2,000,000,000) consists of a bond for which structured (deposit sinking funds) was established.

Split of carrying amount of financial instruments into categories

Financial liabilities measured at amortised cost	6 557 644 757	7 355 513 633

Financial instrument disclosure

Additional information on the financial instrument components of this note, as required by GRAP 104, is provided in note 50 Financial Instruments - Risk Management and Other Disclosures.

Notes to the Annual Financial Statements

Figures in Rand	2026	2025

16. Trade and other payables from exchange transactions

Trade payables	16 290 801 218	13 042 692 075
Receipts in advance	1 487 036 373	1 507 636 106
Other payables	963 311 009	788 264 643
Retentions	1 362 838 597	1 206 122 264
Maintenance guarantees: new township development infrastructure	6 682 775	6 370 297
Unclaimed salaries	17 175 604	15 631 561
VAT balance on outstanding debtors	1 274 021 505	922 634 905
VAT Control	107 756 478	-
Total	**21 509 623 559**	**17 489 351 851**

Split between financial instruments and non-financial instruments

Other non-financial instruments related	2 892 672 735	2 452 272 869
Carrying amount of non-financial instruments	2 892 672 735	2 452 272 869
Carrying amount of financial instruments	18 616 950 824	15 037 078 982
Total split between financial instruments and non-financial instruments	**21 509 623 559**	**17 489 351 851**

Split of carrying amount of financial instruments into categories

Financial liabilities measured at amortised cost	18 616 950 824	15 037 078 982

Financial instrument disclosure

Additional information on the financial instrument components of this note, as required by GRAP 104, is provided in Note 50 Financial Instruments - Risk Management and Other Disclosures.

17. Deposits

Consumer deposits - electricity and water	1 423 658 017	1 335 960 527

Guarantees in lieu of electricity and water deposits is R387,039,651 (2025: R251,587,198).

Split between financial instruments and non-financial instruments

Carrying amount of financial instruments	1 423 658 017	1 335 960 527

Split of carrying amount of financial instruments into categories

Financial liabilities measured at amortised cost	1 423 658 017	1 335 960 527

Financial instrument disclosure

Additional information on the financial instrument components of this note, as required by GRAP 104, is provided in note 50 - Financial Instruments - Risk Management and Other Disclosures.

Notes to the Annual Financial Statements

18. Retirement benefit obligations

Defined benefit plans - General information

Retirement Funds

The City provides retirement benefits for its employees and councillors. The contributions to fund obligations for the payment of retirement benefits are expensed in the year in which they become payable. The City contributes to defined contribution and defined benefit funds. These funds are multi-employer funds

The council took a resolution in terms of an agreement with SALGA that the contribution rate to pension funds will be capped at 18% of salaries for new members joining pension funds after 1 July 2012 and also that the deducted contribution will only be transferred to defined contribution pension funds.

Defined Contribution Funds

Where an employee has rendered services to the City during the year, the City recognises the contribution payable to a defined contribution plan in exchange for that service immediately as an expense.

Defined Benefit Plans

The City does not apply “defined benefit accounting” to the defined benefit funds to which it is a member where these funds are classified in terms of GRAP 25 as multi-employer plans, as sufficient information is not available to apply the principals involved. The City contributes to the following defined benefit plans, which are governed by the Pension Fund Act of 1956 due to the nature of these funds and the fact that there is no consistent and reliable basis for allocating the obligation. Plan assets and cost to individual entities participating in the plan, these funds are accounted for as defined contribution funds in terms of paragraph 31 of GRAP 25, the total contributions are included in employee related costs, Note 28. As a result, GRAP 25 is applied and such funds are accounted for as defined contribution funds. The City's participation in these plans is limited to the obligation of its own employees. Due to the nature of the funds, the obligation for each fund cannot be reasonably determined.

The following funds have been treated as defined contribution plans although they are defined benefit funds:

1. Joint Municipal Pension Fund

The average contribution rate payable is 9% by the members and on average 22% by the City of Ekurhuleni. The last actuarial valuation on this fund was performed in September 2024 certified that the fund is in a sound financial state. The City of Ekurhuleni has 52 employees in this plan.

2. Municipal Employees Pension Fund

The average contribution rate payable is 7.5% by the members. The City of Ekurhuleni contributes 22% and 18% of members who existed as at 30 June 2012 and 01 July 2012, respectively. The last actuarial valuation on this fund was performed in February 2023 and it was certified that the fund is in a sound financial state. The City of Ekurhuleni has 912 employees in this plan.

3. South African Local Authorities Pension Fund

The average contribution rate payable is 9% by the members and on average 22.78% by the City of Ekurhuleni. The last actuarial valuation on this fund was performed as at 1 July 2021 and it was certified that the fund is in a sound financial state. The City of Ekurhuleni has 40 employees in this plan.

Germiston Municipal Retirement Fund (GMRF) is a defined contribution fund for active contributing members but a defined benefit fund for certain pensioners under the old rules taken in the rules of the fund. During 2005 GMRF outsourced the full administration of the pensioners component which relates to the old rules of the defined benefit fund.

To the extent that a surplus or deficit is in place, based on available information, this may affect the amount of future contributions once these are assessed. In the case of surpluses, no change is made in the rate of contributions. In the case of deficits, the City will increase contributions on a phased basis. To the extent that the full discounted value of obligations to the funds is not fully accounted for at year end, a contingent liability arises and is reported on accordingly.

4. Accrued Leave Pay

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total accrued leave days at year end. Refer to provisions note (note 17) for leave pay provision.

Retirement benefit obligation (medical aid plan)

Figures in Rand	2026	2025

18. Retirement benefit obligations (continued)

The City provides post-retirement benefits by subsidising the medical aid contributions of certain retired staff. According to the rules of the medical aid funds, with which the City is associated, a member (subject to the applicable conditions of service) on retirement, is entitled to remain a continued member of such medical aid fund, in which case the member is liable for the portion as determined by Council from time to time, of the medical aid membership fee, and the City for the remaining portion.

The number of employees who are eligible for post-retirement benefits as at 30 June 2026 are 12,026 (2025: 11,977) in-service employees and 2,132 (2025: 2,105) pensioners. The actuarial valuation was performed by Deloitte and Touche by applying the Projected Unit Funding method.

The basis owhich the discount rate has been determined is:

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

	2026	2025
Carrying value		
Present value of the defined benefit obligation	(2 630 028 854)	(2 417 261 953)
Non-current liabilities	(2 499 393 475)	(2 284 300 555)
Current liabilities	(130 635 379)	(132 961 398)
	(2 630 028 854)	**(2 417 261 953)**

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

	2026	2025
Opening balance	(2 417 261 799)	(2 087 761 554)
Benefits paid	130 366 132	124 496 787
Net expense recognised in the statement of financial performance	(343 133 187)	(453 997 032)
	(2 630 028 854)	**(2 417 261 799)**

Net expense recognised in the statement of financial performance are as follows:

	2026	2025
Current service cost	(75 469 503)	(251 572 828)
Interest cost	(264 720 327)	(68 417 222)
- Actuarial gains and losses arising from:	(2 943 357)	(134 006 982)
- Changes in financial assumptions	(157 298 644)	(331 482 280)
- Experience adjustments	154 355 287	197 475 298
	(343 133 187)	**(453 997 032)**

Key assumptions used

Assumptions used at the reporting date:

	2026	2025
Discount rates used	8.81 %	10.91 %
Health care cost inflation rate	4.93 %	6.80 %

	2026	2025
Key Demographic Assumptions		
Average retirement age for the City	63	63
Continuation of membership at retirement	90%	90%
Proportion assumed married at retirement	90%	90%
Mortality tables	SA 85/90	SA 85/90
Mortality post-retirement for pensioners	PA90	PA90
	-	-

Withdrawal from service

Age	Males	Females
20 - 24	16.00 %	24.00 %
25 - 29	12.00 %	18.00 %
30 - 34	10.00 %	15.00 %
35 - 39	8.00 %	10.00 %
40 - 44	6.00 %	6.00 %
45 - 49	4.00 %	4.00 %
50 - 54	2.00 %	2.00 %
55 - 59	1.00 %	1.00 %
60 +	- %	- %

18. Retirement benefit obligations (continued)

Other assumptions

Assumed healthcare cost trends rates have a significant effect on the amounts recognised in the statement of financial performance. A one percentage point change in assumed healthcare cost trends rates would have the following effects:

2026	**One percentage point increase**	**One percentage point decrease**
Medical inflation (service cost and interest cost)	189 441 113	204 336 685
Medical inflation (liability)	2 819 470 119	2 425 692 321
Valuation interest rate (service cost and interest cost)	279 086 343	338 236 492
Valuation interest rate (liability)	2 350 942 664	2 968 265 499

2025	**One percentage point increase**	**One percentage point decrease**
Medical inflation (service cost and interest cost)	43 083 296	44 120 535
Medical inflation (liability)	2 460 345 248	2 373 141 417
Valuation interest rate (service cost and interest cost)	234 707 856	280 431 444
Valuation interest rate (liability)	2 182 554 096	2 697 693 396

Amounts for the current and previous four years are as follows:	2026	2025	2024	2023	2022
Defined benefit obligation	(2 630 028 854)	(2 417 261 953)	(2 087 761 708)	(2 148 807 046)	(2 072 148 581)
(Deficit)	(2 630 028 854)	(2 417 261 953)	(2 087 761 708)	(2 148 807 046)	(2 072 148 581)
Experience adjustments on plan	2 943 357	134 006 982	(286 776 557)	(219 308 394)	291 345 000

Assumed assumption have a significant effect on the amounts recognised in surplus or deficit. A one percentage point change in assumed assumption would have the following effects:

The methods and assumptions used in preparing the sensitivity analyses and the limitations of those methods are [Provide details]

Changes from the previous period in the methods and assumptions used in preparing the sensitivity analyses, and the reasons for such changes are [Provide details]

Assumed assumption have a significant effect on the amounts recognised in surplus or deficit. A one percentage point change in assumed assumption would have the following effects:

The methods and assumptions used in preparing the sensitivity analyses and the limitations of those methods are [Provide details]

Changes from the previous period in the methods and assumptions used in preparing the sensitivity analyses, and the reasons for such changes are [Provide details]

Asset-liability matching strategies used by the plan or the entity, including the use of annuities and other techniques, such as longevity swaps, to manage risk, are as follows: [Provide details]

Funding arrangements and funding policy that affect future contributions are as follows: [Provide details].

The expected contributions to the plan for the next reporting period is -.

The following table presents information about the distribution of the timing of benefit payments:

The following table presents information about the weighted average duration of the defined benefit obligations:

[Provide additional information about the maturity profile of each defined benefit obligation]

The entity participates in a multi-employer defined benefit plan.

The funding arrangements, including the method used to determine the entity's rate of contributions and any minimum funding requirements, are as follows: [Describe]

The extent to which the entity can be liable to the plan for other entities' obligations under the terms and conditions of the multi-employer plan, is as follows: [Describe]

Agreed allocation of a deficit or surplus on:

18. Retirement benefit obligations (continued)

- Wind-up of the plan [Provide details]

- The entity's withdrawal from the plan [Provide details]

The entity accounted for the multi-employer plan [Describe] as a defined contribution plan, seeing as sufficient information is not available to enable the entity to account for the plan as a defined benefit plan.

The reason why sufficient information is not available to enable the entity to account for the plan as a defined benefit plan, is [Provide details].

The expected contributions to the plan for the next reporting period is -.

Deficit or surplus in the plan that may affect the amount of future contributions, including the basis used to determine that deficit or surplus and the implications for the entity is as follows [Provide details].

The level of participation of the entity in the plan compared with other participating entities is [Provide details]

The entity participates in a defined benefit plan that shares risks between entities under common control.

The binding arrangement for charging the net defined benefit cost (or the fact that there is no such arrangement), is [Provide details]

The policy for determining the contribution to be paid by the entity is [Provide details].

19. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

	2026	2025
Unspent conditional grants and receipts		
HIV/AIDS	-	1 689 948
Urban Settlement Development Grant (USDG)	57 056 243	-
Informal Settlement Upgrading Partnership Grant (ISUPG)	53 158 000	-
Recapitalisation of Community Libraries	4 571 117	-
Libraries Plan	4 957 762	415 976
	119 743 122	**2 105 924**

Movement during the year

	2026	2025
Balance at the beginning of the year	2 105 924	9 542 846
Additions during the year	11 174 431 349	10 672 052 224
Income recognition during the year	(11 054 804 236)	(10 676 876 808)
Surrendered/Appropriated	(1 989 915)	(2 612 338)
	119 743 122	**2 105 924**

Split between financial instruments and non-financial instruments

	2026	2025
Other non-financial instruments related	119 743 122	2 105 924
Carrying amount of non-financial instruments	119 743 122	2 105 924
Total split between financial instruments and non-financial instruments	**119 743 122**	**2 105 924**

20. Provisions

Reconciliation of provisions - 2026

	Opening Balance	Additions	Utilised during the year	Decreased during the year	Change in discount factor	Total
COID provision	24 275 132	2 670 265	(6 562 881)	-	-	20 382 516
Bonus provision	64 055 309	20 816 102	-	-	-	84 871 411
Leave provision	879 204 567	198 672 109	(128 010 131)	-	-	949 866 545
Landfill rehabilitation provision	491 821 984	-	(2 400 279)	-	54 100 418	543 522 123
Long service awards	626 943 049	42 145 274	(10 086 376)	(17 452 478)	50 705 210	692 254 679
GMRF	152 383 361	-	-	-	-	152 383 361
	2 238 683 402	**264 303 750**	**(147 059 667)**	**(17 452 478)**	**104 805 628**	**2 443 280 635**

Reconciliation of provisions - 2025

	Opening Balance	Additions	Utilised during the year	Decreased during the year	Change in discount factor	Total
COID provision	23 339 263	3 039 602	(2 103 733)	-	-	24 275 132
Bonus provision	62 912 894	18 068 505	(16 926 090)	-	-	64 055 309
Leave provision	804 445 054	196 565 854	(121 806 341)	-	-	879 204 567
Landfill rehabilitation provision	517 694 038	-	(83 859 801)	-	57 987 747	491 821 984
Long service awards	570 169 650	39 394 846	(9 444 602)	(26 207 988)	53 031 143	626 943 049
GMRF	100 500 452	51 882 909	-	-	-	152 383 361
	2 079 061 351	**308 951 716**	**(234 140 567)**	**(26 207 988)**	**111 018 890**	**2 238 683 402**

	2026	2025
Non-current liabilities	1 235 776 802	1 118 765 033
Current liabilities	1 207 503 833	1 119 918 369
	2 443 280 635	**2 238 683 402**

COID provision

This provision is made for future expected outflows as a result of the City's obligation to contribute towards occupational injuries with various employees in the old Benoni and Germiston local municipalities. The discount rate used in determining the present value of the obligation is 11.00% (2025:10.99%) and the salary increase rate assumption used for the increase in expenses/contributions is 5.01% (2025: 5.01%).

Leave and bonus provision

The liability is based on the total accrued leave days at year end, which includes section 57 employees. The bonus is performance based, and is dependent on a performance assessment. The timing of both the leave and bonus is uncertain

Landfill rehabilitation provision

In terms of GRAP 19, provisions should be evaluated at each year-end to reflect the best estimate at that date of the provision. The discounting rate is 11.00% (2025:10.99%). The timing of outflow is uncertain, as well as relating amounts due to discounting and charges in inflation rates.

The net result of the re-estimation had the following effect on the current year amounts: Increase/(decrease) in the cost of property, plant and equipment 2026: increase of R4,870,839 (2025: decrease of R17,480,008) Amount recognised in profit and loss due to re-estimation where the adjustment exceeded the carrying amount of the asset by R7,271,118 (2025: R76,326.766).

Long service awards provision

An actuarial valuation for 2026 was performed by Deloitte and Touche.
Discount rate used 8.12% (2025: 8.90%)
CPI used: 4.74% (2025: 4.38%)
Salary increase rate used: 5.74% (2025: 5.38%).

GMRF provision

The provision relates to claims against the City, instituted by the Germiston Municipal Retirement Fund in terms of the pension fund's rules where the required investments yields were not achieved. The timing of the outflow is uncertain, as well as the related amount due to changes

Figures in Rand	2026	2025

21. Revenue

Service charges	37 933 282 103	32 814 571 459
Construction contracts	-	6 109 610
Rental of facilities and equipment	125 145 178	102 823 565
Interest earned - outstanding debtors	1 541 129 839	1 061 864 158
Income from agency services	341 602 839	339 766 336
Licences and permits	43 209 086	39 860 333
Other income	231 981 639	338 356 807
Interest revenue	124 676 956	112 620 641
Property rates	10 558 396 905	8 839 917 596
Property rates - penalties and collection charges	380 621 890	268 776 503
Government grants & subsidies	11 054 804 207	10 670 767 196
Public contributions and donations	49 987 705	189 968 651
Fines	430 644 177	349 628 398
	62 815 482 524	**55 135 031 253**

The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	37 933 282 103	32 814 571 459
Construction contracts	-	6 109 610
Rental of facilities and equipment	125 145 178	102 823 565
Interest earned - outstanding debtors	1 541 129 839	1 061 864 158
Income from agency services	341 602 839	339 766 336
Licences and permits	43 209 086	39 860 333
Other income	231 981 639	338 356 807
Interest revenue	124 676 956	112 620 641
	40 341 027 640	**34 815 972 909**

The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	10 558 396 905	8 839 917 596
Property rates - penalties and collection charges	380 621 890	268 776 503
Transfer revenue		
Government grants & subsidies	11 054 804 207	10 670 767 196
Public contributions and donations	49 987 705	189 968 651
Fines	430 644 177	349 628 398
	22 474 454 884	**20 319 058 344**

22. Interest earned on outstanding debtors

Financial assets at amortised cost		
Interest received	1 541 129 839	1 061 864 158
Other		

23. Service charges

Sale of electricity	24 273 501 867	21 890 329 302
Sale of water	8 527 046 204	6 054 793 215
Solid waste	1 866 937 153	1 742 693 775
Sewerage and sanitation charges	3 184 131 800	3 038 050 837
Fresh produce market	35 255 639	39 073 697
Other service charges	46 409 440	49 630 633
	37 933 282 103	**32 814 571 459**

24. Rental of facilities and equipment

Facilities and equipment		
Rental of facilities	125 114 690	102 787 355
Rental of equipment	30 488	36 210
	125 145 178	**102 823 565**

Figures in Rand	2026	2025

24. Rental of facilities and equipment (continued)

Included in the above rentals are operating lease rentals at straight-lined amounts of R8,778,663 (2025: R9,969,131) as well as contingent rentals of R19,525,365 (2025: R 21,438,889).

25. Interest revenue

	2026	2025
Financial assets at amortised cost		
Bank	80 469 994	81 212 278
External investments	44 206 962	31 408 363
	124 676 956	**112 620 641**

26. Construction Contract - HSDG

	2026	2025
Amount of contract revenue recognised in revenue	-	6 109 610
Aggregate amount of costs recognised in surplus	-	(6 109 610)
	-	-

The Gauteng department of human settlement in partnership with the City, implemented the construction of houses by appointing consultants and contractors to undertake the construction on behalf of the City. All funds received for Human Settlement Development Grant are subjected to conditions as stipulated on the grant framework. No commission is earned by the City on implementation of this programme.

27. Other income

	2026	2025
Administration fees	103 260	91 502
Accident reports	957 326	983 521
Essential services contributions	106 268 676	218 157 574
Entry fees	198 624	308 068
Printing and copying of documents	313 411	594 369
Supply of information	569 656	991 799
Sundry income	123 338 221	116 974 673
Training	232 465	255 301
	231 981 639	**338 356 807**

Notes to the Annual Financial Statements

Figures in Rand	2026	2025

28. Property rates

Rates received

Residential	4 551 013 509	4 044 613 989
Commercial	4 310 352 627	3 869 860 136
Small holdings and farms	25 631 485	19 435 572
Vacant land	1 197 528 376	545 456 627
Other properties	473 870 908	360 551 272
	10 558 396 905	8 839 917 596
Property rates - penalties and collection charges	380 621 890	268 776 503
	10 939 018 795	**9 108 694 099**

Valuations

Residential	549 500 903	471 241 931
Commercial	192 607 154	176 129 107
Provincial and National Government	20 039 280	14 890 563
Municipal	7 333 120	5 206 315
Small holdings and farms	11 349 039	14 342 417
Sectional title	80 386 293	79 469 012
Vacant land	27 550 796	18 651 572
Other	8 486 557	8 267 288
	897 253 142	**788 198 205**

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2025. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

Notes to the Annual Financial Statements

Figures in Rand	2026	2025

29. Government grants & subsidies

Operating grants

Equitable share	5 950 244 000	5 534 652 396
Fuel levy	1 795 381 000	1 826 784 000
Electricity demand side Management (EEDSM)	7 000 000	7 000 000
Urban Settlements Development Grant (USDG)	207 844 739	100 995 403
Sector Education and Training Authority (SETA)	17 609 149	17 051 828
Finance Management Grant (FMG)	1 000 000	1 000 000
HIV/AIDS grant	21 672 000	19 009 053
Libraries Plan	4 410 217	9 042 693
Urban Development Financing Grant (UDFG)	144 849 280	-
Primary Health Care	78 563 200	187 770 000
Programme & Project Preparation Support Grant(PPPSG)	-	76 126 000
Informal Settlement Upgrading Partnership Grant (ISUPG)	50 162 776	53 500 000
Public Transport Network Grant (PTNG)	425 286 001	463 029 999
Expanded Public Works Program (EPWP)	9 597 000	9 920 000
Neighbourhood Development Partnership Grant (PEP)	-	124 140 060
	8 713 619 362	**8 430 021 432**

Capital grants

Public Transport Network Grant (PTNG)	224 000 000	286 500 001
Recapitalisation of Community Libraries	9 428 883	14 714 226
Neighbourhood Development Partnership Grant (NDPG)	-	41 804 940
Urban Development Financing Grant (UDFG)	154 906 720	-
Informal Settlement Upgrading Partnership Grant(ISUPG)	772 543 224	678 306 000
Urban Settlements Development Grant (USDG)	1 180 306 018	1 219 420 597
	2 341 184 845	**2 240 745 764**
	11 054 804 207	**10 670 767 196**

Equitable share

Current-year receipts	5 950 244 000	5 534 652 396
Conditions met - transferred to revenue	(5 950 244 000)	(5 534 652 396)
	-	**-**

Fuel Levy

Current-year receipts	1 795 381 000	1 826 784 000
Conditions met - transferred to revenue	(1 795 381 000)	(1 826 784 000)
	-	**-**

HIV/AIDS

Balance unspent at beginning of year	1 689 948	525 945
Current-year receipts	21 672 000	20 699 000
Conditions met - transferred to revenue	(21 672 000)	(19 009 052)
Surrendered	(1 689 948)	(525 945)
	-	**1 689 948**

Conditions still to be met - remain liabilities (see note 19).

Finance Management Grant (FMG)

Current-year receipts	1 000 000	1 000 000
Conditions met - transferred to revenue	(951 704)	(1 000 000)
Appropriated	(48 296)	-
	-	**-**

Urban Settlement Development Grant (USDG)

Notes to the Annual Financial Statements

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29. Government grants & subsidies (continued)

Balance unspent at beginning of year	-	1 308 919
Current-year receipts	1 445 207 000	1 320 416 000
Conditions met - transferred to revenue	(1 388 150 757)	(1 320 416 000)
Surrendered/ Appropriated	-	(1 308 919)
	57 056 243	-

Conditions still to be met - remain liabilities (see note 19).

Public Transport Network Grant (PTNG)

Current-year receipts	649 286 000	749 530 000
Conditions met - transferred to revenue	(649 286 000)	(749 530 000)
	-	-

Expanded Public Works Programme (EPWP)

Current-year receipts	9 597 000	9 920 000
Conditions met - transferred to revenue	(9 364 689)	(9 920 000)
Appropriated	(232 311)	-
	-	-

Electricity Demand Side Management (EEDSM)

Current-year receipts	7 000 000	7 000 000
Conditions met - transferred to revenue	(7 000 000)	(7 000 000)
	-	-

Neighbourhood Development Partnership Grant (PEP)

Current-year receipts	-	124 140 060
Conditions met - transferred to revenue	-	(124 140 060)
	-	-

Neighbourhood Development Partnership Grant (NDPG)

Balance unspent at beginning of year	-	777 477
Current-year receipts	-	41 804 940
Conditions met - transferred to revenue	-	(41 804 940)
Other	-	(777 477)
	-	-

Informal Settlement Upgrading Partnership (ISUPG)

Current-year receipts	875 864 000	731 806 000
Conditions met - transferred to revenue	(822 706 000)	(731 806 000)
	53 158 000	-

The remaining balance on the ISUPG grant relates to funds transferred to the City before the final stopping gazette was gazetted by the Minister, unfortunately the Minister of Finance did not approve the gazette. Therefore the funds must be returned to the transferee department or to be treated as funds received in advance to be deducted from the next financial year allocations.

Sector Education and Training Authority (SETA)

Current-year receipts	17 069 149	17 051 828
Conditions met - transferred to revenue	(11 476 643)	(17 051 828)
Appropriated	(6 132 506)	-
	-	-

Figures in Rand	2026	2025

29. Government grants & subsidies (continued)

Health Subsidy

Current-year receipts	78 563 200	187 770 000
Conditions met - transferred to revenue	(78 563 200)	(187 770 000)
	-	-

Human Settlements Development Grant (HSDG)

Current-year receipts	-	6 109 610
Conditions met - transferred to revenue	-	(6 109 610)
	-	-

Programme & Project Preparation Support Grant (PPPSG)

Current-year receipts	-	76 126 000
Conditions met - transferred to revenue	-	(76 126 000)
	-	-

Urban Development Financing Grant (UDFG)

Current-year receipts	299 756 000	-
Conditions met - transferred to revenue	(299 756 000)	-
	-	-

Recapitalisation of community libraries

Current-year receipts	14 000 000	-
Conditions met - transferred to revenue	(9 428 883)	-
	4 571 117	**-**

Conditions still to be met - remain liabilities (see note 19).

Libraries plan

Balance unspent at beginning of year	415 977	820 895
Current-year receipts	9 252 000	23 352 000
Conditions met - transferred to revenue	(4 410 217)	(23 756 918)
Surrendered	(299 967)	-
	4 957 793	**415 977**

Conditions still to be met - remain liabilities (see note 19).

30. Fines, Penalties and Forfeits

Law enforcement fines	155 104 864	191 906 077
Administrative and other fines	32 875 175	24 848 956
Illegal connections fines	242 664 138	132 873 365
	430 644 177	**349 628 398**

Notes to the Annual Financial Statements

Figures in Rand	2026	2025

31. Employee related costs

Basic	6 900 541 942	6 521 015 962
Bonus	572 798 567	546 734 757
Medical aid - company contributions	542 382 716	479 593 182
Unemployment Insurance Fund	34 398 771	35 173 302
Workmen's Compensation	62 868 523	73 113 656
Skills Development Levy	91 043 668	84 779 686
Other payroll levies	2 328 438	2 251 534
Leave pay provision charge	198 672 109	153 969 000
Current service costs	117 614 777	290 967 674
Standby Allowances	96 645 828	86 000 489
Remeasurement of the defined net liability	(11 565 764)	107 798 994
Defined contribution plans	1 367 113 334	1 284 367 317
Travel, motor car, accommodation, subsistence and other allowances	216 826 898	213 371 554
Overtime payments	1 001 847 428	778 191 261
Long-service awards	10 086 376	9 444 602
Acting allowances	58 972 761	38 632 350
Housing benefits and allowances	69 323 422	78 322 029
Allowances	17 824 894	17 847 697
Less: Employee costs capitalised to PPE	(57 080 680)	(15 835 486)
	11 292 644 008	**10 785 739 560**

31. Employee related costs (continued)

Senior Management Remuneration

Senior Management Remuneration (Key Management) for the period ended 30 June 2026	Basic Salary per annum	Pension, Medical UIF per annum	Car & Allowance	Performance Bonus	Other	Total
City Manager: (Appointment: 01 November 2025)	2 181 035	1 417	160 000	-	36 900	2 379 352
City Manager: (Contract End: 31 July 2025)	274 681	47 390	20 877	-	234 954	577 902
Group Chief Financial Officer: Finance Department (Contract End: 31 October 2025)	1 016 865	708	80 000	-	93 244	1 190 817
Head of Department: ICT	2 719 512	2 125	-	-	43 351	2 764 988
Chief of Police: EMPD	1 961 148	100 489	660 000	-	43 351	2 764 988
Head of Department: Communications, Marketing and Tourism	2 219 302	2 125	-	-	45 651	2 267 078
Head of Department: Corporate Legal Services	2 575 512	2 125	144 000	-	43 351	2 764 988
Head of Department: Economic Development	2 875 008	2 125	-	-	43 351	2 920 484
Head of Department: Energy	1 956 333	117 773	648 000	-	43 351	2 765 457
Head of Department: Human Resources	2 719 512	2 125	-	-	43 351	2 764 988
Head of Department: Human Settlement: Appointment: (01 April 2025)	2 219 302	2 125	-	-	43 351	2 264 778
Head of Department: Roads & Transport: Appointment: (01 April 2025)	1 836 414	241 810	143 204	-	43 351	2 264 779
Head of Department: Secretary of Council	2 116 656	2 125	-	-	44 451	2 163 232
Head of Department: Service Delivery Coordination	1 876 656	2 125	240 000	-	43 351	2 162 132
Head of Department: Strategy & Coorporate Planning	1 876 656	2 125	240 000	-	80 942	2 199 723
Head of Department: Water & Sanitation	2 165 880	45 325	300 000	-	43 351	2 554 556
Subtotal	32 590 472	574 037	2 636 081	-	969 652	36 770 242
	32 590 472	**574 037**	**2 636 081**	**-**	**969 652**	**36 770 242**

Senior Management Remuneration (Key Management) for the period ended 30 June 2025	Basic Salary per annum	Pension, Medical UIF per annum	Car & Allowance	Performance Bonus	Other	Total
City Manager	3 535 793	590 642	250 528	439 858	55 200	4 872 021
Group Chief Financial Officer: Finance Department (Appointment: 01 August 24)	2 955 193	23 896	220 000	183 933	39 600	3 422 622
Head of Department: Energy	2 114 780	139 733	648 000	149 195	43 200	3 094 908
Head of Department : Strategy &Corporate Planning	1 974 270	14 995	240 000	122 781	43 200	2 395 246
Head of Department : Corporate Legal Services	2 661 339	4 087	144 000	245 649	43 200	3 098 275
Head of Department : Human Resources	2 825 140	9 541	-	215 850	43 200	3 093 731
Head of Department : Economic Development	3 042 504	24 085	-	-	43 200	3 109 789
Chief Information Officer: ICT	2 877 936	24 085	-	215 934	43 200	3 161 155
Head of Department : Water & Sanitation	2 312 040	67 285	300 000	149 453	43 200	2 871 978
Chief of Police: EMPD	2 229 572	122 449	550 000	148 938	43 200	3 094 159
Head of Department : Service Delivery Coordination	1 958 857	9 541	240 000	82 189	43 200	2 333 787
Head of Department: Secretary of Council	2 214 280	14 995	-	-	43 200	2 272 475
Head of Department : Human Settlement (Appointment: 01 April 25)	554 825	567	-	-	10 800	566 192
Head of Department : Communications,Marketing and Tourism (Appointment: 01 April 25)	554 825	567	-	-	10 800	566 192

Notes to the Annual Financial Statements

Figures in Rand	2026	2025

31. Employee related costs (continued)

Head of Department : Roads and Transport (Appointment: 01 April 25)	459 103	60 488	35 801	-	10 800	566 192
Head of Department : SRAC (Contract End: 30 November 2024)	948 937	41 095	100 000	245 232	188 790	1 524 054
Head of Department : Transport and Fleet Management (Contract End: 30 November 2024)	165 720	21 816	-	172 997	220 941	581 474
Subtotal	33 385 114	1 169 867	2 728 329	2 372 009	968 931	40 624 250
	33 385 114	**1 169 867**	**2 728 329**	**2 372 009**	**968 931**	**40 624 250**

32. Remuneration of councillors

30 June 2026	Salaries	Travel allowance	Housing allowance	Pension & Medical	Cellphone allowance	Total
Executive Mayor	951 048	-	594 994	142 657	43 200	1 731 899
Speaker	738 092	17 000	359 797	28 086	36 232	1 179 207
Chief Whip	723 516	-	452 479	108 527	43 200	1 327 722
MMC-Infrastructure Services	723 516	-	506 922	54 264	43 200	1 327 902
MMCHuman Settlement	891 472	-	329 783	72 352	43 200	1 336 807
MMC-Finance & Economic Development	1 142 175	-	142 527	-	43 200	1 327 902
MMC-Community Services	891 472	-	335 943	72 352	43 200	1 342 967
MMC-Community Safety	482 344	-	278 616	72 352	28 800	862 112
MMC-Environmental & Waste Management Services	726 606	-	462 748	108 528	43 200	1 341 082
MMC-Water & Sanitation	1 218 542	-	54 851	-	43 200	1 316 593
MMC-Transport Planning	1 063 976	-	80 207	-	37 974	1 182 157
MMC-Corporate & Shared Services	764 076	-	408 984	114 438	43 200	1 330 698
MMC-City Planning	1 176 440	-	108 262	-	43 200	1 327 902
MMC-Real Estate & Development Planning	261 214	-	159 351	36 176	14 400	471 141
Chairperson's Section 79 Members	14 422 457	748 000	4 114 394	962 558	734 400	20 981 809
Other councillors	90 133 981	6 550 722	22 081 490	4 189 612	8 350 083	131 305 888
Subtotal	116 310 927	7 315 722	30 471 348	5 961 902	9 633 889	169 693 788
	116 310 927	**7 315 722**	**30 471 348**	**5 961 902**	**9 633 889**	**169 693 788**

30 June 2025	Salaries	Travel allowance	Housing allowance	Pension & Medical	Cellphone allowance	Total
Executive Mayor	925 929	600	516 802	138 889	43 200	1 625 420
Speaker	734 475	1 100	495 710	55 086	43 200	1 329 571
Chief Whip	715 001	35 000	348 291	104 084	43 200	1 245 576
MMC-Infrastructure Services	704 411	600	452 281	52 831	43 200	1 253 323
MMC-Community Safety	704 411	600	399 450	105 662	43 200	1 253 323
MMC-Human Settlement	704 411	-	399 450	105 662	43 200	1 252 723
MMC-Finance and Economic Development	1 142 175	-	68 531	-	43 200	1 253 906
MMC-Environmental & Waste ManagementServices	704 411	-	399 450	105 662	43 200	1 252 723
MMC-Community Services	704 411	-	399 450	105 662	43 200	1 252 723
MMC-Water & Sanitation & Energy	1 159 308	-	34 119	-	43 200	1 236 627
MMC-Transport Planning	1 159 308	-	50 215	-	43 200	1 252 723
MMC-Corporate & Shared Services	704 411	600	406 957	105 662	43 200	1 260 830
MMC-City Planning	1 159 308	-	37 540	-	43 200	1 240 048
Chairperson's Section 79 Members	14 401 260	819 800	3 782 346	978 624	734 400	20 716 430
Other councillors	85 891 277	6 607 877	19 178 988	3 968 199	8 365 064	124 011 405
Subtotal	111 514 507	7 466 177	26 969 580	5 826 023	9 661 064	161 437 351
	111 514 507	**7 466 177**	**26 969 580**	**5 826 023**	**9 661 064**	**161 437 351**

Figures in Rand	2026	2025

32. Remuneration of councillors (continued)

In-kind benefits

The Executive Mayor, Deputy Executive Mayor, Speaker and Mayoral Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.

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

The Executive Mayor has full-time bodyguards

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

Related parties

Refer to note 43 for related party transactions

33. Depreciation and amortisation

	2026	2025
Property, plant and equipment	2 484 705 153	2 546 106 762
Investment property	11 167 554	11 340 080
Intangible assets	79 464 459	96 714 259
	2 575 337 166	**2 654 161 101**

34. Impairment and derecognition loss

	2026	2025
Impairments and derecognition loss		
Property, plant and equipment	75 830 505	18 576 460

The Impairment and derecognition loss relates to assets being replaced as part of the capital implementation programme and other assets under construction projects which do not meet the subsequent capitalisation criteria and impairment of damaged assets and projects.

35. Finance costs

	2026	2025
Financial liabilities at amortised cost		
External borrowings	764 562 390	875 522 532
Interest on bank overdraft	157 837	7 143 460
Other non-financial liabilitiies		
Unwinding of interest on provisions and obligations	369 525 955	179 436 112
	1 134 246 182	**1 062 102 104**

Financial instrument disclosure

Additional information on the financial instrument components of this note, as required by GRAP 104, is provided in note 50 Financial Instruments - Risk Management and Other Disclosures.

36. Auditors' remuneration

	2026	2025
Fees	36 658 735	30 993 064

37. Debt impairment

	2026	2025
Increase in impairment	117 999 376	86 001 937
Bad debt amounts written off	2 312 485 532	3 416 415 931
Bad debts written off against provision	(2 312 485 532)	(3 416 415 931)
Increase in allowance	7 479 414 420	5 007 054 070
	7 597 413 796	**5 093 056 007**

Figures in Rand	2026	2025

37. Debt impairment (continued)

Financial asset at amortised cost - GRAP104

	2026	2025
Increase in loss allowance	7 479 414 420	5 007 054 070

Statutory receivables - GRAP108

	2026	2025
Increase in impairment	117 999 376	86 001 937

38. Collection costs

	2026	2025
Collection costs	42 920 151	113 058 841

39. Bulk purchases

	2026	2025
Electricity - Eskom	22 249 390 945	19 733 071 770
Water	5 847 356 662	4 989 335 207
Sewer purification	1 528 989 428	1 384 258 580
	29 625 737 035	**26 106 665 557**

Electricity losses

	30 June 2026 Units	30 June 2026 Value	30 June 2025 Units	30 June 2025 Value
Units purchased	9 931 585 076	22 249 390 945	9 980 842 025	19 733 071 770
Units sold	(8 208 248 242)	(18 388 658 277)	(8 429 278 589)	(16 665 483 629)
Total loss	**1 723 336 834**	**3 860 732 668**	**1 551 563 436**	**3 067 588 141**
Comprising of:				
Technical losses	432 023 951	967 848 506	434 166 628	858 388 622
Non-technical losses	1 291 312 883	2 892 884 162	1 117 396 808	2 209 199 519
Total	**1 723 336 834**	**3 860 732 668**	**1 551 563 436**	**3 067 588 141**
Percentage Loss:				
Technical losses	4.35 %	4.35 %	4.35 %	4.35 %
Non-technical losses	13.00 %	13.00 %	11.20 %	11.20 %
Total	**17.35 %**	**17.35 %**	**15.55 %**	**15.55 %**

Water losses

	30 June 2026 Units	30 June 2026 Value	30 June 2025 Units	30 June 2025 Value
Units purchased	379 165 183	5 847 356 662	369 082 814	4 989 335 208
Units sold	(269 391 225)	(4 154 459 968)	(275 266 374)	(3 721 105 831)
Total	**109 773 958**	**1 692 896 694**	**93 816 440**	**1 268 229 377**
Comprising of:				
Technical losses	28 541 229	440 153 139	24 392 274	329 739 633
Non-technical losses	81 232 729	1 252 743 555	69 424 166	938 487 744
Total	**109 773 958**	**1 692 896 694**	**93 816 440**	**1 268 227 377**
Percentage Loss:				
Technical losses	7.53 %	7.53 %	6.61 %	6.61 %
Non-technical losses	21.42 %	21.42 %	18.81 %	18.81 %
Total	**28.95 %**	**28.95 %**	**25.42 %**	**25.42 %**

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40. Contracted services

Outsourced contracts- Security	685 283 874	912 823 297
Professional Services	1 005 024 670	848 827 071
Contracts	2 762 325 016	2 602 164 492
	4 452 633 560	**4 363 814 860**

41. Grants and subsidies paid

Other subsidies		
Discretionary grant: sport and social support	29 923 836	37 614 132
Subsidy: Society for the Prevention of Cruelty to Animals (SPCA)	5 283 796	5 283 796
Discretionary grant: general	920 078 189	846 987 974
Grants: education (external)	14 848 229	7 352 526
Rebates (payment incentives)	206 026 847	228 882 949
	1 176 160 897	**1 126 121 377**

42. General expenses

Advertising	5 632 368	3 481 291
Auditors remuneration	36 658 735	30 993 064
Bank charges	163 710 964	128 994 214
Disaster management	-	6 404 160
Human resource assessment cost	386 507	337 250
Consulting and professional fees	185 416 544	253 586 851
Consumables (including materials)	23 668 378	56 748 714
Informal settlement monitoring cost	49 258 062	58 828 361
Animal care	1 174 866	1 945 407
Insurance	129 964 670	110 339 833
Community development and wellbeing	2 103 129	1 332 981
IT expenses	243 282 815	43 256 113
Vehicle licences and hire cost	187 312 833	303 910 589
Marketing	2 188 434	2 336 763
Magazines, books and periodicals	594 218	462 337
Pest control	417 494	-
Fuel and oil	211 721 436	199 508 577
Postage and courier	47 039	46 780
Printing and stationery	14 732 085	13 673 442
Software expenses	-	76 125 999
Refreshments	2 763 446	16 259 047
Subscriptions and membership fees	21 128 035	19 957 612
Telephone and fax	16 326 467	17 324 748
Training	2 697 501	9 375 400
Travel - local	3 395 568	1 391 001
Travel - overseas	101 645	-
Refuse	43 292 608	28 903 350
Uniforms	54 937 377	29 331 583
Rental	20 746 262	20 529 554
Service connections	3 083 185	3 743 293
Electricity own consumption	226 783 576	335 358 916
Venue expenses	6 218 366	5 699 129
Repairs and maintenance costs and operating expenses	3 277 528 278	2 692 870 968
	4 937 272 891	**4 473 057 327**

Figures in Rand	2026	2025

43. Cash generated from operations

Deficit	(264 407 452)	(822 759 287)
Adjustments for:		
Depreciation and amortisation	2 575 337 166	2 654 161 101
Impairment deficit	75 830 505	18 576 460
Debt impairment	7 597 413 796	5 093 056 007
Increase in retirement benefit	212 766 901	329 500 399
Increase in provisions	204 597 233	107 739 142
Other non-cash items	(54 874 567)	(216 314 446)
Changes in working capital:		
Inventories	25 915 934	14 013 640
Receivables from exchange transactions	(9 525 688 352)	(6 696 230 537)
Other receivables from non-exchange transactions	1 137 342 538	44 843 212
Changes in accounting policy and change in estimates	(2 304 638 166)	-
Trade and other payables from exchange transactions	4 345 495 612	3 753 131 716
Unspent conditional grants and receipts	117 637 198	(7 436 922)
Increase in consumer deposits	87 697 490	128 876 010
	4 230 425 836	**4 401 156 495**

Figures in Rand	2026	2025

44. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Investment property, property, plant and equipment and intangible assets	2 486 436 251	1 356 718 063
Not yet contracted for and authorised by accounting officer		
• Investment property, property, plant and equipment and intangible assets	524 261 666	1 519 692 157
Total commitments		
Already contracted for but not provided for	2 486 436 251	1 356 718 063
Not yet contracted for and authorised by accounting officer	524 261 666	1 519 692 157
	3 010 697 917	**2 876 410 220**

Total commitments

Total commitments		
Authorised capital expenditure	3 010 697 917	2 876 410 220

This committed expenditure relates to the acquisition of property, plant and equipment for the 2025/2026 financial year (Approved Capital Expenditure Programme) based on the projects values as approved by Council for the City's Capital Budget programme for the following year for which supplier's contracts are in place. These commitments will be financed by appropriated grants, internally generated funds (revenue or accumulated surplus), and other borrowings options where applicable.

Commitments not yet contracted for and authorised, relate to capital projects as approved by Council on the City Capital Budget which there is no contracts in place at the end of the financial year.

Operating leases - as lessee (expense)

Operating lease payments represent rentals payable by the City for certain of its office buildings. Leases are negotiated for periods ranging from one year to five years, for office buildings. The rentals escalate on average by the CPI index for office buildings.

The actual lease contract amounts range between R177,371 and R589,985 (2025: R177,371 and R589,985) per month on the office buildings. All operating lease contracts are on month to month basis, as a result of Council resolution to move all spaces to internal buildings.

Operating leases - as lessor (income)

Minimum lease payments due		
- within one year	4 568 000	9 136 004
- in second to fifth year inclusive	7 944 223	15 888 445
- later than five years	9 156 469	18 312 937
	21 668 692	**43 337 386**

Certain of the City's property generates lease rental income. The majority of these leases are on a month to month basis. Lease periods range from month-to-month up to 99 years. Monthly lease payments range from R0.08 (2025: R0.08) (social benefit) up to R190,916 (2025: R190,916).

Notes to the Annual Financial Statements

Figures in Rand	2026	2025

45. Contingencies

Contingent liabilities

Category A: Claims exceeding R 10 million.

Category B: All other claims

Contingent liabilities

The claim for damages for an alleged repudiation of contract by CoE. CoE is defending the matter.	-	36 000 000
The plaintiff has issued summons against the City for copyrights infringement. CoE defending the matter	14 000 000	14 000 000
Purchase of properties back to CoE and damages claim	-	10 877 000
Plaintiff instituted legal action against the City for non payment of invoices. CoE is defending the matter	27 559 079	27 559 079
Non-compliance with SCMP Regulations. CoE defending the matter.	17 289 155	17 289 155
Plaintiff instituted legal action against the City for monies due to the pension fund. CoE isdefending the matter	51 882 909	51 882 909
Summons issued for outstanding service charges. CoE is defending the matter.	280 156 266	280 156 266
Cancellation of quotation. CoE is defending the matter	-	85 479 535
Damages instituted by a service provider for breach of Contract. CoE is defending the matter.	15 054 451	15 054 451
Dispute regarding over-payment of a service provider. CoE is defending the matter	-	23 653 137
The company is objecting to the tariff CoE charge for electricity. CoE is defending the matter.	89 446 952	89 446 952
Plaintiff instituted legal action against the City for damages suffered as a result of rejected bid.CoE is defending the matter	29 957 552	29 957 552
Plaintiff instituted legal action against the City for non-payment of invoices. CoE is defending the matter	11 295 724	11 295 724
Plaintiff claiming for damages for non-payment of invoices. CoE is defending the matter.	167 303 863	167 303 863
Claim for monies due to pension fund. CoE is defending the matter	101 213 438	101 213 438
Service provider issued summonds for service rendered. CoE is defending the matter	14 304 262	14 304 262
Claim for unlawful termination. CoE is defending the matter	57 769 834	57 769 834
Plaintiff issued summons for vehicles provided to the City	10 421 102	10 421 102
Plaintiff claims for damages of electrocution by the City's transformer	37 087 500	37 087 500
Plaintiff claiming damages. CoE is defending the matter	30 332 669	30 332 669
Plaintiff issued summons for non-payment	11 989 391	11 989 391
Plaintiff made application for leave to appeal in favour of the City. CoE is defending the matter	14 000 000	14 000 000
Plaintiff instituted legal action against the City. CoE is defending the matter	30 000 000	30 000 000
Plaintiff instituted legal action against the City for expropriation of land. CoE is defending the matter	30 050 000	30 050 000
Plaintiff instituted legal action against the City for unlwaful arrest. CoE is defending the matter.	75 900 000	-
Plaintiff issued legal action against the City for disconnection of electricity. CoE is defending the matter.	34 097 654	-
Plaintiff issued legal action against the City for unpaid invoices. CoE is defending the matter.	29 119 256	-
	1 180 231 057	**1 197 123 819**

Category B Claims

Other various claims against the City. CoE is defending these matters.	308 912 413	243 250 335

Contingent assets

Counter claim in respect of damages to CoE property.	59 483 805	59 483 805
CoE is claiming for non-payment of electricity consumed. CoE is pursuing the matter.	105 120 731	105 120 731
Breach of contract outstanding rental. CoE pursuing the matter.	12 103 547	12 103 547
Failure to pay rental. CoE pursuing the matter.	20 062 170	20 062 170
CoE is claiming to recover costs due to damage caused by fuel tanker explosion. CoE pursuing the matter.	20 782 778	-
CoE insituted a counterclaim for failure to pay municipal services. CoE is pursuing the matter.	14 497 471	-
Various claims issued by the City. CoE is pursuing these matters.	53 067 691	19 496 150
	285 118 193	**216 266 403**

Figures in Rand	2026	2025

46. Related parties

Relationships	
Accounting Officer	Mr. K Lerutla refer to accounting officers' report note
Controlling entity	City of Ekurhuleni
Controlled entities	Germiston Phase II Housing Company SOC Ltd (EHC) Ekurhuleni Water Care Company NPC (ERWAT)
Close family member of key management	For details of members of key management, see note below and for remuneration refer note 30.

Related party balances

Related party transactions

	2026	2025
Sales to related parties - municipal entities		
Ekhurhuleni Water Care Company, NPC	140 416 082	118 754 677
Germiston Phase II Housing Company SOC Ltd	6 890 536	7 902 576
Purchases from related parties - municipal entities		
Ekhurhuleni Water Care Company, NPC	1 728 803 162	1 616 838 121
Grants to related parties - municipal entities		
Germiston Phase II Housing Company SOC Ltd	35 545 958	24 345 958
Ekhurhuleni Water Care Company, NPC	200 451 655	92 256 581
Amounts included in trade receivable from exchange and consumer debtors regarding related parties municipal entities		
Ekhurhuleni Water Care Company, NPC	9 794 698	7 288 915
Germiston Phase II Housing Company SOC Ltd	98 095 599	84 653 886
Amounts included in trade payable from exchange regarding related parties - municipal entities		
Ekhurhuleni Water Care Company, NPC	1 394 391 668	1 180 050 468
Germiston Phase II Housing Company SOC Ltd	350 174	350 174
Germiston Phase II Housing Company SOC Ltd - Other	-	6 600 000
Amounts included in trade payables from non exchange regarding related parties - municipal entities		
Ekhurhuleni Water Care Company, NPC	232 015 224	115 808 332

Guarantees issued as required by the MFMA on behalf of municipal entities.

COE guaranteed the Nedbank loan to ERWAT, with a carrying value of R149,274,910 (2025: R191,957,600). The guarantee shall expire at 15h00,10 calendar days after the full repayment or settlement of all amounts owed by ERWAT to Nedbank Ltd in terms of the contract. ERWAT has agreed to cede to COE claims against its book debtors, in the event of ERWAT defaulting on its obligation in terms of the loan. ERWAT thereby cedes, assigns and transfers unto and in favour of COE all of ERWAT's rights, title and interest in and to all book debts, present and future, due and to become due to ERWAT, in the event that ERWAT defaults on its obligation in terms of the loanof R550 million advanced by Nedbank Ltd. This cession shall endure for so long as ERWAT is indebted to Nedbank Ltd, and the guarantee provided by COE in favour of Nedbank Ltd as guarantee for the loan remains in effect.

No contingent liability has been raised for this guarantee as the City believes that the entity is financially sound.

Notes to the Annual Financial Statements

Figures in Rand	2026	2025

47. Prior-year adjustments

Impact of prior - year adjustments is as follows:

Receivables from exchange transactions:

The receivables from exchange was reduced in the prior year with R324m, which was previously reported as part of other receivables and consumer accounts, which were deemed to be hacked or deleted, and the contra entries were reversed as follow; R268m was processes againes services charges revenue and R46m was processed againts accumulated surplus. When the accounts were being re-constructed on the customer billing system resulted in the duplication of the billing of these services as the accounts were re-billed and included as revenue again. As these process relates to a duplication of a process initially performed, it resulted in the mistatement of both the revenue and the consumer debtors. The reversal entries were to remove the duplicated billing.

VAT
The City undertook a vat review and vat audit of the previous payments to determine if they were any vat inputs not claimed, and the execise did indeed reveal that there were certain payments vouchers which were not claimed for input vat. These transactions relate to previous financial periods.

Property, Plant and Equipment:

Net decrease in property, plant and equipment of R157,109,617 is made up as follows:.

Land decreased by R132,668,850 due to reclassification of land from PPE land to Investment properties as land held to earn rental income was incorrectly classified as PPE land in prior years.

Infrastructure assets decreased by net of R47,207,793 due to capitalisation of donated assets as result information/documents on donated assets being provided to the City in the current year in order to determine fair values of the donated assets and update the City's records and impairment of projects that were damaged in prior years.

Community assets increased by R37,020,414 due to unbundling of one-liners projects capitalisation in prior years and the unbundling resulted in adjustments to accumulated depreciation and cost.

Operational and Housing buildings decreased by R14,253,388 due to unbundling of one-liners projects capitalisation in prior years and the unbundling resulted in adjustments to accumulated depreciation and cost.

Intangible assets:

Net decrease in Intangible assets of R232,766,278 is due to the following:

Derecognition of softwares that were decommissioned in the prior years as a result of ICT systems modernisation programme

Investment properties:

Net increase in Investment properties of R105,049,821 is due to the following:

Reclassification of land from PPE land to Investment properties as land held to earn rental income was incorrectly classified as PPE land in prior years.

Land Inventory:

Net increase in land inventory of R15,344,758 is due to the following:

Land inventory was incorrectly derecognised in prior year as land was incorrectly deemed to have been transferred to residents under social housing scheme administered by human settment department.therefore the incorrect derecognition of land inventory in prior year was reversed as land inventory has not yet being transferred to residents under social housing scheme

The impact of the donated assets and additional capitalisation above resulted in restatement of the Statement of Financial Performace as follows: an increase in the public contribution of R109,374,594 and increase in additional depreciation of R8,063,686

Provisions:
The amount restated relates to a claim by the Germinston Retirement Municipal Fund, the details of the information of the claim was not available in the previous financial year.

Statement of financial position

Figures in Rand	2026	2025

47. Prior-year adjustments (continued)

2025

	Note	As previously reported	Correction of error	Restated
Land Inventory	10	1 149 953 137	15 344 758	1 165 297 895
Receivables from exchange transactions	11	11 045 356 408	(178 017 795)	10 867 338 613
Investment properties	3	500 085 304	105 049 821	605 135 125
Property, plant and equipment	4	61 039 262 369	(157 109 617)	60 882 152 752
Intangible assets	5	1 263 729 143	(232 766 278)	1 030 962 865
Provisions	20	(1 068 035 460)	(51 882 909)	(1 119 918 369)
Accumulated surplus		(48 778 108 934)	499 382 020	(48 278 726 914)
		25 152 241 967	**-**	**25 152 241 967**

Statement of financial performance

2025

	Note	As previously reported	Correction of error	Restated
Service charges	23	(33 082 122 346)	267 550 887	(32 814 571 459)
Public contributions	23	(80 594 057)	(109 374 594)	(189 968 651)
Depreciation and amortisation	33	2 646 097 414	8 063 687	2 654 161 101
Surplus for the year		**(30 516 618 989)**	**166 239 980**	**(30 350 379 009)**

Notes to the Annual Financial Statements

48. Changes in accounting policy and estimates

Change in accounting policy: Financial Instruments (GRAP 104, revised 2019)

Nature of change

During the current reporting period, the City applied the revised Standard of GRAP on Financial Instruments (GRAP 104) for the first time.

The revised Standard introduces, inter alia:

- A new expected credit loss (ECL) model for the impairment of financial assets measured at amortised cost, certain loan commitments, financial guarantee contracts and lease receivables.
- Revised requirements for the presentation of own-credit risk on financial liabilities designated at fair value through surplus or deficit; and
- Specific guidance on residual interests (including measurement at cost as a practical expedient when fair value is not reliably measurable).

The revised Standard became effective for the City on 1 July 2025.

Transitional provisions

The City applied the Standard of GRAP on Financial Instruments (GRAP 104) retrospectively, in accordance with GRAP 3, except as specified otherwise in the transitional provision. GRAP 104 was not applied to items that have already been derecognised at the date of initial adoption.

Despite the requirement to apply the Standard of GRAP on Financial Instruments (GRAP 104) retrospectively, the City was not required to restate prior periods.

The City did not restate prior periods, and recognised any difference between the previous carrying amount and the carrying amount at the beginning of the reporting period that includes the date of initial adoption in the opening accumulated surplus or deficit (or other component of net assets , as appropriate) of the annual reporting period that includes the date of adoption.

Impairment – Expected credit losses (ECL)

The City applied the impairment requirements in paragraphs 5.17 to 5.36 of GRAP 104 prospectively in accordance with GRAP 3.

At the date of initial adoption, the entity used reasonable and supportable information that is available without undue cost or effort to determine the credit risk at the date that a financial instrument was initially recognised (or for loan commitments and financial guarantee contracts at the date that the City became a party to the irrevocable commitment in accordance with paragraph 5.21 of GRAP 104 (2019)) and compared that to the credit risk at the date of initial adoption of the Standard.

On transition, the City sought to approximate the credit risk on initial recognition by considering all reasonable and supportable information that was available without undue cost and effort. The City is not required to undertake an exhaustive search for information when determining, at the date of transition, whether there have been significant increases in credit risk since initial recognition.

When determining whether there has been a significant increase in credit risk since initial recognition, the City applied:

(a) the requirements in paragraphs 5.25 and Appendix A paragraphs AG5.81 to AG5.83 of GRAP 104;

(b) the rebuttable presumption in paragraph 5.26 of GRAP 104 for contractual payments that are more than 30 days past due if the City applied the impairment requirements by identifying significant increases in credit risk since initial recognition for those financial instruments on the basis of past due information.

Where, at the date of initial adoption, determining whether there has been a significant increase in credit risk since initial recognition required undue cost or effort, the City recognises a loss allowance at an amount equal to lifetime expected credit losses at each reporting date until that financial instrument is derecognised (unless that financial instrument is low credit risk at a reporting date, in which case the relevant requirements apply).

Figures in Rand	2026	2025

48. Changes in accounting policy and estimates (continued)

Impact on the financial statements

Reconciliation of measurement categories – at the date of initial adoption 1 July 2025

Financial assets classes

		Measurement category		Carrying value	
	Notes	GRAP 104 (2009) category	GRAP 104 (2019) category	Carrying amount GRAP 104 (2009)	Carrying amount GRAP 104 (revised 2019)
Trade and other receivables from exchange transactions	11	Amortised cost	Amortised cost	8 884 981 911	7 701 404 468
Cash and cash equivalents	13	Amortised cost	Amortised cost	1 272 314 448	1 272 314 448
Other investments	8	Amortised cost	Amortised cost	368 546 554	368 546 554
Other investments	8	Cost	Cost	4 000 000	4 000 000
Long - term receivables and other receivables	9	Amortised cost	Amortised cost	1 942 965	1 942 965
				10 531 785 878	**9 348 208 435**

Financial liabilities classes

		Measurement category		Carrying amount	
	Notes	GRAP 104 (2009) category	GRAP 104 (2019) category	Carrying amount GRAP 104 (2009)	Carrying amount GRAP 104 (revised 2019)
Trade and other payables from exchange transactions	16	Amortised cost	Amortised cost	15 037 078 982	15 037 078 982
Long - term borrowings	15	Amortised cost	Amortised cost	7 355 513 631	7 355 513 631
Deposits	17	Amortised cost	Amortised cost	1 335 960 527	1 335 960 527
				23 728 553 140	**23 728 553 140**

Reconciliation of carrying amounts – at the date of initial adoption 1 July 2025

Financial asset classes

	Notes	Opening balance GRAP 104 (2009)	Change in measurement	Restated opening balance GRAP 104 (Revised 2019)
Trade and other receivables from exchange transactions	11	8 884 981 911	(1 183 577 443)	7 701 404 468
Cash and cash equivalents	13	1 272 314 448	-	1 272 314 448
Other investments	8	372 546 554	-	372 546 554
Long - term receivables	9	1 942 965	-	1 942 965
		10 531 785 878	**(1 183 577 443)**	**9 348 208 435**

The sinking fund investments are established for the purpose of the repayment of the bullet loans.

Financial liabilities classes

Class of instrument	**Notes**	**Opening balance GRAP 104 (2009)**	**Reclassifications**	**Change in measurement**	**Restated opening GRAP 104 (Revised 2019)**
Trade and other payables from exchange transactions	16	15 037 078 982	-	-	15 037 078 982
Long - term borrowings	15	7 355 513 631	-	-	7 355 513 631
Deposits	17	1 335 960 527	-	-	1 335 960 527

Notes to the Annual Financial Statements

Figures in Rand	2026	2025

48. Changes in accounting policy and estimates (continued)

	23 728 553 140	**-**	**-**	**23 728 553 140**

Reconciliation of loss allowance under GRAP 104 (2009) to the new loss allowance under GRAP 104 (Revised 2019) on 1 July 2025

Financial assets at amortised costs	**Trade and other receivables from exchange transactions**	**Total**
Carrying amounts under GRAP 104 (2009)	(18 618 377 514)	(18 618 377 514)
Change in measurement on initial application	(1 183 577 443)	(1 183 577 443)
New carrying amount under GRAP 104 (Revised 2019)	**(19 801 954 957)**	**(19 801 954 957)**

Change in estimate: Property rates

Change in estimate of the impairment methodology had the following impact:

	Impact
Opening balance	1 690 527 365
Change in estimate of the impairment methodology	(991 884 355)
Restated opening balance	**698 643 010**

Change in estimate: Property plant and equipment

The useful life review for 2026 had the following impact:

	Impact
Depreciation expense before remaining useful life review	452 465 780
Depreciation expense after remaining useful life review	301 950 210
Future decrease in depreciation due to the review	**150 515 570**

Change in estimates: Intangible assets

The useful life review for 2026 had the following impact:

	Impact
Amortisation expense before remaining useful life review	3 170 513
Amortisation expense after remaining useful life review	12 390 847
Future increase in amortisation due to the review	**9 220 334**

49. Capital risk management

TThe City’s objective when managing capital is to safeguard its ability to continue as a going concern, maintain sustainable service delivery, and ensure that borrowings and other financial liabilities are managed within approved legislative and treasury limits.
The City manages its capital structure in line with the Municipal Finance Management Act, approved funding and borrowing policies, National Treasury requirements, and the conditions attached to external borrowings.

The City’s capital structure consists of interest-bearing borrowings, cash and cash equivalents, investments and accumulated funds. The City monitors capital using measures such as net debt, liquidity ratios, cash coverage, funding requirements for capital projects, and compliance with borrowing covenants where applicable.

As part of its capital risk management strategy, the City maintains a sinking fund for the redemption and servicing of specific long-term borrowings. The sinking fund is established in accordance with approved borrowing arrangements and is held separately from the City’s unrestricted cash resources. Amounts held in the sinking fund are restricted and may only be applied toward the repayment or servicing of the related borrowings and related obligations. These funds are therefore not available to fund day-to-day operating expenditure, general capital expenditure, or other discretionary cash flow requirements.

Although the restricted sinking fund reduces the City’s exposure to refinancing and repayment risk by providing ring-fenced resources for future debt service obligations, it does not represent freely available liquidity. Consequently, when assessing the City’s available liquidity, management excludes the restricted sinking fund from cash and cash equivalents and investments that are available for general use. This provides a more faithful representation of the City’s cash resources available to meet short-term operational and service delivery commitments.

For purposes of monitoring net debt, the City presents both gross borrowings and cash-backed resources. Restricted sinking fund balances are separately identified to distinguish between cash and investments available for general liquidity purposes and cash and investments restricted for debt redemption. Where restricted sinking fund balances are included in total cash and investments, management also discloses an adjusted net debt measure that excludes restricted balances from available liquidity.

The restricted sinking fund has the effect of improving the City’s ability to meet future debt redemption obligations but reduces cash resources available for general liquidity purposes. Accordingly, the City considers the restricted nature of the sinking fund when assessing liquidity risk, cash coverage and the affordability of future borrowings.

Management has assessed the impact of the sinking fund on the City’s capital risk profile and concluded that, while the fund mitigates long-term repayment risk, the restricted nature of the fund should be clearly distinguished from unrestricted liquidity available to fund normal municipal operations.

The City's operates in the local government sphere. No shares are issued as part of its capital requirements and external borrowings are raised to fund its capital expenditure programmes in accordance with the MFMA requirements. The objectives, when managing capital, are to safeguard the City's ability to continue as a going concern in order to maintain an optimal capital structure to reduce less reliance on external borrowings.

The capital structure of the City consists of debt, which includes the borrowings disclosed in note 15 and cash and cash equivalent disclosed in note 14.

The gearing position 2026 and 2025 respectively are as follow:

	2026	2025
Other financial liabilities	(6 882 868 658)	(7 355 513 630)
Less: Cash and cash equivalent	1 565 871 226	1 272 314 448
Net Debt	(5 316 997 432)	(6 083 199 182)
Total equity	45 709 681 155	48 278 726 774
Net capital balance/reserve	**40 392 683 723**	**42 195 527 592**

50. Financial Instruments - Risk Management and Other Disclosures

Significance of financial instruments for financial position and financial performance

Categories of financial assets and financial liabilities

Class of financial instrument 2026

	Note(s)	Carrying amounts at amortised cost	At cost	Total
Trade and other receivables from exchange	11	9 416 710 453	-	9 416 710 453
Cash and cash equivalents	13	1 565 871 226	-	1 565 871 226
Other investments	8	505 440 231	4 000 000	509 440 231
Long - term receivables and other receivables	9	1 767 816	-	1 767 816
Total carrying amounts		**11 489 789 726**	**4 000 000**	**11 493 789 726**

Class of financial instrument 2025

	Note(s)	Carrying amount at amortised cost	At cost	Total
Trade and other receivables from exchange and non- exchange transactions	11	8 884 981 911	-	8 884 981 911
Cash and cash equivalents	13	1 272 314 448	-	1 272 314 448
Other investments	8	368 546 554	4 000 000	372 546 554
Long - term receivables	9	1 942 965	-	1 942 965
Total carrying amounts		**10 527 785 878**	**4 000 000**	**10 531 785 878**

Class of financial instrument 2026

	Note(s)	Carrying amount at amortised cost	Total
Trade and other payables from exchange transactions	16	18 616 950 827	18 616 950 827
Long - term borrowings	15	6 557 644 757	6 557 644 757
Trade payables from exchange transactions: Non current liabilities	15	325 223 901	325 223 901
Deposits	17	1 423 658 017	1 423 658 017
Total carrying amounts		**26 923 477 502**	**26 923 477 502**

Class of financial instrument 2025

	Note(s)	Carrying amount at amortised cost	Total
Trade and other payables from exchange transactions	16	15 037 078 982	15 037 078 982
Long - term borrowings	15	7 355 513 631	7 355 513 631
Desposits	17	1 335 960 527	1 335 960 527
Total carrying amounts		**23 728 553 140**	**23 728 553 140**

Financial assets at cost

Investment in residual interest measured at cost

The entity measures certain investments in residual interest at cost instead of fair value. Investments in residual interests are generally measured at fair value through statement of financial performance. In limited cases where fair value cannot be measured reliably on a continuing basis, the entity measures the residual interest at cost. Where a reliable fair value measure becomes available or ceases to be available, investments are reclassified between cost and fair value through surplus or deficit.

50. Financial Instruments - Risk Management and Other Disclosures (continued)

Nature and extent of risks arising from financial instruments

Qualitative & Quantitative disclosures

Overview

The City is exposed to the following risks from its use of annual financial statements:

• Credit risk;

• Liquidity risk; and

• Market risk (currency risk, interest rate risk and price risk).

The accounting officer has overall responsibility for the establishment and oversight of the City's risk management framework. The accounting officer has established the risk committee, which is responsible for developing and monitoring the City's risk management policies. The committee reports quarterly to the accounting officer on its activities.

The City's risk management policies are established to identify and analyse the risks faced by the City, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the City's activities.

The City audit committee oversees how management monitors compliance with the risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the City. The audit committee is assisted in its oversight role by internal audit. Internal audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the audit committee and the risk committee.

The City’s overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the City’s financial performance.

Risk management is carried out by the risk management department under policies approved by the accounting officer. The City's treasury identifies, evaluates and hedges financial risks in close co-operation with the City’s operating units. The accounting officer provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

Credit risk

Scope and objectives

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

Trade receivables comprise a widespread customer base (Non-exchange receivables are excluded at they are comprise of statutory receivables). Management evaluated credit risk relating to customers on an ongoing basis

If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Senior Management Team (SMT). The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards.

The credit risk management practice

The City applies the simplified approach permitted for receivables, recognising a loss allowance at an amount equal to lifetime expected credit losses for all consumer debtors. Expected credit losses are therefore not staged by reference to significant increases in credit risk since initial recognition, and the disclosures relating to transfers between stages are not applicable. Expected credit losses are measured using a provision matrix, in which a loss rate is applied to each combination of debtor group, service and ageing bracket.

Consumer debtors are grouped for collective measurement by debtor group (reflecting the nature of the consumer and the credit control regime applied to it), by service, and by the age of the balance. Linked accounts of a single consumer — including accounts created on handover, payment arrangement, abeyance and administration — are consolidated into a single debtor family, so that transfers between those accounts do not distort measured payment behaviour. Debtor groups are set out in the provision matrix.

50. Financial Instruments - Risk Management and Other Disclosures (continued)

A balance is regarded as credit-impaired where observable evidence indicates that the municipality will not recover the full contractual amount. Indicators applied include prolonged non-payment, the failure of credit control and legal collection action, the insolvency, liquidation or business rescue of the consumer, the abandonment or vacancy of the property, and the granting of relief under a debt rehabilitation or write-off scheme. The measured loss rates on long-aged balances approach 100%, reflecting that balances in the oldest brackets are substantially creditimpaired.

The City writes off consumer debt only in accordance with its approved write-off policy and, where required, with the approval of Council. Indicators that there is no reasonable expectation of recovery include the exhaustion of credit control and legal collection remedies, the untraceability or insolvency of the debtor, the prescription of the debt, the granting of relief under an approved indigent, debt relief or rehabilitation scheme, and balances of an amount where recovery costs would exceed the amount recoverable. Amounts written off remain subject to enforcement activity where the City retains an enforceable right.

The City enters into payment arrangements with consumers, under which an existing arrear balance is rescheduled over an agreed period. These arrangements reschedule settlement of an existing balance rather than modify the underlying contractual terms of supply, and accordingly do not result in derecognition. Debt relief and rehabilitation schemes approved by Council may result in the waiver of interest or of a portion of the balance; amounts waived are accounted for as write-offs in accordance with the approved scheme.

Loss rates are measured from the City’s own transaction history over 36 months to 30 June 2026. The payment history of every debtor family was reconstructed and reconciled to the billing system, receipts were applied in accordance with the approved payment allocation hierarchy, and two measurements were taken for each debtor group and service: the proportion of each month’s billing that remains unpaid at successive months, and the proportion of the opening arrears pool that remains unpaid at successive months. Each series was fitted with a decay function; the level at which the series flattens represents the proportion that is never collected. The loss rate for an ageing bracket is that never-collected proportion expressed as a fraction of the amount still unpaid at that age, and rates are constrained to be non-decreasing with age and are capped at 100%.

Forward-looking information is incorporated through an overlay applied to the GRAP 104 population. The overlay increases measured loss rates for services whose approved tariff increase exceeds consumer price inflation, on the basis that increases above inflation place additional pressure on consumer affordability. At 30 June 2026 the overlay factors applied were 1.0600 for water (tariff increase 11.00%), 1.0335 for sanitation (8.35%) and 1.0376 for electricity (8.76%), measured against consumer price inflation of 5.0% (Statistics South Africa, June 2026).No overlay is applied to services whose increases were at or below inflation. The unemployment rate and the repurchase rate were considered as additional indicators and are not separately quantified, because the measured payment behaviour used for calibration already reflects prevailing economic conditions.

During the year management adopted revised baselines for the indigent, incentive scheme and government debtor groups, and the forward looking overlay was recalculated using the latest available consumer price index. The effect of these changes is included in the movement in the loss allowance for the year.

Credit risk is concentrated in the residential consumer base, which represents 64.9% of the gross GRAP 104 consumer debtor exposure, and in the business consumer base, which represents a further 17.2%. The City has no single consumer whose balance represents a concentration of credit risk. Concentration by service and by age of balance is set out in the provision matrix. The City does not hold collateral over consumer debtor balances, other than consumer deposits held for certain categories of consumer.

50. Financial Instruments - Risk Management and Other Disclosures (continued)

Quantitative and qualitative information about amounts arising from expected credit losses

Changes in loss allowance and gross carrying amount

2026

Receivables from exchange transactions Note 11

Reconciliation of loss allowance

	Lifetime ECL, simplified approach	Total
Loss allowance at the beginning of the year	(18 618 377 514)	(18 618 377 514)
GRAP 104 R - Prior year restatement	(1 183 577 443)	(1 183 577 443)
Remeasurement of loss allowance current year	(7 058 316 239)	(7 058 316 239)
Write-offs	2 166 329 520	2 166 329 520
Loss allowance at the end of the year	**(24 693 941 676)**	**(24 693 941 676)**

Reconciliation of gross carrying amount

	Lifetime ECL, simplified approach	Total
Gross carrying amount at the beginning of the year	27 301 403 386	27 301 403 386
Net billings, interest and other movements	8 722 954 469	8 722 954 469
Write - offs	(2 166 329 520)	(2 166 329 520)
Gross carrying amount at the end of the year	**33 858 028 335**	**33 858 028 335**

Credit risk exposure

For purposes of determining the credit loss allowances, management determine the credit rating grades of each financial asset at the end of the reporting period. These ratings are determined either externally through ratings agencies or internally where external ratings are not available.

Provision matrix	Residential	Business	Government	Other	Weighted average loss rate	Gross carrying amount	Loss allowance
Performing - Current	2 294 829 559	3 849 304 118	141 803 821	402 035 509	14.86 %	6 687 973 007	993 933 644
Under-performing - 30-90 days past due	1 781 400 016	609 154 061	59 687 428	817 268 537	58.40 %	3 267 510 042	1 908 128 023
Doubtful - 120 days to 1 year past due	7 987 062 966	1 791 490 492	83 539 919	2 346 739 819	85.29 %	12 208 833 196	10 413 382 736
Credit-impaired - More than 1 year past due	9 462 076 951	1 361 975 347	6 066 522	863 593 272	97.30 %	11 693 712 092	11 378 497 273
	21 525 369 492	**7 611 924 018**	**291 097 690**	**4 429 637 137**		**33 858 028 337**	**24 693 941 676**

50. Financial Instruments - Risk Management and Other Disclosures (continued)

Liquidity risk

The liquidity risk is the risk of the City not being able to meet its obligations as they fall due.

The City’s risk to liquidity is a result of the funds available to cover future commitments. The City manages liquidity risk through an ongoing review of future commitments and credit facilities. The City’s Long-Term Funding Strategy (LTFS) recommends or must consider that the City must try to renegotiate some the loan terms. The LTFS recommends that management must restructure is creditors/loan book as it is evident based on the current liquidity position, as fully paying its creditors at once might lead to depletion of its cash reserve. The liquidity exposure presented below is based on the assumption of deferred repayment/restructuring conditions still to be negotiated in future in 2 -3 years for other long-term obligation. The risk exposure exercise which will be performed at each reporting period. The City applied its judgement to determine the appropriate number of time bands for disclosing the exposure on the maturity analysis, and aligned the time bands to the Budget Reporting process.
The investment amounts disclosed on the liquidity maturity relates to the sinking funds established for the repayments of the bullet loans.

Cash flow forecasts are prepared continuously based on operations requirements, and existing borrowing facilities requirements are complied with.

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

The maturity profile of contractual cash flows of non-derivative financial liabilities and financial assets held to mitigate the risk are presented in the following table. The cash flows are undiscounted contractual amounts.

Maturity analysis of contractual undiscounted cash outflows – non-derivative financial liabilities

2026

	Less than 1 year	Greater than 1 year but less than 3 years	Greater than 3 years but less 6 years	Greater than 6 years	Total
Loans - capital	822 407 205	1 641 000 999	1 746 681 464	2 260 311 379	6 470 401 047
Loans - Interest	777 949 448	1 116 048 085	1 050 775 454	492 588 555	3 437 361 542
Loans (Capital and Interest)	**1 600 356 653**	**2 757 049 084**	**2 797 456 918**	**2 752 899 934**	**9 907 762 589**
Investments	-	-	-	347 633 532	347 633 532
Trade and other payables from exchange transactions	18 616 950 827	325 223 901	-	-	18 942 174 728

2025

	Less than 1 year	Greater than 1 year but less than 3 years	Greater than 3 years but less 6 years	Greater than 6 years	Total
Loans - capital	885 112 592	885 112 592	2 221 510 076	2 588 941 973	6 580 677 233
Loans - interest	776 802 722	1 293 519 372	1 278 953 435	777 645 020	4 126 920 549
	1 661 915 314	**2 178 631 964**	**3 500 463 511**	**3 366 586 993**	**10 707 597 782**
Investments			-	221 173 226	221 173 226
Trade and other payables from exchange transactions			15 037 078 982	-	15 037 078 982

Market risk

Sensitivity analysis

Scope and objectives

Market risk is the risk that changes in market prices such as interest rates and foreign-exchange rates affecting the City's income.

The aim of market risk management is to manage and control market risk exposures with acceptable levels, while optimizing the return on the risk.

50. Financial Instruments - Risk Management and Other Disclosures (continued)

The City is not exposed to foreign-exchange rates fluctuations.

.
Bulk purchases with the City approved upfront, through the City's internal processes. Consumer price index is applied year on year on other returns.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in the market interest rates. The City's interest rate risk arises from long-term borrowings facilities entered into in financing its capital expansion programmes

The City is not exposed to any interest rate risk fluctuations, as the City's policy is to maintain its borrowings programme in fixed interest rate instruments.

2026	Current interest rate	**Less than 1 year**	**Greater than 1 year but less than 3 years**	**Greater than 3 years but less 6 years**	**Greater than 6 years**
Interest on loan	Various	777 949 448	1 116 048 085	1 050 775 454	492 588 555

2025	**Current interest rate**	**Less than 1 year**	**Greater than 1 year but less than 3 years**	**Greater than 3 years but less 6 years**	**Greater than 6 years**
Interest on loan	-	776 802 722	1 293 519 372	1 278 953 435	777 645 020

Notes to the Annual Financial Statements

Figures in Rand	2026	2025

51. Unauthorised, Irregular and Fruitless and Wasteful Expenditure

	2026	2025
Unauthorised expenditure	397 107 942	397 107 942
Irregular expenditure	817 033 586	1 083 092 466
Fruitless and wasteful expenditure	68 766 931	68 766 931
Closing balance	**1 282 908 459**	**1 548 967 339**

Items of unauthorised, irregular and fruitless and wasteful expenditure are referred to MPAC for further investigations and determination of appropriate steps to be taken. During the current year the Council approved R352,262,484 (2025: R55,035,705) for irregular and for fruitless and wasteful expenditure R0.00 (2025: R0.00), for write-offs. Furthermore Council approved R0 (2025: R0) for irregular and R0 (2025: R0,) of fruitless and wasteful expenditure to be recovered. The remaining amounts are still under investigation by the MPAC and other organs of state. No resolutions were not yet available.

Unauthorised expenditure		
Opening balance	397 107 942	397 107 942

Irregular expenditure		
Opening balance	1 083 092 466	1 000 481 361
Add: Expenditure identified in the current year	-	41 190 068
Add: Expenditure identified for the year, relating to prior years	86 203 604	96 456 742
Less: Amounts ratified/approved as irrecoverable by council and written off, relating to prior years	(352 262 484)	(55 035 705)
	817 033 586	**1 083 092 466**

Fruitless and Wasteful expenditure		
Opening balance	68 766 931	68 766 931

30 June 2026 Identified in the current year:

Department	Description	Classification	Total
			1

30 June 2026 Identified in the current year, relating to prior years:

Department	Description	Classification	Total
ICT	Contravention of SCM Policy	Irregular	61 260 043
Water and Sanitation	Contravention of SCM Policy	Irregular	24 943 561
			86 203 604

30 June 2025 Identified in the current year:

Department	Description	Classification	Total
ICT	Contravention of SCM Policy	Irregular	41 190 068

30 June 2025 Identified in the current year, relating to prior years:

Department	Description	Classification	Total
Real Estate	Contravention of SCM Policy	Irregular	7 348 333
Environmental and Waste Management	Contravention of SCM Policy	Irregular	2 952 565
Water and Sanitation	Contravention of SCM Policy	Irregular	2 997 688
Energy	Contravention of SCM Policy	Irregular	83 158 156
			96 456 742

Figures in Rand	2026	2025

52. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

SCM regulation (par. 36) of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting officer and includes a note to the annual financial statements.

Deviations include rates based contracts which cannot be attached to a contract value as the demand is unknown at the point of award.

	2026	2025
SCM regulations 36(2)		
Other - impractical	671 304 017	625 776 684

53. Additional disclosure in terms of Municipal Finance Management Act

30 June 2026 Tenders awarded to family members

No	Contract number	Supplier name	Relation	Employee name	Employee designation
1	PS-F 11-2025	Madhlopa and Thenga Incorporated	Brother	M Thenga	HOD: Energy
2	A-EE 03-2025	MPPM Consulting Engineering CC	Spouse	M Senyatsi	DH: ICT

30 June 2025 Tenders awarded to family members

Heading	Contract number	Supplier name	Relation	Employee name	Employee designation
1	A-EE 15-2024	MPPM Consulting Engineering CC	Spouse	M Senyatsi	DH: ICT
2	PS-EE 16-2024	MPPM Consulting Engineering CC	Spouse	M Senyatsi	DH: ICT

30 June 2026 Quotations awarded to family members of staff

30 June 2025 Quotations awarded to family members of staff

Contributions to organised local government

	2026	2025
Opening balance	21 849 390	19 920 269
Amount paid - current year	(21 849 390)	(19 920 269)
	-	-

Audit fees

	2026	2025
Opening balance	36 658 735	30 993 064
Amount paid - current year	(36 658 735)	(30 993 064)
	-	-

Notes to the Annual Financial Statements

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

PAYE and UIF

Opening balance	155 816 746	153 441 381
Current year deductions	2 103 940 396	1 866 342 682
Amount paid - current year	(2 081 973 517)	(1 863 967 317)
	177 783 625	**155 816 746**

Pension and Medical Aid Deductions

Opening balance	152 781 096	144 259 815
Current year deductions	3 075 647 453	2 879 464 541
Amount paid - current year	(3 067 695 053)	(2 870 943 260)
	160 733 496	**152 781 096**

VAT

VAT paid during the year	131 961 614	194 286 023

53. 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 2026:

30 June 2026	Highest outstanding amount	Aging (in days)
DAEMANE PA	2 438	1 290
KLAASEN KE	2 852	1 110
MABYE MS	24 926	330
MANAMELA LJ	11 916	180
NHLEKO SE	2 751	1 380
	44 883	**4 290**

30 June 2025	Highest outstanding amount	Aging (in days)
DAEMANE PA	15 480	930
KLAASEN KE	15 223	660
MOROPA EM	35 278	540
MSIMANGO KP	8 066	240
NHLEKO SE	30 246	1 170
NKOSI BD	7 031	630
SELWANA HN	7 683	120
	119 007	**4 290**

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

30 June 2026	Highest outstanding amount	Aging (in days)
DAEMANE PA	21 094	1 020
KLAASEN KE.	14 015	750
MABYE MS	8 624	120
MANAMELA LJ	11 916	180
MOIMANA JL	50 429	150
MOLOI SM	8 381	120
MOROPA EM	33 921	570
MSIMANGO KP	9 363	300
NHLEKO SE	29 192	1 170
NKOSI BD	8 002	720
NTOMBELA SI	11 842	120
SABE SE	9 220	120
SELWANA HN	6 861	120
	222 860	**5 460**

30 June 2025	Highest outstanding amount	Aging (in days)
DAEMANE PA	15 480	-
DE LANGE WILLIAMS CC	3 468	180
KIYANE NC	30 018	930
KLAASEN KE	26 387	420
MNGUNI NA	595	1 830
MOLOI SM	27 286	300
MOROPA EM	59 803	750
MOTLOUNG TP	9 317	1 260
MSANE TP	58 963	780
MSIMANGO KP	11 865	180
NHLEKO SE	57 636	1 290
NKOSI BD	13 024	-
SELWANA HN	7 683	-
NTOMBELA SI	9 271	120

Figures in Rand	2026	2025

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

SABE SE	6 925	120
THOBEJANE PAM	77 045	1 830
	414 766	**-**

54. Going concern

This annual financial statements have been prepared on a going concern basis.

Management has prepared an annual budget based on the City's collections levels, and applied cost cutting measures to ensure that the City operate within its financial limits. Monthly and annual cash flow forecast for the period ending 30 June 2027 are prepared and monitored bysenior management team, if necessary budget adjustment process will be initiated. The annual budget for the next financial year has been prepared and approved by council and it is deemed to be fully funded.

The City's budget for the 2027 financial year has been assessed to be fully funded in terms of section 18 of the MFMA.

Management is satisfied that the City has, or has access to, adequate resources to continue in operational existence for the foreseeable future. The City will continue monitor the budget process and assess risk associated to changes in adverse economic conditions and ensure that itsoperating activities will be within its financial measures.

55. Events after the reporting date

At the time of preparation and submission of this set of annual financial statements, there were no events after reporting date to disclose.

56. In-kind donations and assistance

No donations or assistance were received in the current financial year.

57. Utilisation of Long-term liabilities reconciliation

The City did not raise any external borrowing for financing the capital expenditure programmes.

58. Budget differences - Statement of Comparison of Budgets and Actual Amounts

Changes from the approved budget to the final budget

A. ADJUSTMENT BUDGET PROCESS

The City of Ekurhuleni approved the **consolidated** main adjustment budget, Item A-F (16-2026) on the 10th March 2026.

The main adjustment budget is required by section 28 of the Municipal Finance Management Act and was influenced by the outcome of mid-year performance assessment as per section 72 of the MFMA.

This adjustment budget was necessitated by the following factors

- Actual performance of the budget for the past six months of the financial year and re-classification of items within revenue.
- Additional **R113.1m** UDFG for Trading Services allocated to Energy.
- Reallocation of UDFG (**R2.1m**) from Capex to Opex;
- Reallocations between projects – acceleration of performing projects with identified savings from non-performing projects

Operating Revenue

The net increase in operating revenue amounted to R829.9 million, from R65.495 billion to R66.325 billion

The operating revenue changes were due to the following factors:

Services charges - budget for excess consumption is transferred to debt impairment as the consumption is limited to 10kl for registered indigents and 6kl for deemed indigents.

Transfers and subsidies - operational - adjustments as follows:

- Additional grant to EHC for maintenance of Pharoe Park - R10 million

58. Budget differences - Statement of Comparison of Budgets and Actual Amounts (continued)

- UDFG allocation for Metro Trading Services allocated to Energy - R12.5 million,
- Transfer of USDG from Capex to Opex - R2.1 million

Reduction of traffic fines budget as the Traffic Management is not yet functional, and

Adjustments to other revenue items such as interest earned from receivables and current assets, fines, penalties and forfeits, and operational revenue are based on mid-year performance

Operating Expenditure

The net increase in operating expenditure amounted to R649.8 million, from R64.845 billion to R65.494 billion

Changes on operating expenditure is attributable to the following factors**:**

Receivables from exchange transactions reflects a decrease of R1,369b due to:

- 50% reduction on insourcing provision to contracted services and further reduction on other employee related costs to fund departmental requests
- Increase in debt impairment due to transfer from excess consumption, interest from outstanding debtors and operational revenue.
- Increase on contracted services to appropriate grant funded expenditure, address service delivery backlogs, outsourced services
- Bursaries increased by R8 million to a total budget of R15 million
- Re-allocation of funds within the expenditure items

Capital budget

The capital adjustments to the City and its entities results in a net increase of R158.261 million. The capital budget, therefore, increases from R3.197 billion to R3.355 billion.

The adjustments are a combination of:

- Reallocations between projects – acceleration of performing projects with identified savings from non-performing projects
- Additional R113.1m UDFG for Trading Services allocated to Energy**.**
- Reallocation of USDG (R2.1m) from Capex to Opex;
- Revenue source of funding net increase of R47.2m as a result of a decrease in alternative ablution facilities (R90m) allocation and other Revenue funded projects receiving additional allocations (R137.2m).

Explanation of variances between Budget and actual amounts

Revenue

Service Charges – The service charges reflect an under spending of 9% R3.7b below the budget, this is constituted by Suspension of basic charges on electricity tariff, residents opting for alternative energy sources and increase in electricity losses and budget revenue for sanitation and refuse was achieved. Revenue water was
above budget due to the limit in provision of the free basic services to indigents as a result in the change in the indigent support policy to align it to the national policy.

Rental of facilities – Rental of facilities reflects a positive return of 9% or R10.1m above budget due to increase in rental income due to renegotiation of the historical agreements.

Interest on outstanding debtors – Interest in outstanding debtors reflects over achievement of 15% or R198,4m due to the increase in consumer debtors affected by the collection level and change in the provision of free services to indigents.

License and Permits – Reflects an over achievement of 19% or R6.9m increase in the number of vehicles registered within the city facilities.

58. Budget differences - Statement of Comparison of Budgets and Actual Amounts (continued)

Other Income –Reflects achievement of R41.3m or 22% over budget as a result of an Increase in the approval of developer application and building plans

Traffic fines - Reflects a negative deviation of R192m or 31% as a result of the implementation of the traffic management system and lack of the camera equipment and support for electronic monitoring of the speeding vehicles within the city.

Expenditure

Employee costs – Reflects a saving of R1.389b of 11% below budget as a result of delay in filling vacant position and moratorium to fill noncritical vacancies and the restructuring process. Improved performance in the actuarial valuation of employee benefits as net of actuarial gains were realised while actuarial losses were budgeted for the year under review. Delay implementation of the insourcing programme.

Depreciation, amortisation, impairment and de-recognition loss reflects savings of R305m or 10% due to delays in the capitalisation of completed projects completed at trhe end of the finacial year, and changes as a results of the annual review of usefuls lives and changes in estimate.

Finance costs reflects a savings of R433m or 28% due to new loans raised;Strict management and monitoring of overdraft facility;Improvements in the interest rates used for the actuarial valuation of the employee benefits

Debt impairment reflects over-spending of R833m or 12% due to the increase in the bad debts provision as a result of:

Lower collection levels achieved;

Lack of credit control measures by trading entities;

Change in the indigent support poverty to limit free basic services;

Change in the application of GRAP 104 (Revised), resulting in the loss to be provided for in debt impairment.

Collection cost
The collection cost reflects a variance of 20% below budget which was cuased by delays in appointment of collection agents.

Contract services reflects overspending of 15% or R560m due to the implementation of the services delivery programme to fast-track the repairs and maintenance programme within the City.

Statement of financial position

Assets

Receivables from exchange transactions reflects a decrease of R1,369b due to:

Implementation of GRAP 104 (Revised) resulting in increase in the bad debts provision and other reasons as provided in the debt impairment allocation
as explained in the statement of financial performance allocation

Property, Plant & Equipment & Intangible assets are affected by performance by the capital expenditure programme & the wear and tear allocations as calculated annually per GRAP requirements.

Other investments reflect an increase in contribution of the sinking funds facilities.

Long-term receivables reflects, increase in of R41m of the VAT input on the Eskom liability ring-fenced on the payment period.

Liabilities

Short -term loans are increasing as a result of higher repayments amounts due to loans reaching the end of their period terms

Trade and other payables are impacted by the collection levels and failure to achieve the cash on hand and operating losses generated by the City.

Retirement benefits, impacted by movements in the annual actuarial valuations.

Unspent grants increased due to delays in the implementation of projects in waste departments and advance receipts on the Informal Settlement Upgrading Partnership Grant (ISUPG) grants due to non-approval of the Stoppage grants gazette

58. Budget differences - Statement of Comparison of Budgets and Actual Amounts (continued)

Cash flow statement

The cash flow statement reflects the variances or movements of items already ex[plained in the statement of financial performance and the Statement of Financial Position.

59. Budget differences - Appropriation Statement

Revenue

The actual revenue, excluding capital grants, amounts to R60.306 billion whilst the budgeted revenue amounts to R64.536 billion, with the underperformance variance of R4.229 billion or 7% below budget.

- **Service charges**

The service charges reflect an under spending of 9% R3.7b below the budget, this is constituted by Suspension of basic charges on electricity tariff and increase in electricity losses and budget revenue for sanitation and refuse was achieved. Revenue water was above budget due to the limit in provision of the free basic services to indigents as a result in the change in the indigent support policy to align it to the national policy.

Expenditure

The actual expenditure amounts to R63.079 billion whilst the budgeted expenditure amounts to R63.713 billion, with the under-performance variance of 1%.

Significant variances are due to the following:

- **Employee-Related Costs**

Negative deviation was due to under-expenditure on funded vacant positions. The filling of vacant positions is informed by moratorium to fill noncritical vacancies and the restructuring process. Improved performance in the actuarial valuation of employee benefits as net of actuarial gains were realised while actuarial losses were budgeted for the year under review. Delayed implementation of the insourcing programme.

- **Debt impairment**

Debt impairment reflects over-spending due to the increase in the bad debts provision as a result of following:
- Lower collection levels achieved;
- Lack of credit control measures by trading entities;
- Change in the indigent support poverty to limit free basic services;
- Change in the application of GRAP 104 (Revised), resulting in the loss to be provided for in debt impairment.

- Depreciation, Amortisation, Impairment and Derecognition Loss

Savings is reported due to delays in the capitalisation of completed projects completed at the end of the financial year, and changes as a results of the annual review of useful lives and changes in estimate.

- **Finance charges**

Savings reported due to no new loans raised, strict management and monitoring of overdraft facility, improvements in the interest rates used for the actuarial valuation of the employee benefits

Cash flow statement

The cash flow statement reflects the variances or movements of items already explained in the Statement of Financial Performance and the Statement of Financial Position

60. Accounting by principals and agents

The City is a party to a principal-agent arrangement. The City act as an agent for the Gauteng department of transport, whereby it administers the registration of vehicles and collection of funds thereof, on behalf of the department within the City's jurisdictions.

The City is not exposed to any significant risks in the provision of these services, nor were the terms and conditions of the arrangement amended

Notes to the Annual Financial Statements

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60. Accounting by principals and agents (continued)

Entity as agent

Revenue recognised

The aggregate amount of revenue that the entity recognised as compensation for the transactions carried out on behalf of the principal is R341,602,839 (2025: R339,766,334).

Reconciliation of the carrying amounts of payables		
Amount collected on behalf of the principal	1 325 427 549	1 307 746 150
Amounts transferred to the principal	(515 343 669)	(614 471 973)
	810 083 880	**693 274 177**

Disclosure of agency transactions

All categories		
Cash paid on behalf of the principal	1 325 427 549	1 307 746 150
Amounts transferred to the principal	(515 343 669)	(614 471 973)
Amounts still owed to principal	(810 083 880)	(693 274 177)
	-	-

61. Segment information

General information

Identification of segments

The City is organised and reports to management on the basis of Community and Public Safety, Economic and Environmental Services, Municipal Governance and Administration, Trading Services and other sundry 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 wereaggregated for reporting purposes in line with National Treasury Budget guidelines.

Information reported about these segments is used by management as a basis for evaluating the segments' performances and for making decisions about the allocation of resources. The disclosure of information about these segments is also considered appropriate for external reporting purposes.

Aggregated segments

The City does not have any geographical segments as it operates within it's area of jurisdiction in the Gauteng Province. Segments were aggregated on the basis of services delivered to its residents.

Types of goods and/or services by segment

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

Reportable segment	**Goods and/or services**
Community and Public Safety	Responsible for community and social services, sports and recreation, public safety, housing and health.
Economic and Environmental Services	Responsible for planning and development, road transport and environmental protection.
Municipal Governance and Administration	Responsible for executive and council, finance and administration and Internal audit.
Other	Responsible for licensing and regulation, markets and tourism.
Trading Services	Responsible for energy sources, warter management, waste water management and waste management.

61. Segment information (continued)

Segment surplus or deficit, assets and liabilities

2026

	Community and Public safety	Economic and environmental services	Municipal governance and administration	Other	Trading services	Total
Revenue						
Revenue from exchange transactions	113 617 476	83 735 518	163 534 955	373 846 775	37 940 486 122	38 675 220 846
Revenue from non-exchange transactions	938 257 848	1 054 080 618	12 904 326 797	-	7 577 789 623	22 474 454 886
Interest revenue	-	9 904	251 495 320	-	1 414 301 570	1 665 806 794
Total segment revenue	**1 051 875 324**	**1 137 826 040**	**13 319 357 072**	**373 846 775**	**46 932 577 315**	**62 815 482 526**
Entity's revenue						**62 815 482 526**
Expenditure						
Debt impairment	432 551 595	-	1 924 029 945	-	5 240 832 255	7 597 413 795
Depreciation and amortisation	232 873 850	1 234 715 556	524 750 561	-	658 827 704	2 651 167 671
Interest expense	-	358 353 743	520 375 178	-	255 517 262	1 134 246 183
Other expenditure	8 895 497 958	2 561 236 776	1 112 779 101	454 287 198	38 673 261 295	51 697 062 328
Total segment expenditure	**9 560 923 403**	**4 154 306 075**	**4 081 934 785**	**454 287 198**	**44 828 438 516**	**63 079 889 977**
Total segmental surplus/(deficit)	**(8 509 048 079)**	**(3 016 480 035)**	**9 237 422 287**	**(80 440 423)**	**2 104 138 799**	**(264 407 451)**
Assets						
Non-current assets	6 785 947 878	21 254 299 465	10 402 821 844	-	24 916 578 859	63 359 648 046
Current assets	-	-	17 350 235 954	-	-	17 350 235 954
Total segment assets	**6 785 947 878**	**21 254 299 465**	**27 753 057 798**	**-**	**24 916 578 859**	**80 709 884 000**
Total assets as per Statement of financial Position						**80 709 884 000**
Liabilities						
Non-current liabilities	-	-	9 708 388 016	-	-	9 708 388 016
Current liabilities	-	-	25 300 814 832	-	-	25 300 814 832
Total segment liabilities	**-**	**-**	**35 009 202 848**	**-**	**-**	**35 009 202 848**
Total liabilities as per Statement of financial Position						**35 009 202 848**

61. Segment information (continued)

2025

	Community and Public safety	Economic and environmental services	Municipal governance and administration	Other	Trading services	Total
Revenue						
Revenue from exchange transactions	124 772 731	120 232 783	135 621 391	376 266 514	30 173 706 914	30 930 600 333
Revenue from non-exchange transactions	1 026 641 315	1 225 775 568	11 150 509 788	-	9 616 131 673	23 019 058 344
Interest revenue	-	-	213 339 761	229 324	960 915 694	1 174 484 779
Total segment revenue	**1 151 414 046**	**1 346 008 351**	**11 499 470 940**	**376 495 838**	**40 750 754 281**	**55 124 143 456**
Entity's revenue						**55 124 143 456**
Expenditure						
Debt impairment	248 206 751	-	1 363 325 952	-	3 481 523 304	5 093 056 007
Depreciation and amortisation	260 856 377	980 321 977	694 572 177	-	736 987 030	2 672 737 561
Interest expense	-	241 573 050	561 724 592	-	258 804 461	1 062 102 103
Other expenditure	8 188 264 092	2 153 007 687	3 873 053 859	337 431 140	32 578 138 091	47 129 894 869
Total segment expenditure	**8 697 327 220**	**3 374 902 714**	**6 492 676 580**	**337 431 140**	**37 055 452 886**	**55 957 790 540**
Total segmental surplus/(deficit)	**(7 545 913 174)**	**(2 028 894 363)**	**5 006 794 360**	**39 064 698**	**3 695 301 395**	**(833 647 084)**
Assets						
Non - current assets	6 728 940 276	21 075 745 684	10 315 429 494	-	24 707 258 887	62 827 374 341
Current assets	-	-	16 290 229 720	-	-	16 290 229 720
Total segment assets	**6 728 940 276**	**21 075 745 684**	**26 605 659 214**	**-**	**24 707 258 887**	**79 117 604 061**
Total assets as per Statement of financial Position						**79 117 604 061**
Liabilities						
Non - current liabilities	-	-	(9 873 466 631)	-	-	(9 873 466 631)
Current liabilities	-	-	(20 965 410 657)	-	-	(20 965 410 657)
Total segment liabilities	**-**	**-**	**(30 838 877 288)**	**-**	**-**	**(30 838 877 288)**
Total liabilities as per Statement of financial Position						**(30 838 877 288)**

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