CENTLEC

Reg No. 2003/011612/30

MANGAUNG

AT THE HEART OF IT ALL

CENTLEC (SOC) LTD
ANNUAL REPORT

2023
2024

CENTLEC

Reg No. 2003/011612/30

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CENTLEC (SOC) LTD.

ANNUAL REPORT

2023/24 FINANCIAL YEAR

MANGAUNG
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CENTLEC

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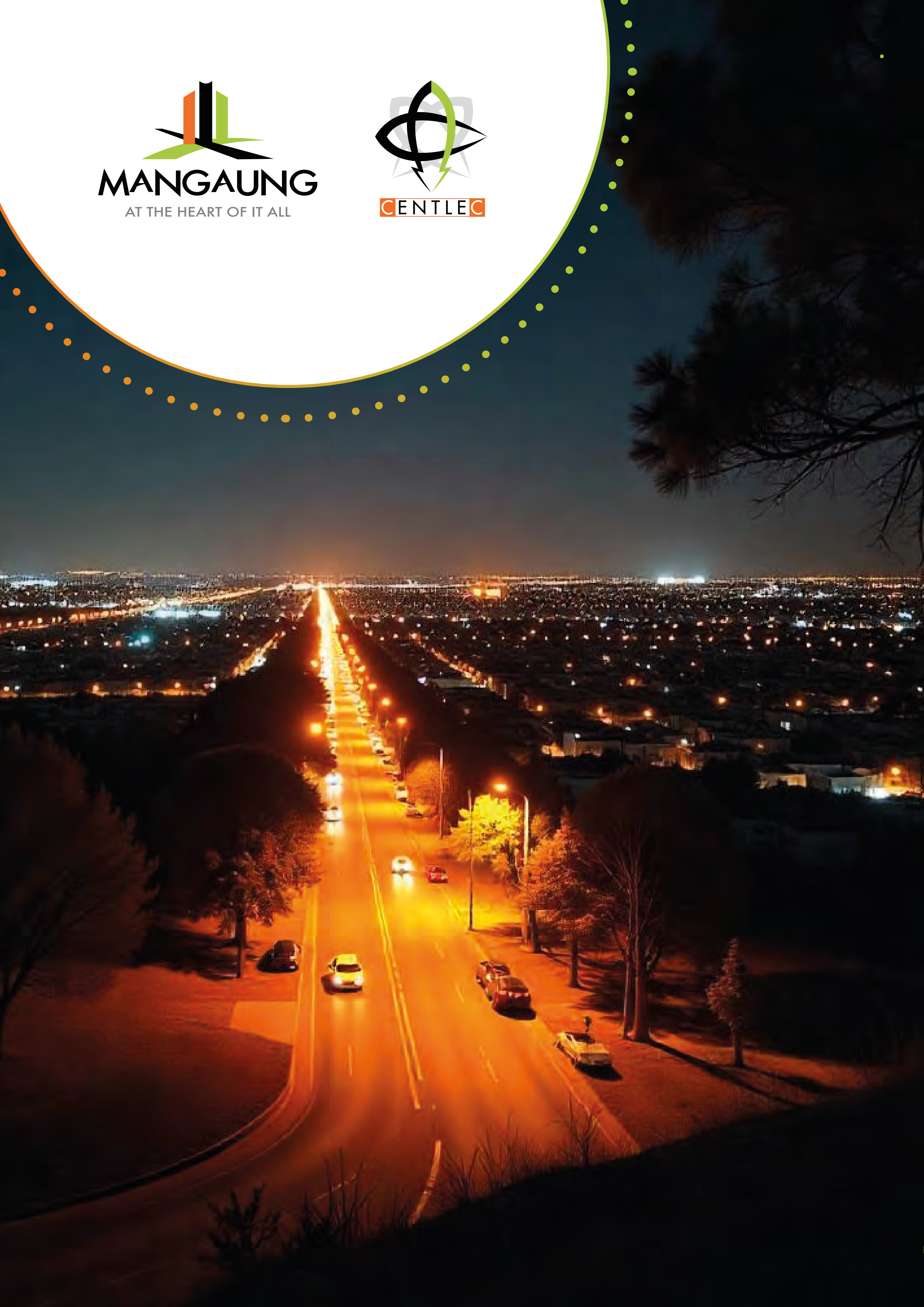

PART A:

ANNUAL PERFORMANCE REPORT

PUBLIC ENTITY'S GENERAL INFORMATION

Registered Name of State-Owned Company	CENTLEC (SOC) Ltd
Company Registration Number	2003/011612/30
Country of Incorporation and Domicile	South Africa
Nature of Business and Principal Activities	Electricity Distribution
Chief Executive Officer (CEO)	M.S Sekoboto
Chief Finance Officer (CFO)	Z.S.N Williams
Directors	M.C Mokitlane (Chairperson) M.B Mfanta (Deputy Chairperson) D.R Barlow M.A Mopeli G. Mohanoe N.T Baloyi
Registered Office	30 Rhodes Avenue Oranjesig Bloemfontein 9301
Business Address	30 Rhodes Avenue Oranjesig Bloemfontein 9301
Postal Address	Private Bag X14 Brandhof Free State 9324
Contact Number	+27 (51) 412 2613
E-mail Address	ceo@centlec.co.za
Website	www.centlec.co.za
Controlling Entity	Mangaung Metropolitan Municipality
Bankers	ABSA
Auditors	Auditor-General of South Africa (AGSA)
Company Secretary	K.C Tsitsi
Attorneys	Rampai Attorneys Raynard and Associates Inc Tshangana Attorneys

COMPANY SECRETARY'S CERTIFICATE TO THE SHAREHOLDER OF CENTLEC (SOC) LTD

In accordance with the provisions of the Companies Act 71 of 2008, the Company Secretary of CENTLEC (SOC) Ltd, confirms that:

For the reporting period ending 30 June 2024, the company has submitted all returns and notices prescribed by the Act, to the Commissioner of the Companies and Intellectual Property Commission (CIPC) all such returns and notices prescribed by the Act, were accurate, correct, and up to date.

K.C TSITSI
COMPANY SECRETARY OF CENTLEC (SOC) Ltd

Date: 30 November 2024

CHIEF EXECUTIVE OFFICER'S QUALITY CERTIFICATION

I, Malefane Sekoboto, CEO of CENTLEC (SOC) Ltd, confirms that:

The Annual Report for the 2023/24 financial year has been prepared in accordance with the Municipal Systems Act 32 of 2000) and the Municipal Finance Management Act 56 of 2003 (MFMA) and regulations made under these Acts.

M SEKOBOTO
CHIEF EXECUTIVE OFFICER
CENTLEC (SOC) Ltd

Date: 30 November 2024

LEGISLATION COVERING FINANCIAL AND ADMINISTRATIVE MANAGEMENT

1. The Constitution of the Republic of South Africa 1996 (Act 108 of 1996).
2. Basic Conditions of Employment Act (Act 15 of 1997 and regulations thereto).
3. Labour Relations Act (Act 66 of 1995).
4. South African Bargaining Council Main Collective Agreement 2015/2020.
5. Occupational Health and Safety Act (Act 85 of 1993 and regulations thereto).
6. Companies Act (Act 71 of 2008, Chapter 8 and regulations thereto).
7. Municipal Finance Management Act (Act 56 of 2003 and regulations thereto).
8. Municipal Systems Act (Act 32 of 2000 and regulations thereto).
9. Value Added Tax Act (Act 84 of 1991).
10. Electricity Regulations Act (Act 4 of 2006).
11. National Energy Regulator Act (Act 40 of 2004).
12. King III Code of Corporate Governance (until April 2017).
13. King IV Report on Corporate Governance for South Africa, 2016 (effective from April 2017).
14. NRS048 – 2:2003, second edition, Electricity Supply – Quality of Supply.
15. NRS047 – 1:2005, third edition, Electricity Supply – Quality of Service.
16. Supply Chain Management: A Guide for Accounting Officers of Municipalities and Municipal Entities, October 2005.
17. National Key Point Act (Act 102 of 1980 and regulations thereto).
18. Employment Equity Act (Act 55 of 1998 and regulations thereto).
19. Municipal Structures Act (Act 117 of 1998 and regulations thereto).
20. Compensation for Occupational Injuries and Diseases Act (Act 130 of 1993 and regulations thereto).
21. Unemployment Insurance Act (Act 63 of 2001 and regulations thereto).
22. Promotion of Administrative Justice Act (Act 3 of 2000).
23. Skills Development Act (Act 97 of 1998 and regulations thereto).
24. Broad-based Black Economic Empowerment Act (Act 53 of 2003).
25. Cross-boundary Municipalities Laws Repeal and Related Matters Act (Act 23 of 2005).
26. Municipal Fiscal Powers and Functions Act (Act 12 of 2007).
27. Intergovernmental Fiscal Relations Act (Act 97 of 1997).
28. Intergovernmental Fiscal Regulations Framework.
29. And other applicable legislations.

ABBREVIATIONS/ACRONYMS AND DEFINITIONS

Table 1: Abbreviations/ Acronyms:

Abbreviation/Acronym	Explanation/Description
AFS	Annual Financial Statements
AGSA	Auditor-General South Africa
AET	Adult Educational Training
ARPL	Artisan Recognition of Prior Learning
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CIPC	Companies and Intellectual Property Commission
CUT	Central University of Technology
DEA	Department of Environmental Affairs
EDI	Electricity Distribution Industry
EM	Executive Manager
EPMDS	Employee Performance Management and Development System
EME	Emerging Micro Enterprise
EXCO	Executive Committee
EWDs	Employees With Disabilities
GM	General Manager
GRAP	Generally Recognised Accounting Practices
HDI	Historically Disadvantaged Individuals
ICT	Information and Communication Technology
IDP	Integrated Development Plan
ISUPG	Informal Settlements Upgrading Partnership Grant
INEP	Integrated National Electrification Programme
KPA	Key Performance Area

ABBREVIATIONS/ACRONYMS AND DEFINITIONS

Abbreviation/Acronym	Explanation/Description
KPI	Key Performance Indicator
KRA	Key Result Area
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MFP	Municipal Finance Planning
MMM	Mangaung Metropolitan Municipality
MTREF	Medium-Term Revenue and Expenditure Framework
NERSA	National Energy Regulator of South Africa
PMR	Professional Marketing Research
PMS	Performance Management System
POE	Portfolio of Evidence
RED	Regional Electricity Distributor
REMCO	Human Resources and Remuneration Committee
SALGA	South African Local Government Association
SAWMU	South African Municipal Workers Union
SCM	Supply Chain Management
SDBIP	Service Delivery and Budget Implementation Plan
SHREQ	Safety, Health, Risk, Environment and Quality
SMME	Small, Medium and Micro Enterprise
SOC	State-Owned Company
USDG	Urban Settlements Development Grant
WIL	Work Integrated Learning
WSP	Workplace Skills Plan

GLOSSARY

Table 2: Glossary

Accessibility indicators:	Explore whether the intended beneficiaries are able to access services or outputs.
Accountability documents:	Documents used by executive authorities to provide “full and regular” reports on the matters under their control to Parliament and provincial legislatures as mandated by the Constitution (1996). These include plans, budgets, in-year, and Annual Reports.
Activities:	The processes or actions that use a variety of inputs to generate the intended outputs and ultimately, outcomes. Essentially, activities describe "what we do".
Adequacy indicators:	The quantity of input or output relative to the need or demand.
Annual Report:	A report to be prepared and submitted annually in accordance with the regulations set out in Section 121 of the Municipal Finance Management Act (MFMA, 2003). This report must include the annual financial statements as submitted to, and approved by, the Auditor-General South Africa (AGSA).
Annual Financial Statements	The Annual Financial Statements (AFS) of a municipality as audited by the Auditor-General and approved by council or a provincial or national executive.
Baseline:	Current level of performance that a municipality aims to improve when setting performance targets. The baseline relates to the level of performance recorded in a year prior to the planning period.
Basic municipal service:	Municipal services that are essential for ensuring an acceptable and reasonable quality of life for citizens within that specific area. If these services are not provided, it may endanger public health and safety or the environment.
Budget year:	The financial year for which an annual budget is to be approved – means a year ending on 30 June.
Cost indicators:	The overall cost or expenditure of producing a specified quantity of outputs.
Distribution indicators:	The distribution of capacity to deliver services.

GLOSSARY

Accessibility indicators:	Explore whether the intended beneficiaries are able to access services or outputs.
General Key Performance Indicators (KPIs):	After consultation with Members of the Executive Council (MECs) for local government, the Minister may prescribe general KPIs that are appropriate and applicable to local government in general.
Impact:	The results of achieving specific outcomes, such as reducing poverty and creating jobs.
Inputs:	All the resources that contribute to the production and delivery of outputs. Inputs are "what we use to do the work". They include finances, personnel, equipment, and buildings.
Integrated Development Plan (IDP):	Sets out municipal goals and development plans.
National Key Performance Areas (KPAs):	o Service delivery and infrastructure. o Economic development. o Municipal transformation and institutional development. o Financial viability and management. o Good governance and community participation.
Outcomes:	Medium-term results for specific beneficiaries as a consequence of achieving specific outputs. Outcomes should relate clearly to an institution's strategic goals and objectives as set out in its plans. Outcomes are "what we wish to achieve".
Outputs:	Outputs are the final products, or goods and services produced for delivery. Outputs may be defined as "what we produce or deliver". Outputs are defined as concrete achievements (i.e. such as a passport, a presentation, immunisation, or a service such as processing an application) that contribute to the achievement of a Key Result Area (KRA).
Performance indicator:	Indicators should be clearly defined to measure performance in relation to input, activities, outputs, outcomes, and impacts. An indicator is a form of information used to assess the degree to which an output has been accomplished (such as a policy developed, a presentation delivered, or a service provided).

GLOSSARY

Accessibility indicators:	Explore whether the intended beneficiaries are able to access services or outputs.
Performance information:	Generic term for non-financial information about municipal services and activities. Can also be used interchangeably with 'performance measure'.
Performance standards:	The minimum acceptable level of performance or the level of performance that is generally accepted. Standards are informed by legislative requirements and service-level agreements. Performance standards are mutually agreed criteria to describe how well work must be done in terms of quantity and/or quality and timeliness, to clarify the outputs and related activities of a job by describing what the required result should be. In this Employee Performance Management and Development System (EPMDS), performance standards are divided into indicators and the time factor.
Performance targets:	The level of performance that municipalities and their employees strive to achieve. Performance targets are based on current baselines and express a specific level of performance that a municipality aims to achieve within a given time period.
Service delivery and budget implementation plan:	A detailed plan approved by the mayor for implementing the municipality's delivery of services. This includes projections of the revenue collected and operational and capital expenditure by vote for each month. Service delivery targets and performance indicators must also be included.
Vote:	One of the main segments into which a municipality's budget is divided for the appropriation of money for the different departments or functional areas of the municipality. The vote specifies the total amount appropriated for a specific department or functional area. Section 1 of the MFMA (2003) defines a "vote" as: a) one of the main segments into which a budget of a municipality is divided for the appropriation of money for the different departments or functional areas of the municipality; and b) Which specifies the total amount that is appropriated for the purposes of the department or functional area concerned.

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CHAPTER 1: FOREWORD AND EXECUTIVE SUMMARY

1.1 Foreword by the Chairperson of the Board

"We have recently made significant improvements to our Internal Audit Department, in order to strengthen our internal controls, providing independent assurance and enhance our governance practices.

M.C MOKITLANE

THE CHAIRPERSON OF THE BOARD

The Mangaung Metropolitan Municipality (MMM) Council appointed a new board, effective from the 1st November, 2023 and granted me the honour of serving as the Chairperson of the Board. We have been actively serving for eight months and despite the previous absence of a Board of Directors, which posed some challenges, we are now fully operational and committed to steering the Company towards a prosperous future.

Our Board comprises seven dedicated Directors, including three women and four men, each bringing diverse expertise. At the time of the initial appointment one director (female) declined the appointment.

This report, while not covering the full financial year of 2023–2024, highlights our initial activities and the progress we've made. Our first meeting on the 7th November, 2023, focused on orienting the Board with the company's operations and structure. The CEO's presentation reassured us of the Company's resilience and ability to deliver its services effectively

On the 1st December, 2023, the Institute of Directors South Africa (IoDSA) provided additional orientation to enhancing our governance skills. Additionally, the Auditor-General South Africa (AGSA) presented the Company's audit results for 2022–2023, giving us a comprehensive understanding of its financial health and strategic performance.

To ensure compliance with best practise and good corporate governance principles:

- The Shareholder appointed an Audit & Risk Committee
- We have reviewed and aligned the company's strategic direction for the 2024–2025 fiscal year, and our new strategy is now in place.
- We also appointed a Company Secretary on the 2nd January 2024, to further enhance our operations and administrative efficiencies.

- To ensure effective governance, we established the following Board Committees with a majority of independent non-executive members, including independent Chairpersons for each committee. These Board committees operate with clear terms of reference, performing their duties with professionalism and efficiency:
  - ICT Governance and Engineering Committee
  - Governance Committee
  - Finance Committee
  - HR & Remuneration Committee; and
  - Social and Ethics Committee
- We have recently made significant improvements to our Internal Audit Department, in order to strengthen our internal controls, providing independent assurance and enhance our governance practices.
- This company culture has also seen positive developments, with a stronger trust relationship between the Board and Executive Management.
- As part of our revised retention strategy, our staff morale is high, and many key employees are dedicated to our long-term vision and strategy.
- We have actively engaged with our various stakeholders as part of our renewed strategy and commitment to our *organisation*.

The Company is operating in a rapidly changing environment due to innovative developments in the field of energy generation, transmission and distribution. CENTLEC is facing significant challenges including profitability, retaining current clients, expanding its client base, diversifying energy sources, recovering debts (especially from the government), managing Eskom electricity cost, and billing of clients accurately.

The Board of CENTLEC, the Shareholder, and employees are aware of these challenges. The 2024/25 strategic plan includes operational initiatives aimed at addressing these issues, e.g. working together with the shareholder municipality and the Free State government to expand its service area beyond the Mangaung Metropolitan Municipality and diversifying energy generation. The view of the Board is that these actions will enhance the Company's income generation sees a bright future ahead.

I would like to express my gratitude to the Mangaung Metropolitan Municipality (MMM) Council, my fellow Board Members, the Chairpersons and Members of the different Board Committees, the CEO, his Executive Management, the rest of our dedicated staff, and all our different stakeholders for their guidance and support.

Mr Mokitlane

M.C MOKITLANE
CHAIRPERSON OF THE BOARD

1.2 Overview by the Chief Executive Officer

"CENTLEC remains steadfast in its commitment to improving electricity access, promoting socio-economic upliftment, and providing outstanding customer service.

M.S SEKOBOTO

CHIEF EXECUTIVE OFFICER

Introduction

CENTLEC (SOC) Ltd, has made significant progress in fulfilling its mission of enhancing electricity access and driving socio-economic upliftment during the 2023/2024 financial year. The Company's unwavering commitment to community care and customer-centricity has been instrumental in its achievements.

The large tariff increases awarded to Eskom impacting CENTLEC's customers and are likely changing consumption patterns. Additionally, the discrepancy between the tariff increases awarded to Eskom and those awarded to municipalities for their electricity sales is negatively impacting CENTLEC's margins. Addressing this complex interplay is pivotal to our strategic plan to ensure financial sustainability and customer satisfaction. Furthermore, the ongoing challenges related to infrastructure vandalism present a significant threat to the infrastructure integrity of CENTLEC.

Alignment with Strategic Pillars and Objectives

Moving forward CENTLEC has focused its strategy on two primary pillars: Securing Supply and Securing Revenue. To reinforce these pillars, the Company has identified three key strategic imperatives, namely: improving grid functionality, securing funding, and implementing systems to support personnel within the organisation. The past year, CENTLEC embarked on the implementation of the Integrated Development Plan (IDP) in alignment with the Mangaung Metropolitan Municipality's agenda, marking a pivotal period for the Company. The Company's five-year Business Plan, Business Strategy, Service Delivery and Budget Implementation Plan (SDBIP), and budget were carefully developed to support the IDP's strategic goals and service delivery targets.

Community Engagement

CENTLEC has been expanding its outreach programs and engaging with communities through ward initiatives, community radio stations and social media to raise effective awareness campaigns.

Infrastructure Upgradation

The Company has started the critical prepayment meter software upgrade for TID (Token Identifier), which is set to expire in November 2024. This upgrade will ensure continuous service and customer satisfaction. The TID rollover or upgrade of the prepayment meter software began in Naledi (Dewetsdorp, Wepener and Vanstadensrus) on the 1st of June 2023 and was successfully completed. The progress will continue in other towns within the CENTLEC area of supply to upgrade all prepayment meters before November 2024. Although CENTLEC has significant progress in various capital programs, the infrastructure is ageing, leading to CENTLEC facing infrastructure backlogs.

Service Delivery

CENTLEC has completed the electrification of 479 household connections, improved electricity supply through infrastructure maintenance, and enhanced community safety by installing 42X20m Solar and 25X40m high mast lights. This initiative aligns with global efforts to reduce reliance on traditional power sources and embrace renewable alternatives. To reduce the current backlog and expedite an infrastructure refurbishment program, more investment is needed in this area. This will help CENTLEC in its effort to cut losses and improve the performance of its infrastructure. To enhance the Company's ability to distinguish between planned and unplanned maintenance, a significant investment is needed for the Bulk Infrastructure Replacement Programme. CENTLEC achieved mixed results in the delivery of services to the communities that it serves. It is important to note that increased load shedding has greatly impacted electricity restoration times and has put a strain on the ageing infrastructure.

Human Capital Development

The Company has invested in employee development through Adult Educational Training (AET), twenty-five (25) employees and Artisan Recognition of Prior Learning (ARPL), sixty-six (66) employees enrolled in both programmes. Additionally, the Company has partnered with the Central University of Technology (CUT) where thirty-seven (37) students have been placed under Work Integrated Learning (WIL) programs to build a skilled and competent future workforce. CENTLEC, in partnership with the Central University of Technology, successfully upskilled ten (10) employees through higher certificate programs in renewable energy, and secured an EWSETA grant to enrol an additional thirty (30) employees in similar programs for the 2024/25 financial year.

Challenges and Mitigation

CENTLEC has faced significant challenges, including rampant cable theft, vandalism, and illegal connections, which have impacted revenue, service delivery, and public safety. The Company has taken measures to mitigate these challenges, such as implementing increased security, revenue enhancement initiatives, and community awareness campaigns. The Company has also collaborated with community police forums (CPFs) and South African Police Services (SAPS).

Financial Performance

Despite facing revenue challenges such as decreased bulk energy purchases and prepaid sales, CENTLEC demonstrated financial resilience through effective cost control and revenue optimisation. The Company's commitment to sustainable operations ensured financial stability. The amount owed by government departments and public entities continues to rise, which is a cause for concern. CENTLEC continues to collaborate with the parent municipality's Revenue management division to intensify collection efforts and ensure that collection levels are met. The Revenue Enhancement Project positively impacted **145 325**-meter audits conducted throughout the period under review. The recorded meter billing ratio for the FY2023/24 on our Large Power Users was **99.3%** against a target of **98%**. Collection rate was **107,7%** surpassing the **95%** threshold.

Outlook and Appreciation

CENTLEC remains steadfast in its commitment to improving electricity access, promoting socio-economic upliftment, and providing outstanding customer service. Building on the accomplishments of the past year, the Company will continue to invest in infrastructure, improve service delivery, and enhance community partnerships.

I would like to express my sincere appreciation to the Mangaung Metropolitan Municipality, the Board of Directors, the CENTLEC Executive Management Team, and all employees for their unwavering support and dedication. The success we have achieved would not have been possible without their collective efforts. The 2023/2024 financial year has been a period of significant progress for CENTLEC. Despite challenges, the Company has shown resilience, innovation, and a strong commitment to its mission. With a focused approach and the support of stakeholders, CENTLEC is poised to achieve even greater heights in the coming years.

M.S SEKOBOTO
CHIEF EXECUTIVE OFFICER

1.3 Vision

"To be a reliable energy utility that enables social and economic upliftment".

1.4 MISSION

- To train, develop, attract, and retain a highly skilled workforce and to promote sound relations with organised Labour
- To ensure a safe and healthy environment for our workforce and the community
- To be a socially responsible corporate citizen that is concerned with improving the lives of the community and the environment in which we operate
- To strategically manage our operations in an effective, efficient, and financially prudent manner, as measured against relevant indicators
- To seek the most cost effective and innovative energy solutions in partnership with relevant stakeholders to maximise shareholder value
- To achieve and maintain our operational autonomy as specified in the relevant legislation

Figure 1: Mission

1.5 VALUES

C	Caring for the Community
E	Employee Recognition & Diversity
N	Nuturing Passion for Efficiency
T	Technology and Innovation
L	Leaders in Service Delivery
E	Ethical & Accountable
C	Customer Centric

Figure 2: Values

1.6 CENTLEC'S Organisational Structure as at 30 June 2024

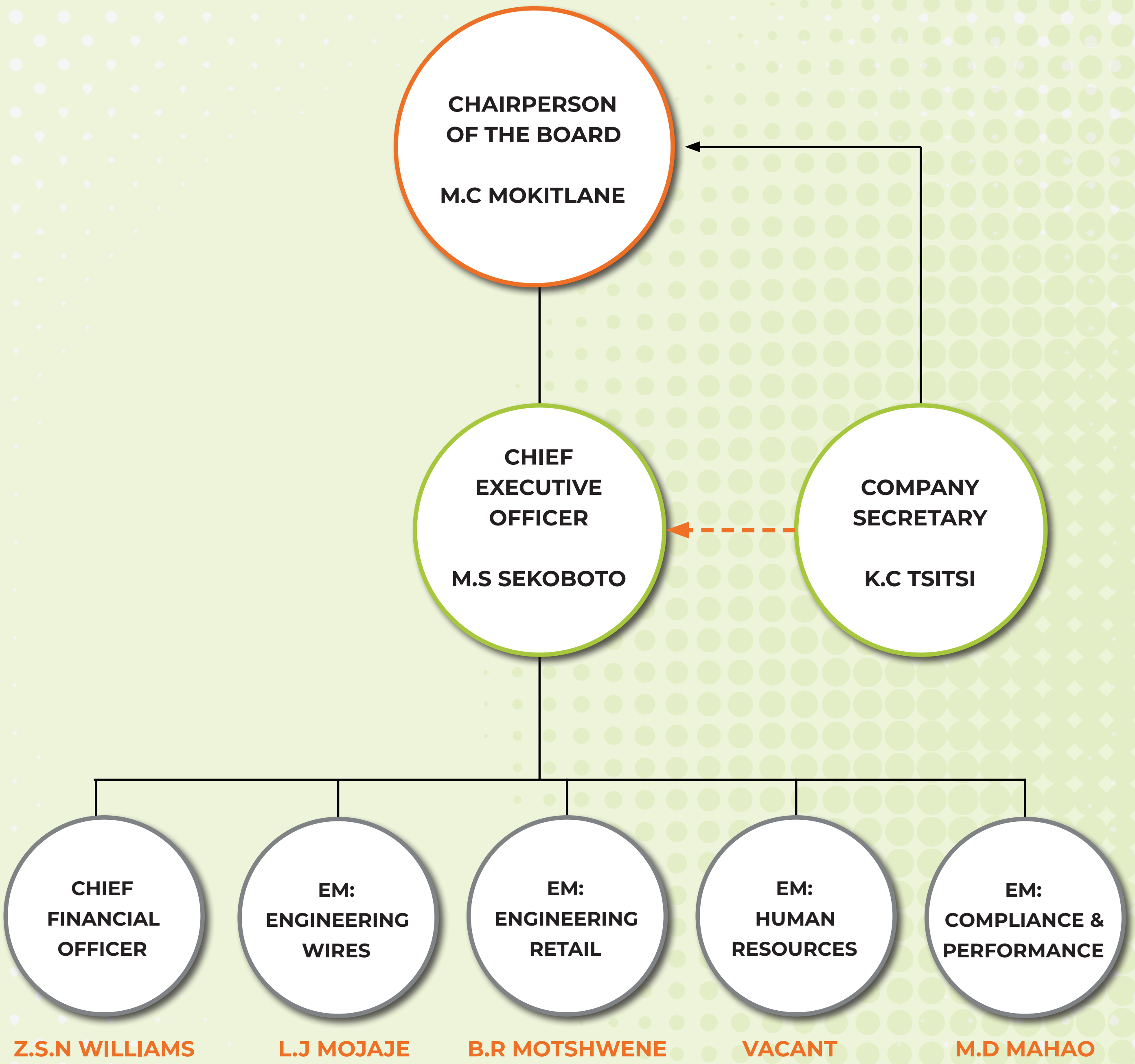

Figure 3: Organisational Structure

1.7 Legal Requirements

In terms of Section 121(1) of the MFMA (2003), "*every municipality and every municipal entity must prepare an annual report for each financial year. The Council of a municipality must, within nine months after the end of a financial year, deal with the annual report of the municipality and of any municipal entity under the Municipality's sole or shared control in accordance with Section 129*". In compliance with Section 45(1)(b) of the Municipal System Act the results of performance measurements in terms of Section 41(1)(c) must be audited annually by the AGSA.

1.8 Purpose of an Annual Report

In terms of Section 121(2) of the MFMA, the purpose of an annual report is:

a) to provide a record of activities of the municipality or municipal entity during the financial year to which the report relates;

b) to provide a report on performance against the budget of the municipality or municipal entity for that financial year; and

c) to promote accountability to the local community for the decisions made throughout the year by the municipality or municipal entity.

1.9 Scope of Report

This annual report covers CENTLEC (SOC) Ltd's governance, financial performance, service delivery, and environmental, broader economic and overall sustainability performance information for the financial year 2023/2024. It provides an account of the Company's progress as at the end of June 2024 and offers a forward-looking perspective in terms of future plans and value-generating strategies.

1.10 Functions, Population, and Service Delivery Overview

The Company is mandated to provide electricity services to all its customers. As the electricity distribution service provider of the MMM, the Company's core competency is to purchase, distribute and sell electricity within its geographical footprint.

CENTLEC (SOC) Ltd was established as a fully owned Company by MMM in terms of the Municipal Systems Act (Act 32 of 2000) and the Companies Act, (Act 71 of 2008).

- **Electricity distribution/energy services:** The Company distributes electricity to Mangaung and Kopanong municipalities by purchasing its energy from Eskom at 21 supply points in 15 towns in the southern Free State and the Mangaung supply area.

- **Construction of electrical networks:** All new electrification networks and the upgrading of existing networks is managed by the Company's design and construction Sections. Additional capacity is obtained through the supply chain processes and the appointment of private companies.

- **Operation, maintenance and extension of networks:** The maintenance of electricity distribution networks form a large part of the Company's operations. A 24-hour standby service ensures that customers are not inconvenienced by long power outages. Ongoing evaluation of existing networks is performed to detect any overloading or failure, and this is addressed through upgrading and/or extension of the network.

- **Metering, pre-payment vending and billing services:** Modern metering systems are used to measure different categories of customers. We offer pre-payment and credit metering options. Extensive pre-payment vending facilities are available to customers ensuring convenience and availability. Credit meter reading and billing has been done in-house.

The Company serves approximately 187 061 active consumers within Mangaung Metropolitan Municipality (MMM), ranging from domestic to commercial and industrial properties, as detailed below. For Southern Free State the total number of active customers is 9 511.

Table 3: Customer Tariff Group

Tariff Group: 2023/24	Number of Consumers		
	MMM	Kopanong Local Municipality	Total
INDIGENT	39 708	2375	42 083
INCLINING BLOCK	142 810	6 726	149 536
FLAT RATE BUSINESS	2 690	322	3 012
BULK RESELL 2	32	0	32
BULK RESELL 3	182	2	184
DEPARTMENTAL TOU	7	3	10
COMFLEX - SINGLE PHASE	60	8	68
COMFLEX - THREE PHASE	641	43	684
ELECFLEX 1	3	0	3
ELECFLEX 2	169	5	174
ELECFLEX 3	557	15	572
HOMEFLEX - SINGLE PHASE	23	2	25
HOMEFLEX - THREE PHASE	172	8	180
SPORT STADIUMS	7	2	9
TOTAL	**187 061**	**9 511**	**196 572**

1.11 Financial Health Overview

Although the Company has been able to honour its financial commitments, financial viability remains one of the major challenges faced by municipalities and municipal entities. The main challenges that have an impact on the financial viability of the Company are:

- Debt collection.
- Low revenue growth.
- Above-inflation increase in bulk purchases.
- Distribution losses (mainly due to theft).
- Cable theft.
- High unemployment.

Table 4: Financial Health Summary

Details	Approved Budget		Final Budget		Actual	Variance (Adjt. Budget less Actual)	%
	(R)	%	(R)	%	(R)		
	2023/24		2023/24		2023/24		
Revenue	3 734 008 709	100%	3 734 008 709	100%	3 461 068 026	272 940 683	8%
Electricity	3 578 588 912	96%	3 578 588 912	96%	3 203 117 429	375 471 483	12%
Grants	83 000 000	2%	83 000 000	2%	72 173 913	10 826 087	15%
Other Revenue	72 419 797	2%	72 419 797	2%	185 776 684	- 113 356 887	-61%
Less:	**3 424 898 909**	**100%**	**3 424 898 909**	**100%**	**3 916 689 473**	**- 491 790 564**	**-13%**
Expenditure	3 435 076 590	100%	3 435 076 590	100%	3 913 535 257	- 478 458 667	-12%
(Profit) / Loss on disposal of assets	- 9 792 900	0%	- 9 792 900	0%	3 309 984	- 13 102 884	-396%
Inventory losses / (write-downs)	- 384 781	0%	- 384 781	0%	- 155 768	- 229 013	147%
Surplus / (Deficit) before taxation	**309 109 800**	**9%**	**309 109 800**	**9%**	**- 455 621 447**	**764 731 247**	**-168%**

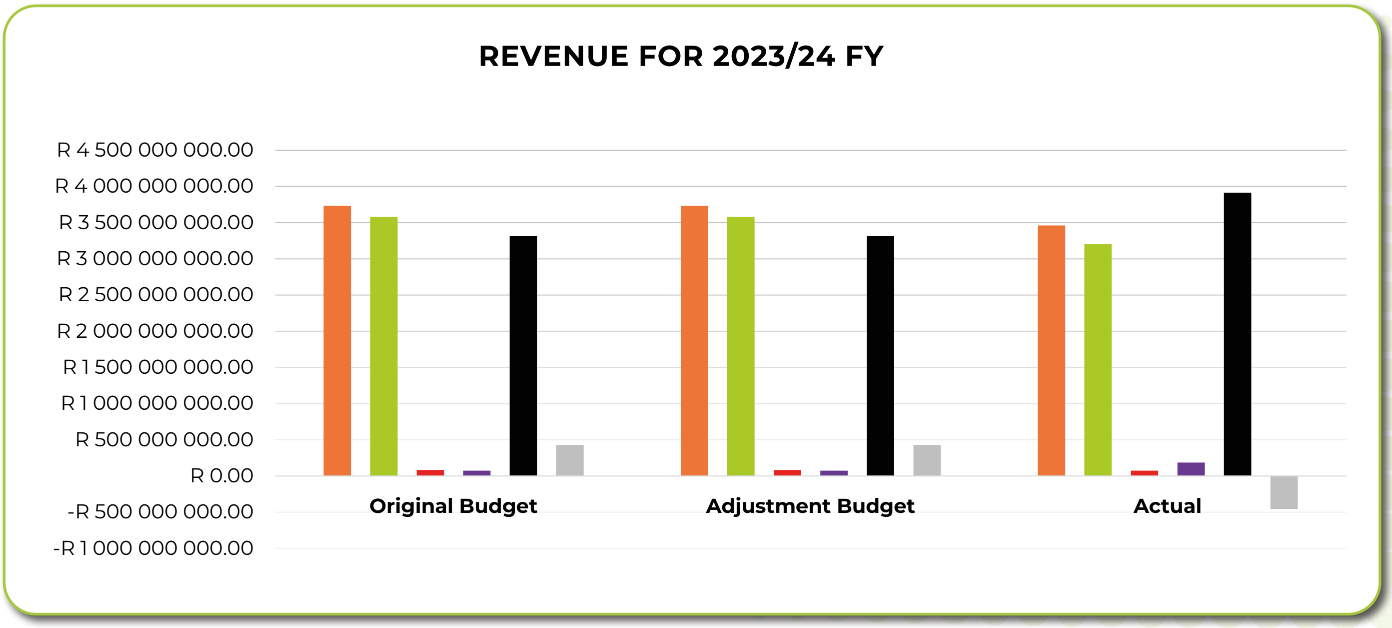

Figure 4: Revenue for 2023/24

Table 5: Capital Expenditure

Details	Capital Expenditure	Adjustment Budget
	2023/24	2022/23
Original Budget	R 208 693 446	R 265 225 272
Adjustment Budget	R 199 109 800	R 223 590 966
Actual Expenditure	**R 155 271 306**	**R 158 939 804**

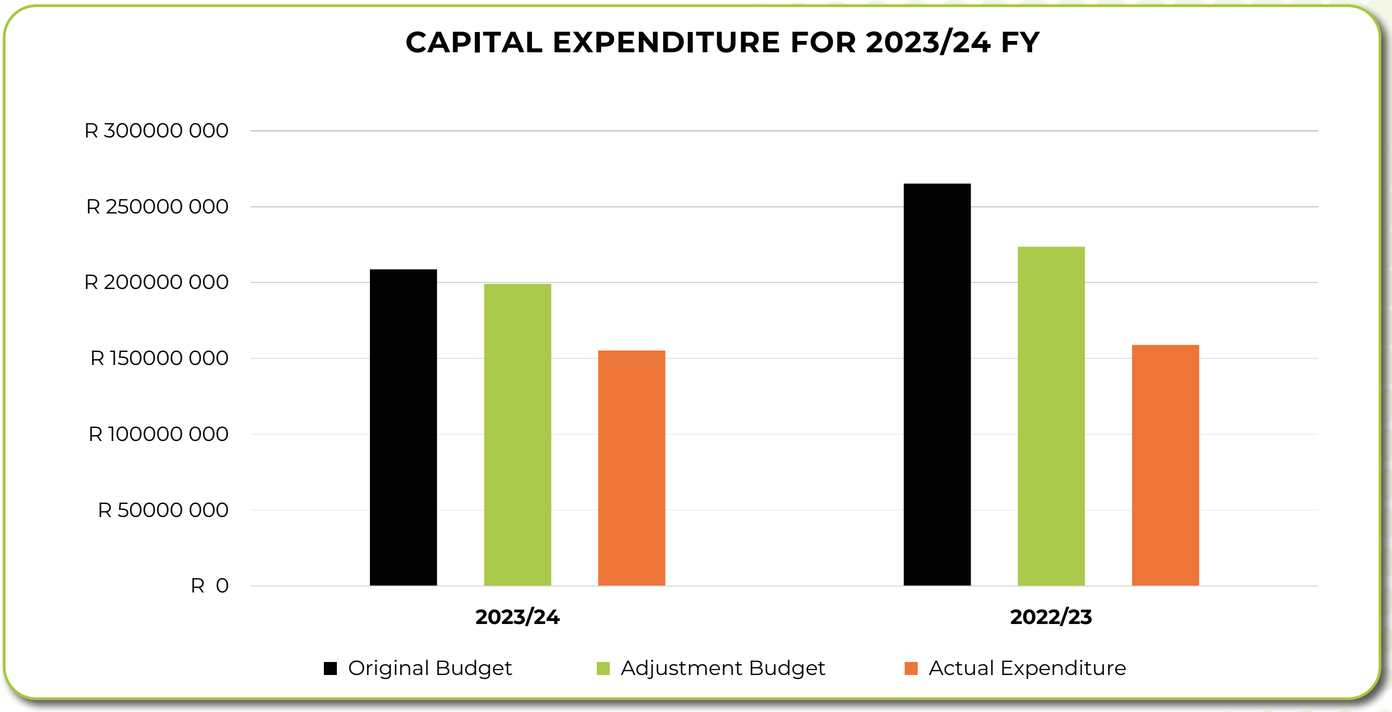

Figure 5: Capital Expenditure

CHAPTER 2: GOVERNANCE

2.1 Intergovernmental Relations Recipients

2.1.1 Introduction to co-operative governance and intergovernmental relations

CENTLEC (SOC) Ltd management understands the importance of good governance in ensuring effective service delivery. They are committed to doing the right thing in the right way, with a focus on being timely, participatory, inclusive, open, and accountable.

In terms of co-operative governance, guidance is provided through structures and forums established in accordance with the Intergovernmental Fiscal Relations Act (Act 97 of 1997) and the Intergovernmental Fiscal Regulations Framework. Service delivery aligns with national KPAs, which ultimately becomes municipal KPAs and eventually KPIs.

- **National intergovernmental structures:**

  The Company participates in national forums, which helps in properly allocating resources to address service backlogs.

- **Provincial intergovernmental structure:**

  The Company entered into service delivery agreements with one (1) neighbouring municipality for electricity distribution and maintenance, improving service delivery to communities.

- **Relationships with the parent municipality:**

  Effective functioning of a well-organised organised interactive governance arrangement that promotes consultation, deliberation, design and co-delivery amongst the key stakeholders in the governance of the Company is essential for co-creating and co-producing outcomes that are in the Company's interest.

  Decisions are made by the Board, IDP programmes and interventions from municipalities, along with the allocated budget to execute these decisions. Performance agreements are entered into with all executive managers in line with the SDBIP, which forms part of the municipal SDBIP. The progress and performance of these executive managers are reported on a monthly and quarterly basis in accordance with Section 87 of the MFMA.

  Policies of the Company are aligned with those similar policies of MMM.

- **Intergovernmental structures:**

  The South African Local Government Association (SALGA) Provincial Office plays a vital role in ensuring that regular meetings are held, including local and district municipalities, to enhance service delivery co-ordination.

2.2 Public Accountability and Participation

2.2.1 Overview

In terms of Section 15(1) and (2)(b) of the Municipal System Act (Act no. 32 of 2000), a municipality is mandated to create and review by-laws as needed. Section 16(1)(a)(I) of the Municipal System Act (Act 32 of 2000) requires a municipal entity to establish a system of governance that complements formal representative governance with a system of participatory governance. In view of this, the Company participates in the following activities:

- IDP meetings.
- Performance management monthly reporting.
- Community participation in the budget process.
- Planning tribunal

Provision is made in terms of the budget to execute Section 16(1)(c) of the Municipal System Act (2000). Section 18(1)(d) of the Municipal System Act (2000) requires the municipality to provide the community information about municipal governance, management, and development. The Company fulfils this requirement through various public meetings held with the community.

2.2.2 Public Meetings

In terms of Section 152(1)(e) of the Constitution, one of the objects of local government is to encourage the involvement of the communities and community-based organisations in the local government matters.

Furthermore, chapter 4 of the Municipal Systems Act deals with community participation. According to the Systems Act, the municipality must develop a culture of municipal governance that complements formal representative government with a system of participatory governance.

In response to the constitutional and legislative imperatives outlined above, various Public Participation activities, listed below, were undertaken during the 2023/24 financial year:

- Mangaung Social Compact Imbizo;
- Crime Prevention Imbizo with the SAPS;
- Social Compact Imbizo;
- Token Identifier (TID) consultation meeting with Councilors and Ward Committees in their respective wards.

In addition, Section 18 of the Act further encourages communication of information concerning public participation while Section 21 outlines the different ways in which communications to the local community can be undertaken.

2.2.2 Public Meetings continued

Various radio interviews were conducted during the 2023/24 financial year focusing, amongst other topics, the following:

- The Spate of cable theft and vandalism within Mangaung;
- Electricity related problems;
- Court case between CENTLEC and a farmer who connected electricity illegally;
- Accident involving two CENTLEC employees;
- Arrest of one of our employees involved in job scamming;
- Tariff Change;
- Token Identifier (TID) Roll-over.

2.3 Ethical Leadership

Since its establishment in 2003, the Company has been known for its responsible leadership, characterised by values such as accountability, responsibility, fairness, and transparency. Since the management of the Company is conscious of its impact on society and the economy, it strives to maintain ethical relationships with all stakeholders. In order to ensure that there are consequences for not adhering to these values, the management has taken steps to integrate ethical leadership into the formulation of its strategy. The Company upholds high ethical standards, and the Management leads with effectiveness from a foundation of principles. To foster an ethical culture, the management has implemented procedures and guidelines.

The primary objective of the Company is to be a sustainable entity that takes into account the short- and long-term impacts of its operations on the economy, society, and environment, all while conducting business ethically. When making decisions, the management considers the interests and expectations of its stakeholders and takes appropriate action to align them with the Company's values.

2.4 CENTLEC`s Board of Directors

Seven members, with varying skills and experience, were appointed to the Board by the Shareholder. The Board consists of three females and four males. However, one of the new members did not honour her appointment, citing better opportunities that came her way during the intervening period.

The Board meets regularly and retains full control of the Company. The Board remains accountable to MMM (the Company's sole shareholders) and its stakeholders, including the citizens of Mangaung and the other areas where electricity is distributed.

Non-Executive Directors provide an independent perspective on matters under consideration, enhancing the Board's depth of experience. The roles of Chairperson and CEO of the Company are separated, with distinct responsibilities. The Chairperson has no executive functions. Members of the Board have unrestricted access to the Company Secretary, who advises the Board and its committees on matters including compliance with Company rules and procedures, statutory regulations and best corporate practices.

The Board or any of its members may, under appropriate circumstances and at the expense of the Company, seek advice from independent professionals.

2.4.1 Board Members as at 30 June 2024

Table 6: Board Members

Initials and surname	Designation	Race	Gender
M.C Mokitlane	Chairperson	African	Male
M.B Mfanta	Deputy Chairperson	African	Female
D.R Barlow	Non-Executive Director	Coloured	Male
M.A Mopeli	Non-Executive Director	African	Male
G. Mohanoe	Non-Executive Director	African	Female
N.T Baloyi	Non-Executive Director	African	Male

2.4.1.1 Duties of Directors

Section 93H of the Municipal System Act stipulates that:

(1) The board of directors of a municipal entity must:

a) provide effective, transparent, accountable, and coherent corporate governance, and conduct effective oversight of the affairs of the municipal entity;

b) ensure that the municipal entity complies with all applicable legislation and agreements;

c) communicate openly and promptly with the parent municipality of the municipal entity; and

d) deal with the parent municipality of the municipal entity in good faith.

2.4.1.2 Statement of Compliance

The Board of Directors and Management acknowledge and are dedicated to upholding the principles of transparency, integrity and accountability outlined in the *King IV, Report on Corporate Governance for South Africa, 2016* (effective April 2017). This commitment ensures that the shareholders and other stakeholders are assured that the Company is being managed ethically within prudent risk parameters in line with widely accepted corporate practices. Monitoring the Company's compliance with King IV is part of the Audit and Risk Committee responsibilities. The Company has largely complied with the Code during the year under review, except for instances detailed in the financial statements regarding non-compliance with legislation.

2.4.2. Board meetings

Table 7: Board Meetings

Type of meeting	Date	Venue
Special	7 November 2023	CENTLEC (SOC) LTD 30 Rhodes Avenue
Ordinary	24 November 2023	CENTLEC (SOC) LTD 30 Rhodes Avenue
Special	30 November 2023	CENTLEC (SOC) LTD 30 Rhodes Avenue
Special	10 December 2023	CENTLEC (SOC) LTD 30 Rhodes Avenue
Special	12 January 2024	CENTLEC (SOC) LTD 30 Rhodes Avenue
Special	26 February 2024	CENTLEC (SOC) LTD 30 Rhodes Avenue
Ordinary	28 February 2024	CENTLEC (SOC) LTD 30 Rhodes Avenue
Special	13 March 2024	Virtual
Ordinary	08 May 2024	CENTLEC (SOC) LTD 30 Rhodes Avenue
Special	15 May 2024	CENTLEC (SOC) LTD 30 Rhodes Avenue

2.4.3 Board meeting attendance

Table 8: Board Meeting Attendance

Names of Directors	07/11/2023 SPECIAL	24/11/2023 ORDINARY	30/11/2023 SPECIAL	10/12/2023 SPECIAL	12/01/2024 SPECIAL	26/02/2024 SPECIAL	28/02/2024 ORDINARY	13/03/2024	08/05/2024	15/05/2024	Total
M.C Mokitlane (Chair)	√	√	√	√	√	√	√	Virtual	√	√	10/10
M.B Mfanta (Deputy Chair)	√	√	√	√	√	√	√		√	X	9/10
G Mohanoe	√	√	√	√	√	√	√		√	√	10/10
M.A Mopeli	√	√	√	√	√	√	√		√	√	10/10
D.R Barlow	√	√	√	√	√	√	√		√	√	10/10
T.N Baloyi	√	√	√	√	√	√	√		√	√	10/10

2.4.4 Board Committees

The Board had the following committees during the period under review:

- Audit and Risk Committee.
- Finance Committee.
- Human Resources and Remuneration Committee.
- Social Ethics Committee.
- ICT and Engineering Committee; and
- Governance Committee.

2.4.4.1 Audit and Risk Committee

The Audit and Risk Committee is a statutory committee mandated in terms of Section 94(7) of the Companies Act 2008, and Section 166 of the Municipal Finance Management Act, 2003. The Committee operates according to its Terms of Reference, which aligned with legislative requirements. The committee is an independent advisory body accountable to both the Board and the shareholders.

The term of Office for the Audit and Risk Committee ended on 30th September 2021. However, the Council extended their term in office from 1st October 2021 until 31st May 2024.

Table 9: Audit and Risk Committee

Initials and Surname	Designation	Race	Gender
Adv. M.R Tsupa	Chairperson (Interim)	African	Male
Adv. N.S Ntingane	Member	African	Female
T.M Malakoane	Member	African	Male

The Audit and Risk Committee held meetings as follows during the period under review:

Table 10: Audit and Risk Committee Meeting Attendance

Member	01/08/2023 SPECIAL	30/08/2023 SPECIAL	10/11/2023	30/11/2023 SPECIAL	19/02/2024	12/03/2024 SPECIAL	29/04/2024	15/05/2024 SPECIAL	Total
Adv. N.S Ntingane	√	√	√	√	√	√	√	√	8/8
Adv. M.R Tsupa	√	√	√	√	√	√	√	√	8/8
T.M Malakoane	√	√	X	X	X	X	X	X	2/8

√ = present x = apology

The new Audit and Risk Committee consisting of five (5) members was appointed on the 1st of June 2024 which will serve for three (3) years.

Table 11: Audit and Risk Committee (New) as at 30 June 2024

Initials and Surname	Designation	Race	Gender
Adv. M.R Tsupa	Chairperson	African	Male
Dr. N.C Skeepers	Member	Coloured	Female
L Langa	Member	African	Male
A Latchu	Member	Indian	Male
M.B Mfanta	Member	African	Female

2.4.4.2 Finance Committee

The role of the Committee is to assist the Board in fulfilling its responsibility of oversight with respect to all governance aspects including financial management and financial accounting. This includes overseeing CENTLEC (SOC) Ltd's financial position, financing plans and programmes, cash management, investment management, employee retirement plans, insurance management and reviewing of financial and procurement policies.

Table 12: Finance Committee

Initials and surname	Designation
D.R Barlow	Chairperson
N.T Baloyi	Member
M.B Mfanta	Member
CEO	Invitee
CFO	Invitee

2.4.4.3. Human Resources and Remuneration Committee

The role of the Committee is to assist the Board in ensuring that the Company remunerates Directors and Executives fairly and responsibly and that the disclosure of Directors and remuneration is accurate, complete, and transparent.

Table 13: Human Resources and Remuneration Committee

Initials and surname	Designation
M.A Mopeli	Chairperson
N.T Baloyi	Member
D.R Barlow	Member
CEO	Invitee
CFO	Invitee
Executive Manager: Human Resources	Invitee

2.4.4.4 Social and Ethics Committee

The role of the committee is to assist the Board with oversight of social and ethical matters and to ensure that members of the Board members and Company employees adhere to the established Code of Conduct. This includes adherence to Schedule 1 and 2 of Municipal Systems Act, No. 32 of 2000, as amended, the Municipal Finance Management Act, No. 56 of 2003, and any other relevant legislation, as well as good governance principles as outlined in the King IV™, report on corporate governance for South Africa 2016 (effective April 2017).

Table 14: Social and Ethics Committee

Initials and surname	Designation
G. Mohanoe	Chairperson
M.A. Mopeli	Member
M.C. Mokitlane	Member
CEO	Invitee
CFO	Invitee

2.4.4.6. ICT and Engineering Committee

The role of the Committee is to oversee the implementation, monitoring, and review of CENTLEC (SOC) Ltd's policies, procedures, practices, and guidelines aimed at meeting the Information and Communication Technology (ICT) and Engineering requirements as stipulated in the Terms of Reference.

Table 15: ICT and Engineering Committee

Initials and surname	Designation
M.B Mfanta	Chairperson
G. Mohanoe	Member
N.T Baloyi	Member
CEO	Invitee
CFO	Invitee

2.4.4.7. *Governance Committee*

The Committee's responsibility is to oversee the implementation, monitoring, and review of CENTLEC (SOC) Ltd policies, procedures, practices, and guidelines to meet the legislative requirements.

Table 16: Governance Committee

Initials and surname	Designation
D.R Barlow	Chairperson
G. Mohanoe	Member
M.C. Mokitlane	Member
CEO	Invitee
CFO	Invitee

2.4.4.8 *Meetings of Board Committees*

The Board Committees held meetings on the dates listed below during the period under review:

Table 17: Meetings of Board Committees held

Committee	No. of meetings	Dates of meetings
Audit & Risk	8	01 August 2023 30 August 2023 10 November 2023 30 November 2023 19 February 2024 12 March 2024 29 April 2024 15 May 2024
Finance	5	10 January 2024 15 February 2024 11 March 2024 18 April 2024 15 May 2024
Human Resources & Remuneration	4	09 February 2024 26 February 2024 22 April 2024 21 June 2024
Social Responsibility & Ethics	2	16 February 2024 19 April 2024
ICT and Engineering Committee	2	13 February 2024 17 April 2024
Governance Committee	2	13 February 2024 25 April 2024

2.4.4.9 Board decision-making

Section 66(1) of the Companies Act of 71 of 2008 states that the business and affairs of a Company must be managed by or under the direction of its Board which has the authority to exercise all the powers and perform any of the Company functions, except as provided otherwise in this Act or the Company`s Memorandum of Incorporation.

In addition, clause 5.10 of the Memorandum of Incorporation provides guidance on meetings in relation to the business of the Company.

2.5. Administrative Governance

The Company's administration is divided into several functional areas, including the Office of the CEO, Office of the Company Secretary, Human Resources, the Office of the CFO, Engineering: Wires, Engineering: Retail, and Performance and Compliance. The Company has a total of 793 staff members. The Chief Executive Officer leads the entire administration and is accountable to the Board of Directors.

2.5.1 The Executive Committee

The Chief Executive Officer and the Executive Management Team constitutes the Executive Committee of the Company. The following individuals were members of the Executive Committee during the reviewed period:

Table 18: Executive Committee

Initials and surname	Designation	Race	Gender
M.S Sekoboto	CEO	African	Male
K.C Tsitsi	Company Secretary	African	Male
M.G Molemela	Acting EM: Human Resources	African	Female
Z.S.N Williams	CFO	Coloured	Female
L.J Mojaje	EM: Engineering Wires	African	Male
B.R Motshwene	EM: Engineering Retail	African	Female
M.D Mahao	EM: Compliance & Performance	African	Male

2.5.1.1 *Executive Committee Meetings*

The Executive Committee held various meetings during the year under review.

Table 19: Executive Committee Meetings

Type of meeting	Date	Representative(s)
Extended EXCO	24 July 2023	As per attendance
Extended EXCO	18 August 2023	As per attendance
Special EXCO	29 August 2023	As per attendance
Extended EXCO	17 October 2023	As per attendance
Extended EXCO (Continuation)	25 October 2023	As per attendance
Special Extended EXCO	8 November 2023	As per attendance
Extended EXCO	23 November 2023	As per attendance
Extended EXCO	28 November 2023	As per attendance
Special Extended EXCO	9 January 2024	As per attendance
Extended EXCO	24 January 2024	As per attendance
Special Extended EXCO	6 March 2024	As per attendance
Extended EXCO	5 April 2024	As per attendance
Extended EXCO continuation	9 April 2024	As per attendance
Special Extended EXCO	22 April 2024	As per attendance
Extended EXCO	16 May 2024	As per attendance
Extended EXCO	4 June 2024	As per attendance

2.5.2 *Remuneration*

Independent Audit and Risk Committee members' fees are paid in accordance with the council's approved fee structure. Non-Executive Directors were paid R 1 138 301 in remuneration, while Executive Management received R 10 614 628. In addition R 279 095 was paid to officials as acting allowances. See Note 45 and 28 respectively in the Annual Financial Statements for details.

2.5.3 *Corporate Governance*

The Board of Directors has adopted a Board Charter, which includes matters of ethics, procedure and conduct of members. The charter is aligned with the Mangaung Metropolitan Municipality (MMM) Charter. Registers are maintained and updated on the disclosure and declaration of interests of Directors and Senior Management. The Board and Senior Management ensure full compliance with all relevant legislation. The Company's Secretary has certified that all statutory returns were submitted to the Companies and Intellectual Property Commission (CIPC) in accordance with Section 268(d) of the Companies Act (Act of 2008).

The Board of Directors subscribes to the MMM corporate governance protocol which, regulates its relationship with MMM as its sole shareholders and parent municipality to ensure good corporate governance and ethical practices.

The Company's practices largely align with the principles outlined in the King IV Report on Corporate Governance for South Africa, 2016 (effective April 2017). The Board continually reviews the Company's progress to ensure improvements in corporate governance. During the review period, the Company entrenched its risk management reviews. Reporting and compliance assessments were carried out in accordance with the Companies Act (2008) and the MFMA (2003).

2.5.4 Corporate citizenship

The Board and Executive Management acknowledge that the Company operates within a political framework. Therefore, it has a social and moral role in society, along with accompanying responsibilities. The Board is therefore accountable for ensuring that the Company safeguards, enhances, and invests in the well-being of the economy, society, and the natural environment. It should also conduct its activities within the limits of social, political, and environmental responsibilities outlined in the international conventions on human rights. The Board has established a Social and Ethics Committee tasked with ensuring that the Company strives to be a good corporate citizen.

2.5.5 Compliance with laws, rules, codes, and standards

The Board and Management are responsible for ensuring that the Company complies with relevant laws and considers adhering to non-binding rules, codes, and standards. The Board has an Audit and Risk Committee that is responsible for overseeing compliance.

2.6 Internal Audit and Risk Management

Internal Auditors are required to submit quarterly internal audit reports to the Audit and Risk Committee (ARC) and Senior Management. This is in accordance with the committee's approved annual and three-year rolling Strategic Internal Audit Plan, as well as the King IV Report on Corporate Governance. This is required by the MFMA, the Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing, and the King IV Report on Corporate Governance.

2.6.1 Internal Audit

Internal auditing strengthens the organisation's ability to create, protect, and sustain value by providing the board and management with independent, risk-based, and objective assurance, advice, insight, and foresight.

The Audit and Risk Committee approved the Internal Audit Plan 2023-24, and the following internal audit activities were carried out during the fiscal year under review and reported to the Audit and Risk Committee

2.6.1 Internal Audit continued

- Review of the Draft AFS 2022-23,
- Financial year-end stock takes 2022-23,
- Audit of Pre-Determined Objectives Quarter 1,
- Audit of Pre-Determined Objectives Quarter 2,
- Audit of Pre-Determined Objectives Quarter 3,
- Follow Up: External Audit Management Action Plan 2022-23
- Follow Up: Fleet Management
- Follow Up: Asset Management
- Supply Chain Management (SCM), 2022-23
- Asset Management, 2022-23

The following internal audit activities were still in the reporting stage at year-end:

- ICT Environment;
- ICT Vulnerability Assessment;
- Property Plant and Equipment 2023-24
- Financial Year End Stock take 2023-24
- Data Centre, Back Up and Disaster Management
- Audit of Pre-Determined Objectives 2023-24 Quarter 4

2.6.2 Risk Management

At CENTLEC (SOC) Ltd, we are dedicated to conducting business with integrity and ethical practices. Corporate governance requires a robust risk management process be embedded in the organisation. According to our Risk Framework and Risk Policy, we conduct risk assessments on a quarterly basis to identify new and emerging risks

The purpose of these risk assessments is to categorise risks as high, medium, or low, enabling us to allocate resources and efforts effectively, focusing on high-risk situations that could jeopardise the organisation's strategic goals.

Risk registers are created from the risk assessment, which outlines the identified risks and the controls put in place to mitigate them. Each division is responsible for managing risks within their area and specific risk owners are assigned to ensure accountability., To further solidify our risk management culture throughout the organisation, risk registers include timelines to ensure that the agreed-upon controls are adhered to..

Quarterly risk reports are presented to the Audit and Risk Committee to monitor the effectiveness of our risk management functions.

The Risk Management unit continuously assess on a quarterly basis and reports to Executive Management and Audit and Risk Committee on the following:

- Strategic Risk Assessment
- Information Communication Technology Risk-Related
- Fraud Risk Assessment

2.6.3 Anti-Corruption and Fraud Strategy

Our approved Fraud and Anti-Corruption Policy as well as our Whistle-blowing Protection Policy, encourages officials to make confidential disclosures about suspected fraud and corruption within the organisation. The policy also outlines the procedure that should be followed in the reported event of fraud or corruption. CENTLEC (SOC) Ltd has a Fraud Hotline administered by an internal team within the Compliance and Performance Directorates. The Company follows up on reports received and investigates if necessary.

2.7 Supply Chain Management

All the bid committees as per the SCM Policy and National Treasury Guidelines have been established by the CEO and convened regularly to perform their functions. This addresses the MFMA (2003) requirement in Section 112.

Consistent with the SCM Policy of the Company, none of the Directors or officers entered into any commercial transaction with the Company during the period under review.

Supply Chain and Expenditure Management reports are submitted to the Audit and Risk Committee. The following committees administer procurement within the Company:

- Bid Specification Committee
- Bid Evaluation Committee
- Bid Adjudication Committee

2.8 Bids awarded as at 30 June 2024:

Table 20: The following bids were awarded during the year:

Total number of Bids Awarded	Black Owned	Women / Africans Ownership	Black Youth	Disabilities	Military Veterans	Locality	Rural or underdeveloped areas
16	94%	19%	19%	0%	0%	44%	0%

2.9 Policies and Frameworks

Various budget-related policies and frameworks were submitted to the council for approval. The table below outlines the approved policies and frameworks for 2023/24:

Table 21: Approved Amended Policies and Frameworks

No.	Approved amended policies	Date of Council approval
1	Tariff Policy 2023/24	22 June 2023
2	Supply Chain Management Policy 2023/24	
3	Credit control policy 2023/24	
4	Small Scale Embedded Generation Policy 2023/24 (0kVA 1MVA) (MW)	
5	Provision pf Bulk Infrastructure by Developers	
6	ICT Back-Up Policy 2023/24	
7	Patch Management Policy 2023/24	
8	Disaster Recovery Plan 2023/24	
9	Identity Management Password Policy 2023/24	
10	Information and Communication Incident Management Policy 2023/24	
11	Information and Communication Technology Framework 2023/24	
12	ICT Strategy Plan 2019-2023	
13	ICT Security Policy 2023/24	

2.10 By-laws

There is an electricity by-law which was published in the Government Gazette on 28 August 1998, under notice 116.

2.11 Public participation in drafting of by-laws

The Company participates in public hearings in terms of amendments of by-laws. Electricity by-laws are revised on an annual basis and await supporting legislation in terms of small-scale solar generation.

2.12 Website

The Company developed its own website, intending to save costs. The fully functional and effective website is divided into tabs, providing detailed information to our valued customers.

Visit us at our new web address www.centlec.co.za.

The Company's website has been functional and accessible during the period under review.

Table 22: Documents Published on Website

Documents published on the entity's website	Published/ not published
Bids • Available bids • Bids awarded and errata • Available quotations • Awarded quotations. • Public notices	Published
Service Delivery Budget Implementation Plan (SBDIP) • Revised SDBIP 2023/24	Published
Performance agreements • 2023/24	Published
Business plan • Multi-year Business Plan 2022- 2027	Published
Budgets • Adjustment budget for 2023/24 • Medium-Term Revenue and Expenditure Framework (MTREF) 2023/24	Published
Annual Report • 2022/23	Published
Mid-Year Reports • Mid-year Performance Report 31 December 2023	Published

2.12 Website continued

Documents published on the entity's website	Published/ not published
Tariffs • NERSA Approved Mangaung Electricity Tariffs for the period 01 July 2023 – 30 June 2024 **<u>Reviewed Policies 2023/24</u>** • Engineering Wires SSEG Policy • VAT Policy • SCM Policy • Asset Management Policy • Budget and Reporting Policy • Virement Policy • Credit Control and Debt Collection Policy • Banking and Investment Policy • Bad Debts Policy • Borrowings Policy • Tariffs Policy • Unauthorised, Irregular, Fruitless and Wasteful Expenditure Policy • Electricity Connection and Disconnection Policy • Electricity Consumption Estimates Policy • Revenue Policy • Customer Care Policy • Long-term Debtors Policy • Sundry Income Policy • Prepaid Electricity Vending Policy • Petty Cash Policy • Subsistence & Travel Policy	Published

CHAPTER 3: SERVICE DELIVERY PERFORMANCE

The parent municipality needs to ensure that the annual performance objectives and indicators for the Company is established in agreement with the Company and included in the Company's multi-year business plan in accordance with Section 87(5) (d) of the MFMA (2003).

3.1 Objectives and strategies

In line with Section 87(5) (d) of the MFMA (2003), the Company has developed a multi-year business plan that outlines the objectives for the financial year 2023/24. The developmental strategies as advocated in the Company's Business Plan are directly linked to specific developmental needs and objectives which must be measured in the Organisational Performance Management System (PMS) and be effective in achieving that targets/goals of the SDBIP.

3.2 Pre-determined objectives

Details of pre-determined objectives are provided in Section 3.2.2 of this report.

3.2.1 The annual performance summary of executive managers

CENTLEC (SOC) Ltd understands that performance information is crucial for effective management, including planning, budgeting, implementation, monitoring, and reporting. Performance information also promotes accountability, allowing the public and other interested stakeholders to monitor progress, identify areas needing improvement and gain a better understanding of the issues involved. The Company has achieved an annual performance rate of 87% for the period under review. Moving forward CENTLEC (SOC) Ltd will strive to achieve a rate of 100% for all KPIs set.

The following table presents the key performance of the relevant executives.

Table 23: Annual Performance

Directorate	Total no. of KPIs	KPIs achieved for the year	KPIs not achieved for the year
Office of the CEO	2	2	0
Office of the Company Secretary	1	0	1
Human Resources	3	3	0
Chief Financial Officer	6	5	1
Engineering Wires	2	2	0

Directorate	Total no. of KPIs	KPIs achieved for the year	KPIs not achieved for the year
Engineering Retail	4	3	1
Compliance & Performance	5	5	0
The total no. of KPIs	**23**	**20**	**3**
Percentage	**100%**	**87%**	**13%**

Annual performance of the MFMA Circular 88 indicators.

Table 24: Annual Performance: MFMA Circular 88

Directorate	Total no. of KPIs	KPIs achieved for the year	KPIs not achieved for the year
Finance	1	1	0
Engineering Wires	5	3	2
Engineering Retail	2	2	0
Totals	8	6	2
Total %	**100**	**75%**	**25%**

3.2.2 The Annual Company's Performance of The MFMA Circular 88 Indicators

CIRCULAR 88 KEY PERFORMANCE INDICATORS									
PRESCRIBED INDICATORS ISSUED BY NATIONAL TREASURY									
Ref No.	Performance Indicator (Output level only)	Baseline (Annual Performance of 2022/23 Estimated)	Annual Target For 2023/24	Planned Annual Budget	Actual Expenditure Output	Actual Output	Variation	Reason(s) for Variation	Remedial action
							[2 - 16]		
		1	2			16	17	18	19
FINANCE									
4-4.1	95% revenue collection rate as per Circular 71 to be maintained monthly during 2023/24.	101% of revenue collection rate on outstanding debt as per general ledgers	Monthly revenue collection rate of 95% on all outstanding Debt during 2023/24	R 2 932 323	R 9 326	Collection rate for the year is 102% which is 7% higher than the annual target of 95% as per MFMA Circular 71 ratio calculation	There is a variance of 7% which is higher than the annual target of 95%	None – within the norm as per Annexure 2 – Template for calculation of Uniform Financial Ratios and Norms (Circular 71)	Not required.
ENGINEERING WIRES									
5-2.1(b)	Installed capacity of commissioned embedded generators on the municipal distribution network by June 2024	Commissioning of installations (Embedded Generation) totalling to one (1) MVA	Total capacity one (1) MVA of all commissioned embedded generation plants on the Municipal network by 30 June 2024	R0.00 CENTLEC Internal Resources were utilised on all activities	R0. 00	Total capacity of 3.183 MVA SSEG has been commissioned for the year.	None	Not applicable KPI is customer driven.	Not required KPI is customer driven.

CIRCULAR 88 KEY PERFORMANCE INDICATORS

PRESCRIBED INDICATORS ISSUED BY NATIONAL TREASURY

Ref No.	Performance Indicator (Output level only)	Baseline (Annual Performance of 2022/23 Estimated)	Annual Target For 2023/24	Planned Annual Budget	Actual Expenditure Output	Actual Output	Variation	Reason(s) for Variation	Remedial action
							[2 - 16]		
		1	2			16	17	18	19
5-2.1(c)	Unplanned interruptions of the supply should be restored as per NERSA license requirements in terms of NRS 047 (2019) by 30 June 2024	**Area Faults** 98 % within 24h as per NERSA	a) After unplanned interruptions which affects more than one customer i.e., multiple customer interruption/outage, the customers supply should be restored 98 % within 24 hours as per NERSA license requirements in terms of NRS 047 (2019) by 30 June 2024.	R0.00 CENTLEC Internal Resources were utilised on all activities	R0.00	94,37%	3,63%	Prolonged power failures caused by: Theft and vandalism Inclement weather conditions Double cable faults.	Replacement of decrepit cable and overhead lines Performing regular planned and preventative maintenance.
		Single Complaint 98 % within 24h as per NERSA	b) After an unplanned interruption which affects a single i.e., individual customer interruption/outage, the customers supply should be restored 98% within 24h as per NERSA license requirements in terms of NRS 047 (2019) by 30 June 2024 terms of NRS 047 (2019) by 30 June 2024.	R0.00 CENTLEC Internal Resources were utilised on all activities	R0.00 CENTLEC Internal Resources were utilised on all activities	77,27%	20,73%	Prolonged power failures caused by: • heft and vandalism • Inclement weather conditions • Double cable faults.	• Replacement of decrepit cable and overhead lines • Performing regular planned and preventative maintenance.

CIRCULAR 88 KEY PERFORMANCE INDICATORS

PRESCRIBED INDICATORS ISSUED BY NATIONAL TREASURY

Ref No.	Performance Indicator (Output level only)	Baseline (Annual Performance of 2022/23 Estimated)	Annual Target For 2023/24	Planned Annual Budget	Actual Expenditure Output	Actual Output	Variation	Reason(s) for Variation	Remedial action
							[2 - 16]		
		1	2			16	17	18	19
5-2.2(d)	Percentage of Planned scheduled interruptions of the supply should be restored as per NERSA license requirements in terms of NRS 047 (2019) - 4.5.5.1 by 30 June 2024	One hundred forty-nine (149) planned interruptions were restored as per NRS 047 (2019)	95% of Planned scheduled interruptions of the supply should be restored as per NERSA license requirements in terms of NRS 047 (2019) - 4.5.5.1 requirements by 30 June 2024	R0.00 CENTLEC Internal Resources were utilised on all activities	R0.00 CENTLEC Internal Resources were utilised on all activities	99% (129/131) of Notices were submitted 48 hours before the execution of planned interruptions. 97% (112/115) of submitted Notices, power was restored as per NERSA license requirement	Sixteen (16) Notices were cancelled. Three (3) notices were restored late.	Cancellation was due to other critical activities being prioritised. Late restoration caused by equipment failure.	Better planning with regards to work activities
5-2.2(e)	Percentage of valid customer applications for new electricity connections processed in terms of municipal services by June 2024	73.86 %. New electricity connections processed as a percentage.	70% of valid customer applications for new electricity connections processed as a percentage in terms of municipal service standards by June 2024	R0.00 CENTLEC Internal Resources were utilised on all activities	R1 450 210,59	58% (89/153) of valid customer applications for new electricity connections processed	12% Customers that were not ready to be connected	Not applicable KPI is customer driven.	Not required KPI is customer driven.
5-2.2(f)	Number of dwellings provided with connections to the mains electricity supply of the municipality by 30 June 2024	200 dwellings provided with electricity	400 dwellings provided with electricity connections by 30 June 2024	R 28 000 000.00	R 28 000 000.00	479 dwellings provided with electricity connections.	79 dwellings provided with electricity connection	Not applicable	Not required

CIRCULAR 88 KEY PERFORMANCE INDICATORS

PRESCRIBED INDICATORS ISSUED BY NATIONAL TREASURY

Ref No.	Performance Indicator (Output level only)	Baseline (Annual Performance of 2022/23 Estimated)	Annual Target For 2023/24	Planned Annual Budget	Actual Expenditure Output	Actual Output	Variation	Reason(s) for Variation	Remedial action
							[2 - 16]		
		1	2			16	17	18	19
ENGINEERING RETAIL									
6-2.2(b)	Percentage of total residential electricity provision allocated as Free Basic Electricity by 30 June 2024	3.4% of total residential electricity provision allocated as Free Basic Electricity by 30 June 2023	Percentage of total residential electricity provision allocated as Free Basic Electricity (FBE) by 30 June 2024	R0.00 CENTLEC Internal Resources were utilised on all activities	R0.00	4% Percentage of total residential electricity provision allocated as Free Basic Electricity (FBE)	None	Not applicable	Not required
6-2.2(c)	Monitor and report the variance of the Distribution Losses based on the NERSA guidelines for the entire financial year 2023/24	9.81% of total distribution losses	Monitor that the Distribution Losses are below the 12% threshold as per the NERSA guidelines	CENTLEC Internal Resources were utilised	R0.00	The distribution losses for the year is 7.67% which is below threshold of 12%.	4.33%	The decline in distribution losses is attributed to consistent meter inspections which aided to reduce meter tampering and illegal connections.	Not required

3.2.3 *Office Of The Chief Executive Officer*

- The CEO is appointed in terms of Section 93J of the Municipal Systems Act 32 (Act of 2000).
- The CEO is responsible and accountable for all the duties and functions of an accounting officer as outlined in Section 55 of the Municipal Systems Act.
- The CEO of a Company is accountable to the Board of Directors for the management of the Company.

MUNICIPAL INDICATORS									
OFFICE OF THE CEO									
Ref No.	Performance Indicator (Output level only)	Baseline (Annual Performance of 2022/23 Estimated)	Annual Target For 2023/24	Planned Annual Budget	Actual Expenditure Output	Actual Output	Variation	Reason(s) for Variation	Remedial action
							[2 - 16]		
		1	2			16	17	18	19
STRATEGIC SDBIP									
1.1 (a)	Annual risk assessment conducted during the 2023/24 financial year	Annual Risk assessment FY 2022/23	Conduct annual risk assessment workshop completed by 30 June 2024	R0.00 CENTLEC Internal Resources were utilised on all activities	R0.00	Risk Identification, Assessment, and monitoring of the Strategic, ICT and Fraud Risk, including the emerging related risks conducted.	None	Not applicable	Not required
1.1 (B)	Ensure the performance assessment of Executives should be assessed as per performance agreements of FY 2023/24	2022/23 performance assessment	Ensure the performance assessment of Executives should be assessed as per performance agreements of FY 2023/24	R0.00 CENTLEC Internal Resources were utilised on all activities	R0.00	Assessment of all Executives were completed for the year under review.	None	Not applicable	Not required

3.2.4 Office Of The Company Secretary

Section 88 of the Companies Act (2008) stipulates the duties of the Company Secretary:

(1) A Company's Secretary is accountable to the company's Board.

(2) A Company Secretary's duties include, but are not restricted to —

- (a) Providing the Directors of the company collectively and individually with guidance as to their duties, responsibilities and powers.
- (b) Making the Directors aware of any law relevant to or affecting the company.
- (c) Reporting to the company's Board any failure on the part of the company or a director to Comply with the Memorandum of Incorporation or rules of the company or this Act.
- (d) Ensuring that minutes of all shareholders meetings, Board meetings and the meetings of any committees of the Directors, or of the company's Audit Committee, are properly recorded in accordance with this Act.
- (e) Certifying in the company's AFS whether the company has filed required returns and notices in terms of this Act, and whether all such returns and notices appear to be true, correct and up to date.
- (f) Ensuring that a copy of the AFS is sent, in accordance with this Act, to every person who is entitled to it.
- (g) Carrying out the functions of a person designated in terms of Section 33 (3).

MUNICIPAL INDICATORS

OFFICE OF THE COMPANY SECRETARY

Ref No.	Performance Indicator (Output level only)	Baseline (Annual Performance of 2022/23 Estimated)	Annual Target For 2023/24	Planned Annual Budget	Actual Expenditure Output	Actual Output	Variation	Reason(s) for Variation	Remedial action
							[2 - 16]		
		1	2			16	17	18	19
STRATEGIC SDBIP									
2.1 (a)	Submit the Statutory Annual Return of the company to CIPC as required by the Companies Act No. 71 of 2008, within thirty (30) days after the anniversary date of its incorporation.	2022/23 Statutory Annual Return	Submit the Statutory Annual Return of the company to CIPC as required by the Companies Act No. 71 of 2008, within thirty (30) days after the anniversary date of its incorporation.	R0.00 CENTLEC Internal Resources were utilised on all activities	R0.00	The company's Annual Return was submitted within 32 days after the anniversary date of its incorporation (24 May)	The Company's Annual Returns were submitted 2 (two) days after the required period.	The service provider submitted the company's Annual Returns on 25 June 2024.	The office of the company secretary will enforce timelines on the service provider in the future.

3.2.5 *Human Resources Directorate*

The Human Resources Directorate, led by the Executive Manager of Human Resources, is crucial to the organisation. It focuses on cultivating a performance-driven culture and maintaining an effective organisational structure. It supports the CEO and other executives by ensuring the workforce is motivated and aligned with the company's strategic goals. This directorate plays a key role in reinforcing the business framework and aligning it with the organisation's objectives, setting and monitoring business goals while implementing best practices in human resources management.

Apart from its structural and cultural responsibilities, the directorate is also optimises the management of knowledge and business processes. It oversees the continuous improvement of these systems, ensuring they are robust and efficient, thus contributing to the overall strategic success of the organisation. Through these efforts, the Human Resources Directorate ensures that the company's HR practices are both effective and aligned with its long-term goals.

MUNICIPAL INDICATORS									
HUMAN RESOURCE MANAGEMENT									
Ref No.	Performance Indicator (Output level only)	Baseline (Annual Performance of 2022/23 Estimated)	Annual Target For 2023/24	Planned Annual Budget	Actual Expenditure Output	Actual Output	Variation	Reason(s) for Variation	Remedial action
							[2 - 16]		
		1	2			16	17	18	19
STRATEGIC SDBIP									
3-1.1(a)	Conduct workshop per directorate on collective agreements, condition of service and employee benefits by 30 June 2024	Workshops were conducted for all directorates on collective agreements, condition of service and employee benefits during 2022/23 FY	a) Conduct one (1) workshop on agreements, conditions of service and employee benefits as per schedule authorized by Executive manager: by 30 June 2024	R0.00 CENTLEC Internal Resources were utilised on all activities	R0.00	All directorates workshopped were on conditions of service and employee benefits during 2023/24 FY	None	Not applicable	Not required

MUNICIPAL INDICATORS

HUMAN RESOURCE MANAGEMENT

Ref No.	Performance Indicator (Output level only)	Baseline (Annual Performance of 2022/23 Estimated)	Annual Target For 2023/24	Planned Annual Budget	Actual Expenditure Output	Actual Output	Variation	Reason(s) for Variation	Remedial action
							[2 - 16]		
		1	2			16	17	18	19
STRATEGIC SDBIP									
			b) Conduct one (1) workshop per quarter on collective agreements and disciplinary procedures as per schedule authorized by Executive Manager by 30 June 2024	R0.00 CENTLEC Internal Resources were utilised on all activities	R0.00	All directorates were workshopped on collective agreements and disciplinary procedures during 2023/24 FY	None	Not applicable	Not required
3-1.1(b)	Submission of 2024/25 Workplace Skills Plan (WSP) to LGSETA and the Annual Training Report for FY 2023/24 by 30 April 2024	Annual training Report FY 2022/23 Submitted 2023/24 WSP to LGSETA	Submission of 2024/25 Workplace Skills Plan (WSP) to LGSETA and the Annual Training Report for FY 2023/24 by 30 April 2024	R0.00 CENTLEC Internal Resources were utilised on all activities	R0.00	Annual training Report FY 2023/24 Submitted 2024/25 WSP to LGSETA	None	Not applicable	Not required
3-1.2	Ensure that the performance assessment of the Executive Manager Human Resource is conducted as per performance agreement (Paragraph 7) by the 30 June 2024	Performance assessment report of FY 2022/23	Ensure that the performance assessment of the Executive Manager Human Resource is conducted as per performance agreement (Paragraph 7) by the 30 June 2024	R0.00 CENTLEC Internal Resources were utilised on all activities	R0.00	The performance of the Executive Manager Human Resource was quarterly assessed as envisaged. Copies of performance assessments of the Executive Manager Human Resource were submitted to Compliance & Performance.	None	Not applicable	Not required

3.2.6 *Finance Directorate*

Section 81 of Municipal Finance Management Act (2003) stipulates the role of the CFO of a municipality:

(a) Is administratively in charge of the budget and treasury office.

(b) Must advise the accounting officer on the exercise of powers and duties assigned to the accounting officer in terms of this Act.

(c) Must assist the accounting officer in the administration of the municipality's bank accounts and, in the preparation, and implementation of the municipality's budget.

(d) Must advise senior managers and other senior officials in the exercise of powers and duties assigned to them in terms of Section 78 or delegated to them in terms of Section 79.

(e) Must perform such budgeting, accounting, analysis, financial reporting, cash management, debt management, SCM, financial management, review, and other duties as may in terms of Section 79 be delegated by the accounting officer to the CFO.

MUNICIPAL INDICATORS

FINANCE

Ref No.	Performance Indicator (Output level only)	Baseline (Annual Performance of 2022/23 Estimated)	Annual Target For 2023/24	Planned Annual Budget	Actual Expenditure Output	Actual Output	Variation	Reason(s) for Variation	Remedial action
							[2 - 16]		
		1	2			16	17	18	19
STRATEGIC SDBIP									
4-4.2	98% actual readings in the amount billed per month throughout the 2023/24 year	98.78% actual readings in the amount billed per month	98% actual readings in the amount billed per month throughout 2023/24 FY year	R0.00 CENTLEC Internal Resources were utilised on all activities	R0.00	99% of average actual readings in the amount billed per month throughout the year.	There is a variance of 1% which is higher than the target of 98%	More effort and resources dedicated to meter readings.	Not required

MUNICIPAL INDICATORS									
FINANCE									
Ref No.	Performance Indicator (Output level only)	Baseline (Annual Performance of 2022/23 Estimated)	Annual Target For 2023/24	Planned Annual Budget	Actual Expenditure Output	Actual Output	Variation	Reason(s) for Variation	Remedial action
							[2 - 16]		
		1	2			16	17	18	19
STRATEGIC SDBIP									
4-4.3	Two (2) Bi-annual assets verifications.	2022/23 Asset Registers	The 1st asset count to be started at the end of December 2023 and completed by the end of March 2024 The 2nd asset count to be started in June 2024 and completed by the end of August 2024 Asset registers updated with all asset movements relating to these counts, and report any damaged/ missing items by 31 August 2024 Accurately account for all the entity's moveable and additions to infrastructure assets in the final 2023/24 Asset Register	R 11 373 100	R 2,549 250	Fixed Asset Register for 2022/23 were completed and submitted to the Auditor General on the 31st of August 2023. The 1st asset count for the 2023/24 FAR was finalised in Q3 and the asset register was updated accordingly. The second asset count commenced in June 2024 and is still in progress, to date the second asset count was 77.69% complete as at 30 June 2024.	None	Not applicable	Not required

MUNICIPAL INDICATORS

FINANCE

Ref No.	Performance Indicator (Output level only)	Baseline (Annual Performance of 2022/23 Estimated)	Annual Target For 2023/24	Planned Annual Budget	Actual Expenditure Output	Actual Output	Variation	Reason(s) for Variation	Remedial action
							[2 - 16]		
		1	2			16	17	18	19
STRATEGIC SDBIP									
4.-4.4	Monthly financial reports in terms of Section 87 of the Municipal Finance Management Act, No. 56 of 2003, submitted to the Parent Municipality	2022/23 twelve (12) monthly Financial Reports	Twelve (12) signed-off monthly financial reports in terms of Sections 87 of the Municipal Finance Management Act, No. 56 of 2003, submitted to the Parent Municipality	R0.00 CENTLEC Internal Resources were utilised on all activities	R0.00	Monthly financial reports in terms of Section 87 of the Municipal Finance Management were submitted to the Parent Municipality within 7 working days during the period under review.	Section 87 report for the month of June 2024 was submitted to the parent municipality on the 8th working days instead of 7 working days.	The deviation was as a result of year-end process that have caused the delay in closing the system.	Controls will be put in place in ensuring that the year-end process is completed timeously.
4.-4.5	Compile and submit one (1) Mid-term performance & budget assessment report by 20 January 2024 as per Section 88 (1) (a) and (b) of the MFMA.	2022/23 Mid-term performance & budget assessment report	Compile and submit one (1) Mid-term performance & budget assessment report by 20 January 2024 as per Section 88 (1) (a) and (b) of the MFMA.	R0.00 CENTLEC Internal Resources were utilised on all activities	R0.00	Mid-term performance & budget assessment reports were compiled and submitted to the parent Municipality by 15th of January 2024	None	Not applicable	Not required

MUNICIPAL INDICATORS

FINANCE

Ref No.	Performance Indicator (Output level only)	Baseline (Annual Performance of 2022/23 Estimated)	Annual Target For 2023/24	Planned Annual Budget	Actual Expenditure Output	Actual Output	Variation	Reason(s) for Variation	Remedial action
							[2 - 16]		
		1	2			16	17	18	19
STRATEGIC SDBIP									
4.-4.6	Prepare 2022/23 Annual Financial Statements in accordance with the South African Standards of Generally Recognised Accounting Practices (GRAP) and Section 122 of the MFMA along with an audit file that supports the financial statements by 31 August 2023	2021/22 Audited Annual Financial statements and the 2022/23 audit file	Prepare 2022/23 Annual Financial Statements in accordance with the South African Standards of Generally Recognised Accounting Practices (GRAP) and Section 122 of the MFMA along with an audit file that supports the financial statements by 31 August 2023	R0.00 CENTLEC Internal Resources were utilised on all activities	R0.00	The Annual Financial Statements for 2022/23 were prepared in accordance with the South African Standards of Generally Recognised Accounting Practices (GRAP) and Section 122 of the MFMA along with an audit file that supports the financial statements by 31 August 2023	None	Not applicable	Not required
4-4.7	Ensure that the performance assessment of the Chief Financial Officer is conducted as per performance agreement (Paragraph 7) by the 30 June 2024	Performance assessment report of FY 2022/23	Ensure that the performance assessment of the Chief Financial Officer is conducted as per performance agreement (Paragraph 7) by the 30 June 2024	R0.00 CENTLEC Internal Resources were utilised on all activities	R0.00	The performance of the CFO was quarterly assessed as envisaged. Copies of performance assessments of the CFO were submitted to Compliance & Performance.	None	Not applicable	Not required

3.2.7 Engineering Wires Directorate

Engineering Wires is a directorate that comprises of the asset creation under Planning, operations and maintenance of the electricity distribution systems. This directorate is crucial for ensuring that the entity meets its service delivery mandates and executes projects listed and approved in the IDP. In general, the directorate is responsible for asset creation, network operations and maintenance, as well as service delivery to the communities. Further, the directorate carries this mandate through four divisions within it, namely: Planning, Network Operations & Maintenance, System Utilization & Process Engineering and Southern Free State Municipalities. The Southern Free State Municipalities, which includes the former Naledi and Kopanong Local Municipality. The services of the Mohokare Local Municipality were terminated on the 31st December 2023, and the final handover of the license and electrical infrastructure was completed on the 20th February 2024.

Planning division is accountable for the planning, design, and development of infrastructure within CENTLEC's jurisdiction.

The Network Operation and Maintenance division is responsible for providing preventative and corrective maintenance on the low voltage, medium voltage and high voltage electricity networks serving the areas covered by CENTLEC Distribution License.

The System Utilisation and Process Engineering ddivision primarily manages infrastructure construction, maintenance, refurbishment, network operation and control throughout CENTLEC (SOC) Ltd distribution area.

MUNICIPAL INDICATORS

ENGINEERING WIRES

Ref No.	Performance Indicator (Output level only)	Baseline (Annual Performance of 2022/23 Estimated)	Annual Target For 2023/24	Planned Annual Budget	Actual Expenditure Output	Actual Output	Variation	Reason(s) for Variation	Remedial action
							[2 - 16]		
		1	2			16	17	18	19
STRATEGIC SDBIP									
1.11	Ward1 Erection and commissioning of one (1) high mast lights within Mangaung by 30 June 2024	0	Erection and commissioning of one (1) high mast lights within Mangaung by 30 June 2024	R 25 000 000.00	R 16 885 113,97	One (1) high mast light installed, erected, and commissioned.	None	Not applicable	Not required
5.18	Ward 5 Erection and commissioning of one (1) high mast lights within Mangaung by 30 June 2024	1	Erection and commissioning of one (1) high mast lights within Mangaung by 30 June 2024			One (1) high mast light installed, erected, and commissioned.	None	Not applicable	Not required
6.9	Ward 6 Erection and commissioning of one (1) high mast lights within Mangaung by 30 June 2024	2	Erection and commissioning of one (1) high mast lights within Mangaung by 30 June 2024			One (1) high mast light installed, erected, and commissioned.	None	Not applicable	Not required
7.6	Ward 7 Erection and commissioning of one (1) high mast lights within Mangaung by 30 June 2024	2	Erection and commissioning of one (1) high mast lights within Mangaung by 30 June 2024			One (1) high mast light installed, erected, and commissioned.	None	Not applicable	Not required

MUNICIPAL INDICATORS

ENGINEERING WIRES

Ref No.	Performance Indicator (Output level only)	Baseline (Annual Performance of 2022/23 Estimated)	Annual Target For 2023/24	Planned Annual Budget	Actual Expenditure Output	Actual Output	Variation	Reason(s) for Variation	Remedial action
							[2 - 16]		
		1	2			16	17	18	19
STRATEGIC SDBIP									
11.8	Ward 11 Erection and commissioning of two (2) high mast lights within Mangaung by 30 June 2024	0	Erection and commissioning of two (2) high mast lights within Mangaung by 30 June 2024			Two (2) high mast lights installed, erected, and commissioned.	None	Not applicable	Not required
12.12	Ward 12 Erection and commissioning of one (1) high mast lights within Mangaung by 30 June 2024	0	Erection and commissioning of one (1) high mast lights within Mangaung by 30 June 2024			One (1) high mast light installed, erected, and commissioned.	None	Not applicable	Not required
17.3	Ward 17 Erection and commissioning of one (1) high mast lights within Mangaung by 30 June 2024	5	Erection and commissioning of one (1) high mast lights within Mangaung by 30 June 2024			One (1) high mast light installed, erected, and commissioned.	None	Not applicable	Not required
17.19	Ward 17 Erection and commissioning of three (3) high mast lights within Mangaung by 30 June 2024	3	Erection and commissioning of three (3) high mast lights within Mangaung by 30 June 2024			Three (3) high mast lights installed, erected, and commissioned.	None	Not applicable	Not required

MUNICIPAL INDICATORS

ENGINEERING WIRES

Ref No.	Performance Indicator (Output level only)	Baseline (Annual Performance of 2022/23 Estimated)	Annual Target For 2023/24	Planned Annual Budget	Actual Expenditure Output	Actual Output	Variation	Reason(s) for Variation	Remedial action
							[2 - 16]		
		1	2			16	17	18	19
STRATEGIC SDBIP									
17.20	Ward 17 Erection and commissioning of one (1) high mast lights within Mangaung by 30 June 2024	0	Erection and commissioning of one (1) high mast lights within Mangaung by 30 June 2024			One (1) high mast lights installed, erected, and commissioned.	None	Not applicable	Not required
27.6	Ward 27 Erection and commissioning of one (1) high mast lights within Mangaung by 30 June 2024	5	Erection and commissioning of one (1) high mast lights within Mangaung by 30 June 2024			One (1) high mast light installed, erected, and commissioned.	None	Not applicable	Not required
31.5	Ward 31 Erection and commissioning of one (1) high mast lights within Mangaung by 30 June 2024	2	Erection and commissioning of one (1) high mast lights within Mangaung by 30 June 2024			One (1) high mast light installed, erected, and commissioned.	None	Not applicable	Not required
33.6	Ward 33 Erection and commissioning of one (1) high mast lights within Mangaung by 30 June 2024	3	Erection and commissioning of one (1) high mast lights within Mangaung by 30 June 2024			One (1) high mast light installed, erected, and commissioned.	None	Not applicable	Not required

MUNICIPAL INDICATORS

ENGINEERING WIRES

Ref No.	Performance Indicator (Output level only)	Baseline (Annual Performance of 2022/23 Estimated)	Annual Target For 2023/24	Planned Annual Budget	Actual Expenditure Output	Actual Output	Variation	Reason(s) for Variation	Remedial action
							[2 - 16]		
		1	2			16	17	18	19
STRATEGIC SDBIP									
34.7	Ward 34 Erection and commissioning of two (2) high mast lights within Mangaung by 30 June 2024	0	Erection and commissioning of two (2) high mast lights within Mangaung by 30 June 2024			Two (2) high mast lights installed, erected, and commissioned.	None	Not applicable	Not required
36.4	Ward 36 Erection and commissioning of one (1) high mast lights within Mangaung by 30 June 2024	0	Erection and commissioning of one (1) high mast lights within Mangaung by 30 June 2024			One (1) high mast light installed, erected, and commissioned.	None	Not applicable	Not required
37.5	Ward 37 Erection and commissioning of one (1) high mast lights within Mangaung by 30 June 2024	1	Erection and commissioning of one (1) high mast lights within Mangaung by 30 June 2024			One (1) high mast light installed, erected, and commissioned.	None	Not applicable	Not required
38.8	Ward 38 Erection and commissioning of one (1) high mast lights within Mangaung by 30 June 2024	1	Erection and commissioning of one (1) high mast lights within Mangaung by 30 June 2024			One (1) high mast light installed, erected, and commissioned.	None	Not applicable	Not required

MUNICIPAL INDICATORS

ENGINEERING WIRES

Ref No.	Performance Indicator (Output level only)	Baseline (Annual Performance of 2022/23 Estimated)	Annual Target For 2023/24	Planned Annual Budget	Actual Expenditure Output	Actual Output	Variation	Reason(s) for Variation	Remedial action
							[2 - 16]		
		1	2			16	17	18	19
STRATEGIC SDBIP									
39.3	Ward 39 Erection and commissioning of one (1) high mast lights within Mangaung by 30 June 2024	1	Erection and commissioning of one (1) high mast lights within Mangaung by 30 June 2024			One (1) high mast light installed, erected, and commissioned.	None	Not applicable	Not required
40.7	Ward 40 Erection and commissioning of one (1) high mast lights within Mangaung by 30 June 2024	1	Erection and commissioning of one (1) high mast lights within Mangaung by 30 June 2024			One (1) high mast light installed, erected, and commissioned.	None	Not applicable	Not required
42.7	Ward 42 Erection and commissioning of one (1) high mast lights within Mangaung by 30 June 2024	1	Erection and commissioning of one (1) high mast lights within Mangaung by 30 June 2024			One (1) high mast lights installed, erected, and commissioned.	None	Not applicable	Not required
46.6	Ward 46 Erection and commissioning of one (1) high mast lights within Mangaung by 30 June 2024	1	Erection and commissioning of one (1) high mast lights within Mangaung by 30 June 2024			One (1) high mast light installed, erected, and commissioned.	None	Not applicable	Not required

MUNICIPAL INDICATORS

ENGINEERING WIRES

Ref No.	Performance Indicator (Output level only)	Baseline (Annual Performance of 2022/23 Estimated)	Annual Target For 2023/24	Planned Annual Budget	Actual Expenditure Output	Actual Output	Variation	Reason(s) for Variation	Remedial action
							[2 - 16]		
		1	2			16	17	18	19
STRATEGIC SDBIP									
51.7	Ward 51 Erection and commissioning of one (1) high mast lights within Mangaung by 30 June 2024	1	Erection and commissioning of one (1) high mast lights within Mangaung by 30 June 2024			One (1) high mast lights installed, erected, and commissioned.	None	Not applicable	Not required
5-2.3(g)	Ensure that the performance assessment of the Executive Manager Engineering Wires is conducted as per performance agreement (Paragraph 7) by the 30 June 2024	Performance assessment report of FY 2023/24	Ensure that the performance assessment of the Executive Manager Engineering Wires is conducted as per performance agreement (Paragraph 7) by the 30 June 2024	R0.00 CENTLEC Internal Resources were utilised on all activities	R0.00	The performance of the Executive Manager: Engineering Wires was quarterly assessed as envisaged. Copies of performance assessments of the Executive Manager Engineering Wires were submitted to Compliance & Performance.	None	Not applicable	Not required

Note: These indicators from the Engineering Wires Directorate are also reported by MMM (parent municipality) as agreed upon with the Company based on the business plan and SDBIP submitted.

3.2.8 *Engineering Retail Directorate*

Engineering Retail Directorate is responsible for the trading of electricity, Metering Infrastructure, the development of Software's as per Directorates requirements and providing ICT support services to the Company.

The Directorate has three Sub-Directorates that play a crucial role in ensuring that CENTLEC provides excellent service delivery to the community:

- Customer Services & Revenue Management: Handles all customer related issues, and metering with associated functions.
- Energy and Trading Services: The main objective of this sub-directorate is to manage the Eskom bulk purchase accounts, all sales systems, and metering. The Sub Directorate safeguards CENTLEC revenue through well-maintained metering infrastructure.
- Systems Engineering: This sub-directorate focuses on technology and ensuring that all system integrations happen, and that CENTLEC (SOC) Ltd transforms to a smart organisation.

MUNICIPAL INDICATORS

ENGINEERING RETAIL

Ref No.	Performance Indicator (Output level only)	Baseline (Annual Performance of 2022/23 Estimated)	Annual Target For 2023/24	Planned Annual Budget	Actual Expenditure Output	Actual Output	Variation	Reason(s) for Variation	Remedial action
							[2 - 16]		
		1	2			16	17	18	19
STRATEGIC SDBIP									
6-2.2(a)	Conduct inspection on Time of Use (ToU) connections to ensure optimum functionality by 30 June 2024	1890 Time of Use (ToU) inspected.	Inspection of 1860 Time of Use (ToU) connections 30 June 2024	R0.00 CENTLEC Internal Resources were utilised on all activities	R0.00	Inspected 1868-meter connections	Inspected 8 (eight) more meters than the set target.	The total meters inspected for the year under review is 1868 which is inclusive of 8 (eight) bulk meters which were converted to ToU during the year.	Not required

MUNICIPAL INDICATORS

ENGINEERING RETAIL

Ref No.	Performance Indicator (Output level only)	Baseline (Annual Performance of 2022/23 Estimated)	Annual Target For 2023/24	Planned Annual Budget	Actual Expenditure Output	Actual Output	Variation	Reason(s) for Variation	Remedial action
							[2 - 16]		
		1	2			16	17	18	19
STRATEGIC SDBIP									
6-2.2(d)	Ensure that the performance assessment of the Executive Manager Engineering Retail is conducted as per performance agreement (Paragraph 7) by the 30 June 2024	Performance assessment report of FY 2022/23	Ensure that the performance assessment of the Executive Manager Engineering Retail is conducted as per performance agreement (Paragraph 7) by the 30 June 2024	R0.00 CENTLEC Internal Resources were utilised on all activities	R0.00	The performance of the Executive Manager: Engineering Retail was quarterly assessed as envisaged. Copies of performance assessments of the Executive Manager Engineering Retail were submitted to Compliance & Performance.	None	Not applicable	Not required
6-2.2(e)	100% disconnections as per Circular 71 to be maintained monthly during 2023/24.	95% of revenue collection rate on outstanding debt as per general ledgers	Monthly Disconnection rate of 100% on all outstanding Debt during 2023/24	R0.00 CENTLEC Internal Resources were utilised on all activities	R0.00	The average of 63.27% disconnections were implemented excluding Provincial Government and Local Government	31.73% excluding government debt – of the meters not disconnected 97 meters (32.88%) are for all other debt categories excluding government	Matters affecting disconnections need to be investigated and finalised in order to minimize the variation.	Matters affecting disconnections need to be investigated and finalised in order to minimize the variation.

MUNICIPAL INDICATORS

ENGINEERING RETAIL

Ref No.	Performance Indicator (Output level only)	Baseline (Annual Performance of 2022/23 Estimated)	Annual Target For 2023/24	Planned Annual Budget	Actual Expenditure Output	Actual Output	Variation	Reason(s) for Variation	Remedial action
							[2 - 16]		
		1	2			16	17	18	19
STRATEGIC SDBIP									
						57.42% Including Provincial Government and Local Government	37.58% including government debt of the meters not disconnected 198 meters (67.12%) are for government.	Government debt is separated as per the request from the board subcommittee – variation as a result of ongoing negotiations for a payment arrangement with government	
6-2.2(f)	98% actual readings in the amount billed per month throughout the 2023/24 year	98.78% actual readings	98% actual meter readings in the amount billed per month throughout 2023/24 FY year	R0.00 CENTLEC Internal Resources were utilised on all activities	R0.00	The number of accounts billed for the year was 98.98%	There is a variance of 0.98% which is higher than the target of 98%	More effort and resources dedicated to meter readings.	Not required

3.2.9 *Performance & Compliance Directorate*

The functions of the Compliance and Performance directorate consists of Organisational Performance, Compliance, Security, Fleet and Facilities Management.

The Performance and Compliance Directorate's primary areas of responsibility include and revolve around:

- Developing, establishing, and coordinating performance management processes (IDP, SDBIP, Business Plan, Performance Agreements, and Annual Report) as well as guiding the implementation of measurement approaches and tools, ensuring that the organisation is in substantial compliance with its internal operating policies and procedures and external legal, regulatory, and corporate governance codes.
- Protection of the institution's integrity, people, processes, and assets from loss, ensuring business continuity crisis management by responding within our area of supply and ensuring a safe and secure environment in our workplace.
- Repairs and maintenance of facilities to ensure a conducive and productive work environment.
- Ensuring that CENTLEC (SOC) Ltd has reliable fleet.

MUNICIPAL INDICATORS									
COMPLIANCE & PERFORMANCE									
Ref No.	Performance Indicator (Output level only)	Baseline (Annual Performance of 2022/23 Estimated)	Annual Target For 2023/24	Planned Annual Budget	Actual Expenditure Output	Actual Output	Variation	Reason(s) for Variation	Remedial action
							[2 - 16]		
		1	2			16	17	18	19
STRATEGIC SDBIP									
7-2.2(a)	Maintain 157 vehicles according to the 2022/2023 Fleet Maintenance Plan by 30 June 2024	One hundred and fifty-seven (157) vehicles maintained as per maintenance schedule	One hundred and fifty-seven (157) vehicles maintained as per the maintenance schedule by 30 June 2024	R 2 800 000,00	R1 683 7 57,13	Servicing of vehicles = 178 Annual Certificate of Fitness = 69 Annual Hydraulic Load Tests = 58	+21	Due to vehicles reaching service internal kms than planned.	Not required
7.5.1(a)	Compile and submit reviewed SDBIP FY 23/24, Mid-term report 23/24, FY 23/24 and first Draft FY 24/25 SDBIP to Mangaung Metropolitan Council by 20 January 2024	2022/23 Performance	Compile and submit reviewed SDBIP FY 23/24, Mid-term report 23/24, first Draft FY 24/25 SDBIP to Mangaung Metropolitan Council by 20 January 2024	R0.00 CENTLEC Internal Resources were utilised on all activities	R0.00	Mid-term Report and revised SDBIP 2023/2024 submitted on the 15th of January 2024	None	Not applicable	Not required

MUNICIPAL INDICATORS

COMPLIANCE & PERFORMANCE

Ref No.	Performance Indicator (Output level only)	Baseline (Annual Performance of 2022/23 Estimated)	Annual Target For 2023/24	Planned Annual Budget	Actual Expenditure Output	Actual Output	Variation	Reason(s) for Variation	Remedial action
							[2 - 16]		
		1	2			16	17	18	19
STRATEGIC SDBIP									
7-5.1(b)	Submit final draft Multi-Year Business Plan and SDBIP FY 2023/24 to Mangaung Metropolitan Council by 31st March 2024	Previous Multi-Year Business Plan, SDBIPs	Submit final draft Multi-Year Business Plan and SDBIP FY 2023/24 to Mangaung Metropolitan Council by 31st March 2024	R0.00 CENTLEC Internal Resources were utilised on all activities	R0.00	Multi-year Business Plan 2024/2025 has been submitted to MMM 15th of March 2024	None	Not applicable	Not required
7.5.1 (c)	Signed Performance agreement of Executives for FY 2023/24 submitted to Marketing to be posted on Centlec website by 31 July 2023	2022/23 signed performance agreements	Signed Performance agreement of Executives for FY 2023/24 posted on Centlec website by 31 July 2023	R0.00 CENTLEC Internal Resources were utilised on all activities	R0.00	Signed Performance agreement of Executives for FY 2023/24 were published on the Centlec website.	None	Not applicable	Not required
7.5.1 (d)	Ensure that the performance assessment of the Executive Manager Compliance and Performance is conducted as per performance agreement (Paragraph 7) by the 30 June 2024	Performance assessment report of FY 22/23	Ensure that the performance assessment of the Executive Manager Compliance and Performance is conducted as per performance agreement (Paragraph 7) by the 30 June 2024	R0.00 CENTLEC Internal Resources were utilised on all activities	R0.00	The performance of the Executive Manager: Compliance & Performance was quarterly assessed as envisaged. Copies of performance assessments of the Executive Manager Compliance & Performance were submitted to Compliance & Performance.	None	Not applicable	Not required

Capital Budget

A detailed three-year capital works plan is required to ensure sufficient detail is available to measure and monitor the delivery of planned services.

Table 25: MTREF

Internal Funding Projects	MTREF 2023/2024	Adjustment Budget 2023/24	MTREF 2024/2025	MTREF 2025/2026	MTREF 2026/2027
DIGITAL RADIO SYSTEM	1 100 000,00	1 100 000,00	1 153 900,00	1 208 133,30	1 262 499,30
IMPLEM BUSINESS CONT DISASTER RECOV INF	2 000 000,00	500 000,00	2 098 000,00	2 196 606,00	2 295 453,27
VEHICLES	7 000 000,00	7 000 000,00	7 343 000,00	7 688 121,00	8 049 462,69
UPGRADE & REFURB COMPUTER NETWORK	2 500 000,00	7 000 000,00	2 622 500,00	2 745 757,50	2 869 316,59
OFFICE BUILDING	3 500 000,00	3 500 000,00	3 671 500,00	3 844 060,50	4 024 731,34
FURNITURE AND OFFICE EQUIPMENT	1 000 000,00	2 500 000,00	1 049 000,00	1 098 303,00	1 149 923,24
BOTSH-E: EST NEW 33/11KV 10MVA FIRM CAP	5 500 000,00	750 000,00	5 769 500,00	6 040 666,50	6 324 577,83
BOTSH: UPG SUB T (2ND TRANS SCADA EQUI	5 500 000,00	750 000,00	5 769 500,00	6 040 666,50	6 324 577,83
BOTSH: UPG SUB W (C/WORK B/W 2ND TRA S/D	5 500 000,00	750 000,00	5 769 500,00	6 040 666,50	6 324 577,83
BLOEM: C/Y-EST 33/11KV 20MVA FIRM SUPDC	6 000 000,00	1 500 000,00	6 294 000,00	6 589 818,00	6 899 539,45
BLOEM: N/STAD-UPG 132/11KV 20MVA FIRM DC	6 500 000,00	1 500 000,00	6 818 500,00	7 138 969,50	7 474 501,07
INFRA CATALYST PROJECTS	6 500 000,00	3 250 000,00	6 818 500,00	7 138 969,50	7 474 501,07
SECURITY EQUIPMENT (CCTV)	1 000 000,00	1 000 000,00	1 049 000,00	1 098 303,00	1 149 923,24
TRAINING & DEVELOPMENT	800 000,00	800 000,00	839 200,00	878 642,40	918 181,31
INSTALL PREPAID METERS (INDIGENT)	500 000,00	600 000,00	523 000,00	547 058,00	572 769,73
SERVITUDES LAND (INCL INVEST REMUNE REG	600 000,00	600 000,00	627 600,00	656 469,60	687 323,67
METER PROJECT	10 000 000,00	15 000 000,00	10 490 000	10 983 030	11 477 266
INSTALLATION OF PUBLIC LIGHTING	8 000 000,00	2 000 000,00	8 392 000,00	8 786 424,00	9 199 385,93
EXTENSION AND UPGRADING OF THE 11KV NETW	3 500 000,00	3 500 000,00	3 671 500,00	3 844 060,50	4 024 731,34
SHIFTING OF CONNECTION AND REPLACEMENT S	1 005 275,00	1 005 275,00	1 051 517,65	1 099 887,46	1 151 582,17
UPGRADING AND EXTENTION OF LV NETWORK	1 500 000,00	1 500 000,00	1 573 500,00	1 647 454,50	1 724 884,86

Capital Budget continued

Internal Funding Projects	MTREF 2023/2024	Adjustment Budget 2023/24	MTREF 2024/2025	MTREF 2025/2026	MTREF 2026/2027
REFURBISHMENT OF HIGH MAST LIGHTS	5 029 525,00	6 229 525,00	5 275 971,73	5 523 942,40	5 783 567,69
TRANSFORMER REPLACE & OTHER RELATED EQUI	6 500 000,00	10 000 000,00	6 818 500,00	7 138 969,50	7 474 501,07
BOTSHABELO: ESTABLISHMENT OF 132KV (INDU	3 500 000,00	750 000,00	3 671 500,00	3 844 060,50	4 024 731,34
PROTECTION TEST UNIT	1 500 000,00	500 000,00	1 573 500	1 647 455	1 724 885
REP LOW VOLT DECREPIT 2/4/8 WAY BOXES	800 000,00	700 000,00	836 800,00	875 292,80	916 431,56
REP BRITTLE OVERHEAD CONNECTIONS	1 000 000,00	550 000,00	1 046 000,00	1 094 116,00	1 145 539,45
REMEDIAL WORK 132KV SOUTHERN LINES	7 500 000,00	9 300 000,00	7 867 500,00	8 237 272,50	8 624 424,31
REPLACEMENT OF 11KV SWITCHGEARS	1 250 000,00	625 000,00	1 311 250,00	1 372 878,75	1 437 404,05
REPLACEMENT OF OIL PLANT	500 000,00	500 000,00	523 000,00	547 058,00	572 769,73
S/LIGHTS REPLACE POLE TRNS POLES SECTION	1 500 000,00	3 000 000,00	1 573 500,00	1 647 454,50	1 724 884,86
INSTALLATION OF HIGH VOLTAGE TEST EQUIPM	1 300 000,00	500 000,00	1 363 700,00	1 427 793,90	1 494 900,21
REPLACEMENT OF 32V BATTERIES	1 500 000,00	750 000,00	1 573 500,00	1 647 454,50	1 724 884,86
REPLACEMENT OF 110V BATTERIES	1 500 000,00	2 000 000,00	1 573 500,00	1 647 454,50	1 724 884,86
REPAIR MMM DIST DIST CENTRE	4 444 484,62	1 500 000,00	4 662 264,37	4 881 390,79	5 110 816,16
REPAIR VISTA DIST DIST CENTRE	15 964 161,38	5 000 000,00	16 746 405,28	17 533 486,33	18 357 560,19
REFUR PROTEC & SCADA SYSTEMS DIST CENTR	1 000 000,00	250 000,00	1 046 000,00	1 094 116,00	1 145 539,45
INTERNAL ELECTRIFICATION PROJECTS:	7 100 000,00	3 550 000,00	7 426 600,00	7 768 223,60	8 133 330,11
TOTAL	**141 393 446,00**	**101 809 800,00**	**148 284 209,03**	**155 240 486,34**	**162 500 764,86**

Integrated National Electrification Grant

Integrated National Electrification Grant	MTREF 2023/2024	Adjustment Budget 2023/24	MTREF 2024/2025	MTREF 2025/2026	MTREF 2026/2027
ELECTRIFICATION PROJECTS (ISUPG)	28 000 000	28 000 000	25 000 000	22 000 000	22 990 000
ELECTRIFICATION (USDG GRANT)	25 000 000	25 000 000	26 150 000	27 352 900	28 583 781
Total	**53 000 000**	**53 000 000**	**51 150 000**	**49 352 900**	**51 573 780**

Public Connections

Integrated National Electrification Grant	MTREF 2023/2024	Adjustment Budget 2023/24	MTREF 2024/2025	MTREF 2025/2026	MTREF 2026/2027
PUBLIC ELECTRICITY CONNECTIONS	14 300 000,00	14 300 000,00	14 957 800,00	15 645 858,80	16 381 214,16
Total	**14 300 000,00**	**14 300 000,00**	**14 957 800,00**	**15 645 858,80**	**16 381 214,16**

Funding By Source

Integrated National Electrification Grant	MTREF 2023/2024	Adjustment Budget 2023/24	MTREF 2024/2025	MTREF 2025/2026	MTREF 2026/2027
ELECTRIFICATION (USDG GRANT)	25 000 000,00	25 000 000,00	26 150 000,00	27 352 900,00	28 583 780,50
PUBLIC ELECTRICITY CONNECTIONS	14 300 000,00	14 300 000,00	14 957 800,00	15 645 858,80	16 381 214,16
ELECTRIFICATION PROJECTS (ISUPG)	28 000 000,00	28 000 000,00	25 000 000,00	22 000 000,00	22 990 000,00
REVENUE / SURPLUS(INTERNAL FUNDS)	141 393 446	101 809 800	148 284 209	155 240 486	162 500 765
Total	**208 693 446**	**169 109 800**	**214 392 009**	**220 239 245**	**230 455 760**

CHAPTER 4: ORGANISATIONAL DEVELOPMENT PERFORMANCE

4.1 Introduction

The Company highly regards its employees and aims to create a fair and equal workplace. The Company has committed to implementing employment equity strategies to promote equality and enhance the development of its workforce.

4.2 Workforce profile (including people with disabilities)

The Company is guided by its Employment Equity Plan which serves as a guideline on the categories to be catered for that are underrepresented.

Table 26: Workforce Profile

Occupational Levels	MALE				FEMALE				PWD's People with Disability		TOTAL
	A	C	I	W	A	C	I	W	Male	Female	
Top management	4	0	0	0	1	1	0	0	0	0	6
Senior management	6	0	0	1	2	0	0	0	0	1	10
Professionally qualified and experienced specialists and mid-management	57	3	0	16	44	0	0	2	1	0	123
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents	114	4	0	13	75	2	0	1	0	0	209
Semi-skilled and discretionary decision making	114	5	0	1	64	3	0	2	1	2	192
Unskilled and defined decision making	131	3	0	2	117	0	0	0	0	0	253
Total	**426**	**15**	**0**	**33**	**303**	**6**	**0**	**5**	**2**	**3**	**793**

4.3 Employees with Disabilities only

The percentages are calculated based on the total number of staff establishment. The Company had 793 employees as of 30 June 2024. According to the table below, the Company needs to appoint more disabled employees to comply with the legislation.

Table 27: Employees With Disabilities

Occupational Levels	MALE				FEMALE				Foreign Nationals		TOTAL
	A	C	I	W	A	C	I	W	Male	Female	
Top management	0	0	0	0	0	0	0	0	0	0	0
Senior management	0	0	0	0	1	0	0	0	0	0	1
Professionally qualified and experienced specialists and mid-management	1	0	0	0	0	0	0	0	0	0	1
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents	0	0	0	0	0	0	0	0	0	0	0
Semi-skilled and discretionary decision making	1	0	0	0	2	0	0	0	0	0	3
Unskilled and defined decision making	0	0	0	0	0	0	0	0	0	0	0
Total Permanent	**2**	**0**	**0**	**0**	**3**	**0**	**0**	**0**	**0**	**0**	**5**
Temporary employees	0	0	0	0	0	0	0	0	0	0	0
Grand Total	**2**	**0**	**0**	**0**	**3**	**0**	**0**	**0**	**0**	**0**	**5**

4.4 Employee Age Analysis

The table below depicts the age analysis of the Company's workforce as at the 30th of June 2024.

Table 28: Employee Age Analysis

No	Employee Age Analysis	Employee Categories
1	10	19-23
2	249	24-39
3	300	40-49
4	189	50-59
5	45	60 & above
Total	**793**	

4.4.1 Human Resource policies

The Company utilised the policies of MMM for the financial year 2023/24.

4.4.2 Health and Safety and Environmental Issues.

CENTLEC(SOC) Ltd is committed to managing health, safety, and environmental issues in strict compliance with the Occupational Health and Safety Act (Act 85 of 1993) and its associated regulations (OHS Act).

This also includes all other relevant legislations such as the Compensation for Occupational Injuries and Disease Act (Act 130 of 1993) (COIDA), and the National Environmental Management Act (Act 107 of 1998) (NEMA).

Hazard Identification and Risk Assessment continues to form the foundation of our health and safety programme. The Company believes that o mitigates or eliminate risks to the health and safety of its employees, risks must be identified, evaluated, and precautionary measures be implemented.

The Company has taken the initiative by analyse, identify, rank and mitigate (control) processes for each identified risk The Risk Assessment is updated when new equipment is introduced in the system, when an incident occurs, when there are changes due to amendments in the act(s) or regulation(s) and when new employees are appointed. The identified risk assessment includes the following:

- Activity or action to be performed;
- Who can be exposed to the risk;
- How often people and employees are exposed to such activity or conditions;
- Severity of the accident, by taking the worst-case scenario;
- Ranking of each risk;
- The existing measures to mitigate the exposure to each accident (i.e. Administrative measures, engineering mechanism and lastly PPE to be used as control measures);
- Re-visit of high risks and further measure to be implemented to lower the risk to acceptable level(s).

All work-related injuries on duty and occupational diseases are reported to the Compensation Commissioner as required by COID Act. There are processes in place for reporting, starting from the Control Office and ending with the SHERQ Office handling the matter. Incidents are reported to Department of Employment and Labour upon receipt of the first medical report, which must within 24 hours of the incident. The Compensation Commissioner is informed within the prescribed and required reporting period, unless the injured person experiences pains later after the accident, in which case it is reported to the Department of Employment and Labour after the injured employee is attended to.

Incidents and accidents that involving public member are reported to the Control Room, which then notifies the responsible sections including the SHERQ Office for investigation. A report will be generated based on the investigations, monitoring of the stated recommendations and update the risk assessment.

4.4.3 Training Costs

The following training was provided to the employees during the 2023/24 financial year.

Table 29: Training Costs

Trainings	Cost per training	Total number of employees trained		
		Male	Female	Number of candidates
Training provided for the period under review.	**R 1 112 435,83**	242	119	361

4.4.4 Financial competency development

In terms of the *Guideline for Municipal Competency Levels: Finance officials at Middle Management Level* the Company conducted the minimum competency assessments as required by Sections 107 and 119 of the MFMA (2003). Identified officials attended the MFMP training and assessment, however, as at year-end, the process was still ongoing to ensure that all officials attend the training within the specified period.

Table 30: Finance Division

	Total number of employees in Finance as per Staff Establishment	Total number of employees completed MFMP Course	Total number employees not yet registered for MFMP Course
Total number of employees	67	53	14
Percentage (%)		**79%**	**21%**

Table 31: SCM

	Total number of employees in Supply Chain as per Staff Establishment	Total number of employees completed MFMP Course	Total number employees not yet registered for MFMP Course
Total number of employees	14	10	4
Percentage (%)		**71%**	**29%**

The Company has sixty-seven (67) employees in Finance department which comprise of fourteen (14) employees in Supply Chain as of the last year under review.

Seventy nine percent (79%) of the employees in Finance have completed the Municipal Financial Management Programme (MFMP) and seventy one percent 71% of employees in Supply Chain completed the MFMP course. The remaining 21% of the employees will be registered for the program in future.

CHAPTER 5: FINANCIAL PERFORMANCE

5.1 Revenue

The Company's total revenue from exchange transactions increased by 14% to R 3 387 917 315 in 2023/24. This increase in revenue was due to annual tariff increases and the efforts to curb illegal connections and meter tampering / bypassing, compared to the previous year.

Grant income increased by 76% due to the increase in ISUP grant allocation for the current year, compared to R 41 109 905 in the prior year

REVENUE

- 14% increase in total revenue
- 76% increase in grant income

5.2 Expenditure

As in prior periods, the most significant expense disclosed by the Company relates to its bulk electricity purchases. This expenditure represents 63% of the Company's total expense.

Expenditure increased, in total by 15% as compared to the prior expenditure.

Employee related costs increased by 17%. The increase is due to the normal annual salary increase, high level of new staff appointments and notch increments made during the year.

EXPENDITURE

- 15% increase in Expenditure
- 1% decrease in depreciation and amortisation
- 90% decrease in Impairment
- 17% increase in employee related costs.

5.2.1 Deficit

The Company had a deficit of R 314 010 395 for the year, compared to R 251 618 051 deficit for the 2022/23 year.

5.3 Financial Position

In the 2023/24 financial year, the Company improved its financial position, as evident from the following line items on the statement of financial position:

- A decrease of cash and cash equivalents of R 13 184 535.
- <u>Liquidity</u> - current liabilities exceeded current assets by approximately R 691 658 199.
- <u>Solvency</u> - total assets exceeded total liabilities by R 3 727 109 346 at the end of 2023/24.

5.4 Budget

The Company's final approved budget for 2023/24 indicated a profit of R 309 109 800. However, the actual amount on a comparable basis resulted in a deficit of R 314 010 395.

CHAPTER 6: AUDITOR-GENERAL'S FINDINGS ON PRIOR YEAR ISSUES

6.1 Purpose of the report

- To provide feedback on the progress made with respect to the implementation of the Audit Action Plan as developed in response to the Company's audit and management reports for the financial year ended 30 June 2023.
- To provide feedback on the current control environment and corrective measures implemented during the 2022-23 financial year.

6.2 Introduction and background

CENTLEC (SoC) Ltd continued its determined efforts to address the audit findings raised by the office of the Auditor-General in the 2022-23 financial year. The primary focus while implementing and monitoring the follow-up on the audit action plan has been to improve on the audit outcomes of the previous years.

This is in line with the Company's aim of achieving a clean audit outcome as envisaged by the leadership and management.

An audit action plan was developed, implemented rigorously and monitored with the involvement of all Directorates, Internal Audit, Office of the Auditor-General, Audit and Risk Committee.

Furthermore, the progress on the audit action plan was reported to the extended executive team on a weekly basis, with critical focus on issues that require collective effort from all user directorates.

The progress report was tabled before the Audit and Risk Committee deliberation and consideration. This progress was also shared with the Office of the Auditor-General who provided continuous feedback.

The progress report was tabled before the Audit and Risk Committee and the Board of Directors for deliberation and consideration. This progress was also shared with the office of the Auditor-General who provided continuous feedback.

6.3 Executive summary: Implementation of the Audit Action Plan

The findings from the Auditor General's reports are closely monitored to ensure that Management takes corrective action. Internal Audit regularly follows up on unresolved findings to verify that root causes are addressed by Management, preventing recurrence of the control deficiency. The process of following up on the resolution of external audit findings is performed monthly but has been performed weekly in the last two (2) months of the financial year. The rate of resolution of the audit findings remained moderate with improvement in the second half of the year as compared to the first half of the year. Overall, the percentage resolution of audit findings from the Auditor General is below the desired 66% get due to the fact some findings are related to the year-end process of the AFS.

6.3.1 Improvements to the internal control environment

In the 2022-23 management report issued by the Auditor-General's office (AGSA) majority of issues were resolved. Management accordingly analysed the findings raised in the management report and identified specific matters that required immediate attention to improve on the 2022-23 audit outcome:

- Material impairments;
- Irregular expenditure management;
- Inadequate controls over ensuring that payments were made within 30 days;
- Noncompliance with legislation.

6.3.2 Progress on matters reported in the audit report

Management had drafted the audit management action plan to address the findings from the previous year' external audit. Reporting their progress on a monthly and quarterly basis to the internal audit unit, whose responsibility was to confirm that the recommendations from the Auditor General's report were being implemented. A total implementation of 66% of the recommended management action plans had been successfully implemented as at 30 June 2024. Most of the compliance findings had been resolved, but some outstanding items relating to the year-end processes which had a significant impact on the preparation of the Annual financial statement and Annual Performance Report.

6.3.2.1 Auditor General findings on non-compliance with legislation

Table 32: Auditor General findings on Non-compliance

Auditor General finding on previous year non-compliance with legislation	
Non-Compliance	**Remedial Action Taken**
AFS 1. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of Section 122(1) of the MFMA. Material misstatements of non-current assets identified by the auditors in the submitted financial statement were subsequently corrected, resulting in the financial statements receiving an unqualified audit opinion.	Management will ensure that the AFS are prepared in accordance with the Section 122 (1) of the MFMA.
Expenditure management Money owed by the Company was not always paid within 30 days, as required by Section 99(2)(b) of the MFMA.	Management has implemented measures to ensure that all payments are made within 30 days except for payments to Eskom. At the end of the 4th Quarter, the trade payable was paid within 19 days.

Auditor General finding on previous year non-compliance with legislation	
Non-Compliance	**Remedial Action Taken**
Reasonable steps were not taken to prevent irregular expenditure of R156 346 943 as disclosed in note 45 to the AFS, as required by Section 95(d) of the MFMA. The majority of the irregular expenditure was caused by overspending of the budget.	Management had taken stringent measures to prevent the irregular expenditure. If cases of irregular expenditure are discovered and are not budget related, these cases are investigated, and the appropriate consequence management will be implemented
Reasonable steps were not taken to prevent fruitless and wasteful expenditure of R49 260 614 as disclosed in note 44 to the AFS, in contravention of Section 95(d) of the MFMA. The majority of the disclosed fruitless and wasteful expenditure was caused by interest charged on overdue accounts.	Management had taken stringent measures to prevent fruitless and wasteful expenditure, and any cases of fruitless and expenditure are thoroughly investigated with appropriate consequences.
Expenditure was incurred in excess of the approved budget, in contravention of Section 87(8) of the MFMA.	Measures were put in place to prevent exceeding the approved budget and overspending.
Procurement and contract management The preference point system was not applied for some of the procurement of goods and services as required by Section 2(1)(a) of the Preferential Procurement Policy Framework Act.	Measures were put in place to ensure the company's compliance with the PPP Framework.

CONTACT DETAILS

Registered Office	30 Rhodes Avenue Oranjesig Bloemfontein Free State 9301
Business Address	30 Rhodes Avenue Oranjesig Bloemfontein Free State 9301
Postal Address	Private Bag X14 Brandhof Free State 9324
Contact Number	+27(51) 412 2613
Chief Executive Officer	**M Sekoboto** +27 (51) 412 2613 ceo@centlec.co.za
Chief Financial Officer	**Z.S.N Williams** +27 (51) 412 2603 cfo@centlec.co.za

CHAPTER 7: APPENDICES

7.1	APPENDIX A:	BOARD MEMBERS; COMMITTEE ALLOCATION AND ATTENDANCE See paragraph 2.4.
7.2	APPENDIX B:	COMMITTEES AND COMMITTEE PURPOSES See paragraph 2.4.
7.3	APPENDIX C:	THIRD TIER ADMINISTRATIVE STRUCTURE See paragraph 1.6.
7.4	APPENDIX D:	FUNCTIONS OF COMPANY See paragraphs 1.3, 1.4, 1,5 and 1.10.
7.5	APPENDIX E:	WARD REPORTING Not applicable
7.6	APPENDIX F:	WARD INFORMATION Not applicable
7.7	APPENDIX G:	RECOMMENDATIONS OF THE AUDIT COMMITTEE See paragraph 6.3.
7.8	APPENDIX H:	LONG TERM CONTRACTS AND PUBLIC PRIVATE PARTNERSHIPS Not applicable
7.9	APPENDIX I:	COMPANY PERFORMANCE SCHEDULE Not done in full compliance with reporting requirements.
7.10	APPENDIX J:	DISCLOSURES OF FINANCIAL INTERESTS See paragraph 10 of the Directors Report in the Annual Financial Statements attached as Appendix T

CHAPTER 7: APPENDICES CONTINUED

7.11 APPENDIX K:	REVENUE COLLECTION PERFORMANCE BY VOTE AND BY SOURCE See Notes 24, 25, 26, 30, 31, 32 of the Annual Financial Statements attached as Appendix T
7.12 APPENDIX L:	CONDITIONAL GRANTS RECEIVED See Note 30 of the Annual Financial Statements attached as Appendix T
7.13 APPENDIX M and N:	CAPITAL EXPENDITURE See Notes 9 and 10 the Annual Financial Statements attached as Appendix T
7.14 APPENDIX O:	CAPITAL PROGRAMME BY PROJECT BY WARD Not applicable
7.15 APPENDIX P:	SERVICE CONNECTION BACKLOGS AT SCHOOLS AND CLINICS Not applicable
7.16 APPENDIX Q:	SERVICE BACKLOGS EXPERIENCED BY THE COMMUNITY WHERE ANOTHER SPHERE OF GOVERNMENT IS RESPONSIBLE FOR SERVICE PROVISION Not applicable
7.17 APPENDIX R:	DECLARATION OF LOANS AND GRANTS MADE Not applicable
7.18 APPENDIX S:	DECLARATION OF RETURNS NOT MADE IN DUE TIME UNDER MFMA S71 Not applicable
7.19 APPENDIX T:	ANNUAL FINANCIAL STATEMENTS Pages to follow (Pg. 101 to 236)
7.20 APPENDIX U:	REPORT OF THE AUDITOR-GENERAL ON CENTLEC (SOC) LTD Pages to follow (Pg. 238 to 244)

PART B:

AUDITED FINANCIAL STATEMENTS

GENERAL INFORMATION

Country of Incorporation and Domicile	South Africa
Legal form of entity	State Owned Company
Nature of business and principal activities	The principal activity of the municipal entity is the distribution of electricity to industries, businesses and households mainly in the Mangaung and Southern Free state area
Chief Executive Officer (CEO)	Mr. MS Sekoboto
Chief Finance Officer (CFO)	Me. ZSN Williams
Directors	Mr. MC Mokitlane (Chairperson) Me. MB Mfanta (Deputy Chairperson) Me. G Mohanoe Mr. DR Barlow Mr. NT Baloyi Mr. MA Mopeli Mr. ED Markus
Registered office	30 Rhodes Avenue Oranjesig Bloemfontein Free State 9301
Postal address	Private Bag X14 Brandhof Bloemfontein 9324
Controlling entity	Mangaung Metropolitan Municipality incorporated in South Africa
Bankers	ABSA
Auditors	Auditor-General of South Africa

Company Secretary	Mr. KC Tsitsi
Company registration number	2003/011612/30
Income tax reference number	9487328156
Attorneys	Raynard & Associates Inc.
	Rampai Attorneys
	Tshangana Attorneys
Enabling Legislation	Local Government: Municipal Finance Management Act (Act 56 of 2003)
	Local Government: Municipal Systems Act (Act 32 of 2000)
	Local Government: Municipal Structures Act (Act 117 of 1998)
	Division of Revenue Act (Act 1 of 2019)
	Companies Act (Act 71 of 2008)

CONTENTS

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

The following supplementary information does not form part of the financial statements and is unaudited:

Appendices:

ABBREVIATIONS USED

NERSA	National Energy Regulator of South Africa
IFRS	International Financial Reporting Standards
GRAP	Generally Recognised Accounting Practice
VAT	Value Added Tax
IAS	International Accounting Standards
IPSAS	International Public Sector Accounting Standards
IPSASB	International Public Sector Accounting Standards Board
mSCOA	Municipal Standard Chart of Accounts
NDR	Non Distributable Reserve
MFMA	Municipal Finance Management Act
SDL	Skills Development Levy
UIF	Unemployment Insurance Fund
AGSA	Auditor-General of South Africa
DOE	Department of Energy

DIRECTOR'S RESPONSIBILITIES AND APPROVAL

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

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

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

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the municipal entity and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the directors 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 municipal entity and all employees are required to maintain the highest ethical standards in ensuring the municipal entity's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipal entity is on identifying, assessing, managing and monitoring all known forms of risk across the municipal entity. While operating risk cannot be fully eliminated, the municipal entity endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements.

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

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

The financial statements are prepared on the basis that the municipal entity is a going concern and that the municipal entity has neither the intention nor the need to liquidate or curtail materially the scale of the municipal entity.

Although the directors are primarily responsible for the financial affairs of the municipal entity, they are supported by the municipal entity's external auditors.

The financial statements set out on pages 7 to 121, which have been prepared on the going concern basis, were approved by the directors on 30 August 2024 and were signed on its behalf by:

Mr. MC Mokitlane
CHAIRPERSON

AUDIT AND RISK COMMITTEE REPORT

We are pleased to present our report for the financial year ended 30 June 2024.

Audit and Risk Committee members and attendance

Risk management

The audit and risk committee is responsible for the oversight of the risk management function.

Centlec (SOC) Ltd has a risk management strategy and framework in place that was approved by the board. The entity has performed the strategic risk assessment during the period under review. Top ten (10) strategic risks of the entity have been monitored by the audit and risk committee and reported to the board on a quarterly basis.

Fraud risk assessments and information technology risk assessments are amongst the risk assessments which were performed by the entity and monitored by the audit committee on a quarterly basis.

A risk management implementation plan for the period ending 30 June 2024 which outlines the risk management activities to be performed by the risk management function was developed and approved by the audit and risk committee.

The progress status on the execution of the risk management implementation plan was reported to the audit and risk on a quarterly basis.

The committee is of the opinion that the risk management activities of the entity have matured to the level where there were no findings from the AGSA.

Evaluation of the annual financial statements

The audit and risk committee has reviewed the draft annual financial statements prior to submission to the external auditors on 31 August 2024 and has focused on the following:

- Compliance with accounting standards and legal requirements.
- Quality and acceptability of, and any changes in, accounting policies and practices.
- Clarity and completeness of disclosures and whether disclosures made have been set properly in context.
- Significant financial reporting judgments and estimates contained in the annual financial statements.

The audit and risk committee were satisfied with the draft annual financial statements have been prepared in accordance with GRAP and MFMA requirements.

External auditor's report

The audit and risk committee engaged in the conclusion and audit opinion of the external auditors (AGSA) on the annual financial statements of the entity, and it is in concurrence with the audit opinion presented to the committee.

Chairperson of the Audit and Risk Committee

29/11/2024

Date

DIRECTOR'S REPORT

The directors submit their report for the year ended 30 June 2024.

1. General information and nature of activities

The municipal entity, which is a state owned company, is incorporated and domiciled in South Africa and provides electricity retail, distribution and electrification services.

The municipal entity operates primarily in the Free State Province and employs 793 people. The address of the municipal entity's registered office is 30 Rhodes Avenue, Oranjesig, Bloemfontein, 9301.

The municipal entity is wholly owned by Mangaung Metropolitan Municipality, which is the sole parent municipality of the municipal entity and is domiciled in the Free State Province of South Africa. The address of the parent municipality is C/o Nelson Mandela Drive and Markgraaf Street, Bram Fischer Building, Bloemfontein, 9300.

The municipal entity is one of two state owned electricity companies in South Africa and the only one in the Free State Province.

Other than the area of jurisdiction of Mangaung Metropolitan Municipality, the municipal entity also distributes electricity to Kopanong Local Municipality. As well as to Mohokare Local Municipality until February 2024.

The municipal entity interacts with its customers and clients through a combination of physical and electronic channels, offering a comprehensive range of electricity services from pre-paid electricity sales and billing through conventional metering, to electricity infrastructure development and bulk connections.

The financial statements set out fully the financial position, results of operations and cash flows of the municipal entity for the reporting period ended 30 June 2024.

Main business and operations

The the principal activity of the municipal entity is the distribution of electricity to industries, businesses and households mainly in the mangaung and southern free state area and operates principally in South Africa.

The operating results and state of affairs of the municipal entity are fully set out in the attached financial statements and do not in our opinion require any further comment.

2. Going concern

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

DIRECTOR'S REPORT (CONTINUED)

2. Going concern (continued)

The following analysis supports the going concern assumption:

- Total assets (R 8 508 318 653) exceed total liabilities (R 4 781 209 307).
- The municipal entity has an accumulated surplus and other reserves of R 3 727 109 346.

The following analysis illustrates material uncertainties that may affect the going concern assumption:

- Current liabilities (R 1 569 243 879) exceed current assets (R 877 585 680).
- The municipal entity incurred a deficit of R 314 010 395 for the current financial year.

These events and conditions indicate that a material uncertainty exists that may cast significant doubt on the entity's ability to continue as a going concern.

Management has reviewed the municipal entity's cash flow forecast for the year ended 30 June 2024. The municipal entity reported a trading deficit of R 314 010 395 which is mainly attributed to the declining trend in the revenue customer base due to the impact of loadshedding and the interest on the shareholders and intercompany loans.

The municipal entity and the parent municipality have continued with the resolution to defer the current liabilities related to the deemed sale of business agreement and the intercompany loans.

Discussions with the parent municipality to revise the entire sale of business agreement are still ongoing. Upon resolution of the new revised agreement it is expected to minimise the impact that the shareholder loan, capital redemption and interest charged on the intercompany related loans will have on the municipal entity's operations.

The revenue protection unit's effort to curb meter tampering/bypassing is likely to improve revenue collection.

The municipal entity owed Eskom R1 099 284 804 (2023: R737 644 103) as at 30 June 2024, which was long overdue.

The entity applied and was approved for Eskom debt relief in terms of national Treasury circular 124 to the value of R386 820 875.

This will greatly assist in reducing the Eskom liability of the municipal entity in the future.

The entity still has the capacity and ability to continue with providing the services it is mandated to at the approved rates and will thus generate revenue from services in the future.

DIRECTOR'S REPORT (CONTINUED)

3. Subsequent events

The directors are not aware of any matter or circumstance arising since the end of the financial year that would have an impact on the financial statements.

4. Accounting policies

The annual financial statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practice (GRAP), including any interpretations and directives issued by the Accounting Standards Board and in accordance with section 122(3) of the Municipal Finance Management Act, (Act No. 56 of 2003).

5. Share capital

There were no changes in the authorised or issued share capital of the municipal entity during the year under review.

The entire shareholding of the municipal entity is held by Mangaung Metropolitan Municipality.

Unissued ordinary shares are under the control of Mangaung Metropolitan Municipality.

Authorised:

The authorised share capital of the company consists of 1 000 ordinary value shares of R1 each.

Issued:

The total issued share capital of the company of R100 consists of 100 ordinary value shares of R1 each.

6. Non-current assets

There were no major changes in the physical nature of non-current assets of the municipal entity during the year.

7. Dividends or similar distributions paid or received

No dividends were declared or paid to shareholder during the year.

8. Directors

The current board of Directors consists of seven (7) non-executive directors and two (2) executive directors

The non-executive directors of the municipal entity during the year and to the date of this report are as follows:

DIRECTOR'S REPORT (CONTINUED)

8. Directors (continued)

Name	*Changes*
Mr. MC Mokitlane (Chairperson)	Appointed Wednesday, 01 November 2023
Me. MB Mfanta (Deputy Chairperson)	Appointed Wednesday, 01 November 2023
Me. G Mohanoe	Appointed Wednesday, 01 November 2023
Mr. DR Barlow	Appointed Wednesday, 01 November 2023
Mr. NT Baloyi	Appointed Wednesday, 01 November 2023
Mr. MA Mopeli	Appointed Wednesday, 01 November 2023
Mr. ED Markus	Appointed Monday, 08 July 2024

9. Company secretary

For the current financial year the secretary of the municipal entity was Mr. KC Tsitsi.

The contact details of the office of the company secretary are as follows:

Business address:	30 Rhodes Avenue Oranjesig Bloemfontein South Africa 9300

10. Member and executive managers' emoluments

Directors' and officers' personal financial interests in contracts

In terms of the supply chain management policy of the municipal entity, directors and the municipal entity's officers are prohibited from entering into commercial transactions with the municipal entity.

Directors are required to disclose any business interest which they may have elsewhere.

The register of declaration of interest is available in the office of the Company Secretary for inspection.

Consistent with the Supply Chain Management Policy of the municipal entity, except for the remuneration to the executive managers and Board of Directors, none of the directors or officers entered into any commercial transaction with the municipal entity during the period under review.

Furthermore, the directors had no interest in any third party or company responsible for managing any of the business activities of the municipal entity.

DIRECTOR'S REPORT (CONTINUED)

10. Member and executive managers' emoluments (continued)

Directors' and prescribed officers' emoluments

The upper limits of the salary, allowances and other benefits of the Directors, Prescribed Officers and Executive Managers were determined by the parent municipality. Directors, Prescribed Officers and Executive Managers emoluments are disclosed in the notes to the Annual Financial Statements.

11. Corporate governance

General

The directors are committed to business integrity, transparency and professionalism in all its activities. As part of this commitment, the directors supports the highest standards of corporate governance and the ongoing development of best practice.

The municipal entity confirms and acknowledges its responsibility to total compliance with the Code of Corporate Practices and Conduct ("the Code") laid out in the King Report on Corporate Governance for South Africa 2002. The directors discuss the responsibilities of management in this respect, at meetings and monitor the municipal entity's compliance with the code on a regular basis.

Board of directors

The Board strived to:

- retain full control over the municipal entity, its plans and strategy;
- acknowledge its responsibilities relating to strategy, compliance with internal policies, external laws and regulations, effective
- risk management and performance measurement, transparency and effective communication both internally and externally by the municipal entity;
- be of a unitary structure comprising:
  - non-executive directors, all of whom are independent directors as defined in the Code; and
  - executive directors.
- establish a Board directorship continuity programme.

Chairperson and Chief Executive Officer

The Board structure is setup in such a way that the Chairperson is a non-executive and independent director (as defined by the Code).

The roles of Chairperson and Chief Executive Officer are separate, with responsibilities divided between them, so that no individual has unfettered powers of discretion.

DIRECTOR'S REPORT (CONTINUED)

11. Corporate governance (continued)

Remuneration

The upper limits of the remuneration of the Chief Executive Officer, and the Chief Financial Officer, who are the only two executive directors of the municipal entity, are determined by the Parent entity and the Human Resources & Remuneration Committee, and the directors will determine the remuneration within the above-mentioned limits.

Board meetings

The directors have met on zero separate occasions during the financial year. The directors schedule to meet at least 4 times per annum.

Non-executive directors have access to all members of management of the municipal entity.

Audit and Risk committee

The interim chairperson of the audit and risk committee is Advocate RM Tsupa. The committee met 8 times during the financial year to review matters necessary to fulfil its role.

In terms of Section 166 of the Municipal Finance Management Act, Mangaung Metropolitan Municipality, as a parent municipality, must appoint members of the Audit and Risk Committee. Notwithstanding that non-executive directors appointed by the parent municipality constituted the municipal entities' Audit and Risk Committees, National Treasury policy requires that parent municipalities should appoint further members of the municipal entity's audit and risk committees who are not directors of the municipal entity onto the audit and risk committee. Mangaung Metropolitan Municipality, as a parent municipality, was satisfied that the Audit and Risk Committee of the municipal entity then, constituted by the non-executive directors was properly constituted to fulfil its role and advise the board of its responsibilities as provided in Section 166 of the Municipal Finance Management Act.

Internal audit

The municipal entity has appointed its own internal audit department and all internal audit related functions were performed using internal capacity and resources during the current financial year. This is in compliance with the Municipal Finance Management Act, Section 62(c)(i) & 165, 2003.

12. Controlling entity

The municipal entity's controlling entity is Mangaung Metropolitan Municipality incorporated in South Africa. The municipal entity is wholly owned by Mangaung Metropolitan Municipality.

13. Auditors

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

COMPANY SECRETARY'S CERTIFICATION

Declaration by the company secretary in respect of Section 88(2)(e) of the Companies Act

In accordance with the provisions of the Companies Act 71 of 2008, the Company Secretary of Centlec State Owned Company Ltd, hereby certify that:

In respect of the reporting period ended 30 June 2024, the Company has lodged with the Commissioner of the Companies and Intellectual Property Commission (CIPC), all returns and notices prescribed by the Act and that all such returns and notices are true, correct and up to date.

Mr. KC Tsitsi
Company Secretary of Centlec (SOC) Ltd

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2024

	Note(s)	2024	2023 Resstated*
Assets			
Current Assets			
Cash and cash equivalents	3	11 110 549	24 295 084
Consumer receivables from exchange transactions	4	449 345 515	533 983 087
Inventories	5	221 628 440	127 054 392
Other financial assets	6	66 185	191 345
Other receivables from exchange transactions	7	195 434 991	147 359 659
		877 585 680	**832 883 567**
Non-Current Assets			
Property, plant and equipment	8	5 998 987 106	6 087 344 789
Intangible assets	9	97 327 084	98 177 119
Other financial assets	6	-	108 412
Deferred tax	10	1 534 418 783	1 414 854 171
		7 630 732 973	**7 600 484 491**
Total Assets		**8 508 318 653**	**8 433 368 058**
Liabilities			
Current Liabilities			
Consumer deposits	11	158 707 177	160 495 800
Employee benefit obligation	12	20 732 000	17 208 000
Finance lease obligation	13	-	1 511 179
Long service awards	14	1 970 000	613 000
Other financial liabilities	15	6 554 416	6 554 416
Payables from exchange transactions	16	1 128 896 930	602 131 893
VAT payable	17	252 383 356	247 523 390
		1 569 243 879	**1 036 037 678**
Non-Current Liabilities			
Loans from shareholders	18	803 609 369	803 609 369
Other financial liabilities	15	985 874 007	1 112 809 227
Employee benefit obligation	12	83 487 000	73 505 000
Deferred tax	10	1 311 285 052	1 333 331 491
Long service awards	14	27 710 000	27 019 000
		3 211 965 428	**3 350 274 087**
Total Liabilities		**4 781 209 307**	**4 386 311 765**
Net Assets		**3 727 109 346**	**4 047 056 293**
Share capital	19	100	100
Reserves			
Revaluation reserve	20	4 109 505 866	4 115 442 419
Other NDR	21	60 000 000	60 000 000
Accumulated surplus /(deficit)		(442 396 620)	(128 386 226)
Total Net Assets		**3 727 109 346**	**4 047 056 293**

* See Note 341

STATEMENT OF FINANCIAL PERFORMANCE

	Note(s)	2024	2023 Resstated*
Revenue			
Revenue from exchange transactions			
Service charges	22	3 203 117 429	2 814 545 196
Agency services	27	7 279 311	6 227 547
Other income	23	135 906 495	132 285 576
Interest income	24	41 458 312	27 142 718
Inventories reversal		155 768	3 997 337
Total revenue from exchange transactions		**3 387 917 315**	**2 984 198 374**
Revenue from non-exchange transactions			
Transfer revenue			
Government grants & subsidies	25	72 173 913	41 109 905
Unclaimed money forfeits	26	1 132 566	22 010 038
Total revenue from non-exchange transactions		**73 306 479**	**63 119 943**
Total revenue		**3 461 223 794**	**3 047 318 317**
Expenditure			
Employee related costs	28	525 515 538	451 220 654
Depreciation and amortisation	29	229 313 705	231 435 187
Impairment loss/ (reversal of impairments)	30	4 316 175	44 770 508
Finance costs	31	280 116 059	283 736 749
Contributions to /(Reversal of) debt impairment provision	32	68 360 237	(56 751 727)
Bulk purchases	33	2 470 251 136	2 140 676 408
Loss on disposal of assets and liabilities		3 309 984	28 282 264
General Expenses	34	335 662 407	272 382 914
Total expenditure		**3 916 845 241**	**3 395 752 957**
Deficit before taxation		**(455 621 447)**	**(348 434 640)**
Taxation	35	(141 611 052)	(96 816 589)
Deficit for the year		**(314 010 395)**	**(251 618 051)**

* See Note 341

STATEMENT OF CHANGES IN NET ASSETS

	Share capital	Revaluation reserve	Other NDR	Total reserves	Accummulated surplus/deficit	Total net assets
Opening balance as previously reported	100	4 101 830 967	60 000 000	4 161 830 967	213 372 825	4 375 203 892
Adjustments						
Correction of errors 41	-	-	-	-	(90 141 000)	(90 141 000)
Balance at 01 July 2022 as restated*	**100**	**4 101 830 967**	**60 000 000**	**4 161 830 967**	**123 231 825**	**4 285 062 892**
Changes in net assets						
Surplus for the year	-	-	-	-	(251 618 051)	(251 618 051)
Revaluation of servitudes	-	10 016 852	-	10 016 852	-	10 016 852
Disposals	-	3 594 600	-	3 594 600	-	3 594 600
Total changes	-	13 611 452	-	13 611 452	(251 618 051)	(238 006 599)
Opening balance as previously reported	100	4 115 442 419	60 000 000	4 175 442 419	(37 673 226)	4 137 769 293
Adjustments						
Correction of errors 41	-	-	-	-	(90 712 999)	(90 712 999)
Restated* Balance at 01 July 2023 as restated*	**100**	**4 115 442 419**	**60 000 000**	**4 175 442 419**	**(128 386 225)**	**4 047 056 294**
Changes in net assets						
Surplus/(deficit) for the year	-	-	-	-	(314 010 395)	(314 010 395)
Disposals	-	(5 936 553)	-	(5 936 553)	-	(5 936 553)
Total changes	-	(5 936 553)	-	(5 936 553)	(314 010 395)	(319 946 948)
Balance at 30 June 2024	**100**	**4 109 505 866**	**60 000 000**	**4 169 505 866**	**(442 396 620)**	**3 727 109 346**
Note(s)	19	20	21			

* See Note 341

CASH FLOW STATEMENT

	Note(s)	2024	2023 Resstated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		3 058 148 657	2 749 314 316
Grants, forfeits, public contributions and donations		41 810 869	46 241 776
Interest income		41 458 312	27 142 718
		3 141 417 838	2 822 698 810
Payments			
Employee costs		(495 984 619)	(449 850 668)
Suppliers		(2 497 414 601)	(2 142 523 522)
Finance costs		(7 442 834)	(49 143 797)
		(3 000 842 054)	(2 641 517 987)
Net cash flows from operating activities	36	**140 575 784**	**181 180 823**
Cash flows from investing activities			
Purchase of property, plant and equipment	8	(147 549 526)	(154 200 785)
Proceeds from sale of property, plant and equipment	8	2 809 395	1 034 424
Purchase of other intangible assets	9	(7 686 936)	(4 747 931)
(Purchase of)/Proceeds from sale of financial assets		233 572	273 713
Net cash flows from investing activities		**(152 193 495)**	**(157 640 579)**
Cash flows from financing activities			
Finance lease payments		(1 566 824)	(2 258 553)
Net increase/(decrease) in cash and cash equivalents		**(13 184 535)**	**21 281 691**
Cash and cash equivalents at the beginning of the year		24 295 084	3 013 393
Cash and cash equivalents at the end of the year	3	**11 110 549**	**24 295 084**

* See Note 39

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

Budget on Accrual Basis	Approved buget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	3 578 588 912	-	**3 578 588 912**	3 203 117 429	**(375 471 483)**	Note 50
Agency services	7 537 982	-	**7 537 982**	7 279 311	**(258 671)**	
Other income	30 308 602	-	**30 308 602**	135 906 495	**105 597 893**	Note 50
Interest income	34 573 213	-	**34 573 213**	41 458 312	**6 885 099**	Note 50
Total revenue from exchange transactions	**3 651 008 709**	**-**	**3 651 008 709**	**3 387 761 547**	**(263 247 162)**	
Revenue from non-exchange transactions						
Transfer revenue						
Government grants & subsidies	83 000 000	-	**83 000 000**	72 173 913	**(10 826 087)**	Note 50
Unclaimed money forfeits	-	-	**-**	1 132 566	**1 132 566**	Note 50
Total revenue from non-exchange transactions	**83 000 000**	**-**	**83 000 000**	**73 306 479**	**(9 693 521)**	
Total revenue	**3 734 008 709**	**-**	**3 734 008 709**	**3 461 068 026**	**(272 940 683)**	
Expenditure						
Employee related costs	(479 537 893)	-	**(479 537 893)**	(525 515 538)	**(45 977 645)**	Note 50
Depreciation and amortisation	(85 000 001)	-	**(85 000 001)**	(229 313 705)	**(144 313 704)**	Note 50
Impairment loss/ Reversal of impairments	-	-	**-**	(4 316 175)	**(4 316 175)**	Note 50
Finance costs	(120 253 569)	-	**(120 253 569)**	(280 116 059)	**(159 862 490)**	Note 50
Debt Impairment	(179 237 363)	-	**(179 237 363)**	(68 360 237)	**110 877 126**	Note 50
Bulk purchases	(2 199 931 730)	-	**(2 199 931 730)**	(2 470 251 136)	**(270 319 406)**	Note 50
General Expenses	(371 116 034)	-	**(371 116 034)**	(335 662 407)	**35 453 627**	Note 50
Total expenditure	**(3 435 076 590)**	**-**	**(3 435 076 590)**	**(3 913 535 257)**	**(478 458 667)**	
Operating profit /(deficit)	**298 932 119**	**-**	**298 932 119**	**(452 467 231)**	**(751 399 350)**	
Profit /(Loss) on disposal of assets and liabilities	9 792 900	-	**9 792 900**	(3 309 984)	**(13 102 884)**	Note 50
Inventories losses/write-downs	384 781	-	**384 781**	155 768	**(229 013)**	Note 50
	10 177 681	**-**	**10 177 681**	**(3 154 216)**	**(13 331 897)**	
Profit/(Deficit) before taxation	**309 109 800**	**-**	**309 109 800**	**(455 621 447)**	**(764 731 247)**	
Taxation	-	-	**-**	(141 611 052)	**(141 611 052)**	
Actual Amount on Comparable Basis	**309 109 800**	**-**	**309 109 800**	**(314 010 395)**	**(623 120 195)**	

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

Budget on Accrual Basis	Approved buget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Inventories	103 306 137	-	**103 306 137**	221 628 440	**118 322 303**	Note 50
Other financial assets	-	-	**-**	66 185	**66 185**	
Other receivables from exchange transactions	-	-	**-**	195 434 991	**195 434 991**	Note 50
Consumer receivables from exchange transactions	589 106 550	-	**589 106 550**	449 345 515	**(139 761 035)**	Note 50
Cash and cash equivalents	31 098 862	-	**31 098 862**	11 110 549	**(19 988 313)**	Note 50
	723 511 549	**-**	**723 511 549**	**877 585 680**	**154 074 131**	
Non-Current Assets						
Property, plant and equipment	6 204 389 447	-	**6 204 389 447**	5 998 987 106	**(205 402 341)**	Note 50
Intangible assets	85 168 740	-	**85 168 740**	97 327 084	**12 158 344**	Note 50
Deferred tax	1 279 966 833	-	**1 279 966 833**	1 534 418 783	**254 451 950**	Note 50
	7 569 525 020	**-**	**7 569 525 020**	**7 630 732 973**	**61 207 953**	
Total Assets	**8 293 036 569**	**-**	**8 293 036 569**	**8 508 318 653**	**215 282 084**	
Liabilities						
Current Liabilities						
Payables from exchange transactions	833 673 407	-	**833 673 407**	1 128 896 930	**295 223 523**	Note 50
VAT liability	-	-	**-**	252 383 356	**252 383 356**	Note 50
Consumer deposits	122 121 800	-	**122 121 800**	158 707 177	**36 585 377**	Note 50
	955 795 207	**-**	**955 795 207**	**1 539 987 463**	**584 192 256**	
Non-Current Liabilities						
Loans from shareholders	-	-	**-**	803 609 369	**803 609 369**	Note 50
Other financial liabilities	-	-	**-**	992 428 423	**992 428 423**	Note 50
Employee benefit obligation	-	-	**-**	104 219 000	**104 219 000**	Note 50
Deferred tax	1 465 600 080	-	**1 465 600 080**	1 311 285 052	**(154 315 028)**	Note 50
Long service awards	27 707 925	-	**27 707 925**	29 680 000	**1 972 075**	Note 50
	1 493 308 005	**-**	**1 493 308 005**	**3 241 221 844**	**1 747 913 839**	
Total Liabilities	**2 449 103 212**	**-**	**2 449 103 212**	**4 781 209 307**	**2 332 106 095**	
Net Assets	**5 843 933 357**	**-**	**5 843 933 357**	**3 727 109 346**	**(2 116 824 011)**	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Share capital	1 714 784 887	-	**1 714 784 887**	100	**(1 714 784 787)**	Note 50

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

Budget on Accrual Basis	Approved buget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Reserves						
Revaluation reserve	663 813 794	-	**663 813 794**	4 109 505 866	**3 445 692 072**	Note 50
Other NDR	60 000 000	-	**60 000 000**	60 000 000	-	
Accumulated surplus /(deficit)	3 405 334 676	-	**3 405 334 676**	(442 396 620)	**(3 847 731 296)**	Note 50
Total Net Assets	**5 843 933 357**	**-**	**5 843 933 357**	**3 727 109 346**	**(2 116 824 011)**	

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

Budget on Accrual Basis	Approved buget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Sale of goods and services	3 420 144 767	-	**3 420 144 767**	3 058 148 657	**(361 996 110)**	
Grants, forfeits, public contributions and donations	67 300 000	-	**67 300 000**	41 810 869	**(25 489 131)**	
Interest income	32 618 533	-	**32 618 533**	41 458 312	**8 839 779**	
	3 520 063 300	**-**	**3 520 063 300**	**3 141 417 838**	**(378 645 462)**	
Payments						
Suppliers and employee costs	(3 270 622 424)	-	**(3 270 622 424)**	(2 993 399 220)	**277 223 204**	
Finance costs	(228 765)	-	**(228 765)**	(7 442 834)	**(7 214 069)**	
	(3 270 851 189)	**-**	**(3 270 851 189)**	**(3 000 842 054)**	**270 009 135**	
Net cash flows from operating activities	**249 212 111**	**-**	**249 212 111**	**140 575 784**	**(108 636 327)**	
Cash flows from investing activities						
Purchase of property, plant and equipment	(228 884 268)	-	**(228 884 268)**	(147 549 526)	**81 334 742**	
Proceeds from sale of property, plant and equipment	9 284 839	-	**9 284 839**	2 809 395	**(6 475 444)**	
Purchase of intangible assets	-	-	**-**	(7 686 936)	**(7 686 936)**	
(Purchase of)/Proceeds from sale of financial assets	-	-	**-**	233 572	**233 572**	
Net cash flows from investing activities	**(219 599 429)**	**-**	**(219 599 429)**	**(152 193 495)**	**67 405 934**	
Cash flows from financing activities						
Increase (decrease) in consumer deposits	(1 774 283)	-	**(1 774 283)**	-	**1 774 283**	
Proceeds from / (Repayment of) other financial liabilities	(120 000 000)	-	**(120 000 000)**	-	**120 000 000**	
Finance lease payments	-	-	**-**	(1 566 824)	**(1 566 824)**	
Net cash flows from financing activities	**(121 774 283)**	**-**	**(121 774 283)**	**(1 566 824)**	**120 207 459**	
Net increase/(decrease) in cash and cash equivalents	(92 161 601)	-	**(92 161 601)**	(13 184 535)	**78 977 066**	
Cash and cash equivalents at the beginning of the year	37 677 189	-	**37 677 189**	24 295 084	**(13 382 105)**	
Cash and cash equivalents at the end of the year	**(54 484 412)**	**-**	**(54 484 412)**	**11 110 549**	**65 594 961**	

APPROPRIATION STATEMENT - UNAUDITED

	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
2024											
Financial Performance											
Service charges	3 578 588 912	-	3 578 588 912	-		3 578 588 912	3 203 117 429		(375 471 483)	90 %	90 %
Investment revenue	34 573 213	-	34 573 213	-		34 573 213	41 458 312		6 885 099	120 %	120 %
Other own revenue	48 024 265	-	48 024 265	-		48 024 265	144 474 140		96 449 875	301 %	301 %
Total revenue (excluding capital transfers and contributions)	**3 661 186 390**	**-**	**3 661 186 390**	**-**		**3 661 186 390**	**3 389 049 881**		**(272 136 509)**	**93 %**	**93 %**
Employee costs	(452 560 144)	(26 977 749)	(479 537 893)	-	-	(479 537 893)	(525 515 538)	-	(45 977 645)	110 %	116 %
Depreciation and asset impairment	94 237 362	-	94 237 362			94 237 362	(165 269 643)	-	(259 507 005)	(175)%	(175)%
Finance charges	(253 569)	-	(253 569)	-	-	(253 569)	(280 116 059)	-	(279 862 490)	110 469 %	110 469 %
Inventory consumed and bulk purchases	(2 199 931 730)	-	(2 199 931 730)	-	-	(2 199 931 730)	(2 470 251 136)	-	(270 319 406)	112 %	112 %
Other expenditure	(358 510 137)	(12 605 897)	(371 116 034)	-	-	(371 116 034)	(338 972 391)	-	32 143 643	91 %	95 %
Total expenditure	**(2 917 018 218)**	**(39 583 646)**	**(2 956 601 864)**	**-**	**-**	**(2 956 601 864)**	**(3 780 124 767)**	**-**	**(823 522 903)**	**128 %**	**130 %**
Surplus/(Deficit)	**744 168 172**	**(39 583 646)**	**704 584 526**	**-**		**704 584 526**	**(391 074 886)**		**(1 095 659 412)**	**(56)%**	**(53)%**

APPROPRIATION STATEMENT

	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
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)	53 000 000	30 000 000	83 000 000	-		83 000 000	72 173 913		(10 826 087)	87 %	136 %
Surplus (Deficit) after capital transfers and contributions	**797 168 172**	**(9 583 646)**	**787 584 526**	-		**787 584 526**	**(318 900 973)**		**(1 106 485 499)**	**(40)%**	**(40)%**
Taxation	-	-	-	-		-	(141 611 052)		(141 611 052)	DIV/0 %	DIV/0 %
Surplus/(Deficit) for the year	**797 168 172**	**(9 583 646)**	**787 584 526**	-		**787 584 526**	**(177 289 921)**		**(964 874 447)**	**(23)%**	**(22)%**
Capital expenditure and funds sources											
Total capital expenditure	208 693 446	(9 583 646)	199 109 800	-		199 109 800	156 669 386		(42 440 414)	79 %	75 %
Sources of capital funds											
Transfers recognised - capital	53 000 000	30 000 000	83 000 000	-		83 000 000	72 173 913		(10 826 087)	87 %	136 %
Public contributions and donations	14 300 000	-	14 300 000	-		14 300 000	10 366 633		(3 933 367)	72 %	72 %
Internally generated funds	141 393 446	(39 583 646)	101 809 800	-		101 809 800	72 730 760		(29 079 040)	71 %	51 %
Total sources of capital funds	**208 693 446**	**(9 583 646)**	**199 109 800**	-		**199 109 800**	**155 271 306**		**(43 838 494)**	**78 %**	**74 %**

SIGNIFICANT ACCOUNTING POLICIES

1. Significant accounting polices

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

1.1 Basis of preparation

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

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

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

Centlec (SOC) Ltd ("the municipal entity") is a municipal entity wholly owned by Mangaung Metropolitan Municipality.

These accounting policies are consistent with the previous period.

1.2 Presentation currency

These financial statements are presented in South African Rand and the amounts are rounded off to the nearest Rand. The South African Rand is the functional currency of the municipal entity.

1.3 Going concern assumption

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

1.4 Significant judgements and sources of estimation uncertainty

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

Trade receivables and/or loans and receivables

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

1.4 Significant judgements and sources of estimation uncertainty (continued)

The impairment for trade receivables and loans is considered first for individually significant trade receivables and loans and then calculated on a portfolio basis for the remaining balance, including those individually significant trade receivables and loans for which no indicators of impairment exist. For amounts due to the municipal entity, significant financial difficulties of the receivable, probability that the receivable will enter bankruptcy and default of payments are all considered indicators of impairment.

For trade receivables and loans an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the receivables carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition (if practically determinable). Where the effective interest rate at initial recognition is not practically determinable, the government bond rate is used as the risk-free rate and adjusted for any risks specific to the trade receivables and loans.

Allowance for slow moving, damaged and obsolete inventory items

An allowance for inventory to write inventory down to the lower of cost or net realisable value. An assessment is made of the net realisable value, or current replacement cost where applicable, of inventory at the end of each reporting period. A write down of inventory to the lower of cost or net realisable value, or current replacement cost where applicable, is subsequently provided if needed. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the surplus or deficit.

Impairment testing of non-financial assets

The recoverable (service) amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumptions (i.e. collectibility or physical condition) may change which may then impact our estimations and may then require a material adjustment to the carrying value of tangible assets.

Value in use of cash generating assets:

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

Value in use of non-cash generating assets:

The municipal entity reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. If there are indications that impairment may have occurred, the remaining service potential of the asset is determined. The most appropriate approach selected to determine the remaining service potential is dependent on the availability of data and the nature of the impairment.

1.4 Significant judgements and sources of estimation uncertainty (continued)

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in the notes to the financial statements.

Taxation

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

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

Current tax assets and liabilities

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

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

Deferred tax

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

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

1.4 Significant judgements and sources of estimation uncertainty (continued)

Deferred tax (continued)

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

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

Effective interest rate

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

Tax expense

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

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

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

Useful lives of property, plant and equipment and other assets

The municipal entity's management determines the estimated useful lives and related depreciation charges for property, plant and equipment and other assets. This estimate is based on the pattern in which an asset's future economic benefits or service potential are expected to be consumed by the municipal entity.

Post retirement benefits

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

The municipal entity determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipal entity considers the market yields at the reporting date on government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability or long-term obligation. Where there is no deep market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, the municipal entity uses current market rates of the appropriate term to discount shorter term payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve.

1.4 Significant judgements and sources of estimation uncertainty (continued)

Post retirement benefits (continued)

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 14 Long service awards and note 12 Employee benefit obligations to the financial statements.

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 entity; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

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

1.5 Property, plant and equipment (continued)

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

Subsequent measurement:

Cost model

Motor vehicles and office equipment are carried at cost less accumulated depreciation and any impairment losses.

Revaluation model

Land, buildings and infrastructure assets is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

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

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

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

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

The revaluation surplus relating to an asset will be realised over time by transferring some or the whole of the surplus to accumulated surplus or deficit by way of:

- When the asset is derecognised: transferring the portion, when the asset to which the surplus relates to, is disposed.

An impairment loss on a non-revalued asset is recognised in surplus or deficit. However, an impairment loss on a revalued asset is recognised directly against any revaluation surplus for the asset to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that same asset.

1.5 Property, plant and equipment (continued)

Depreciation

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

Depreciation is calculated over the depreciable amount, which is the cost or revaluation amount of an asset less its residual value.

Depreciation commences when an asset is available for use and ceases when the asset is derecognised.

Depreciation is recognised in surplus or deficit on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Land is not depreciated.

Item	Depreciation Method	Average useful life
Land Indefinite		Indefinite
Buildings	Straight-line	
• Office buildings		40 years
• Training centres		40 years
• Fixtures & fittings		3 years
Motor vehicles	Straight-line	
• Trucks and light delivery vehicles		5-7 years
• Ordinary motor vehicles		5-7 years
• Motor cycles		3 years
Office equipment	Straight-line	
• Computer hardware		5 years
• Computer machines		3-5 years
• Air conditioners		5-7 years
• Chairs		7-10 years
• Tables and desks		7-10 years
• Cabinets and cupboards		7-10 years
• Access control systems		5 years
• Security systems		5 years
• Household refuse bins		5 years
• Bulk refuse containers		10 years
• Fire hoses		5 years
• Other fire-fighting equipment		15 years
• Emergency lights		5 years

1.5 Property, plant and equipment (continued)

Item	Depreciation Method	Average useful life
• GPS		3-10 years
• Vacuum cleaner		3-10 years
• Digital multi meter		5-10 years
• Microwave oven		3-10 years
• Router		3-10 years
• Computer CPU		3-10 years
• Power supply unit		3-10 years
• Chain saw		5-10 years
• Transformer testing equipment		5-10 years
• Measuring wheel		5-10 years
• Insulator tester		5-10 years
• Drilling machine grinder		5-10 years
• Jojo tank		5-10 years
• Wallbox 4U 19		3-10 years
• Firearms		5 years
Leased assets Straight-line	Straight-line	
• Printing machines		3 years
• Communication converters		10 years
Infrastructure Straight-line	Straight-line	
• HV Transformers		40 years
• HV Substation Equipment		45 years
• HV Lines		40 years
• HV Cables		45 years
• Buildings		50 years
• MV Transformers		40 years
• MV Switchgear		45 years
• MV Lines		50 years
• MV Cables		50 years
• MV Switching Station		45 years
• OH Line Equipment		40 years
• Service Connections		45 years
• LV Distribution Boxes		45 years
• LV Lines		50 years
• LV Cables		50 years
• Meters		20 years

1.5 Property, plant and equipment (continued)

Item	Depreciation Method	Average useful life
• Load Control		15 years
• Protection		15 years
• Electrical Information Systems		7 years
• IT Equipment		5 years
• Auxiliary power equipment		20 years
• Security fencing		3 years
• Street lights		45 years
• Poles		50 years
• MV Panels		40 years
• Quality of supply equipment		15 years
• Communication converters		10 years

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

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

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

Reviewing the useful life of an asset on an annual basis does not require the municipal entity to amend the previous estimate unless expectations differ from the previous estimate.

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

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

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

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

The municipal entity separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 8).

1.5 Property, plant and equipment (continued)

The municipal entity discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 8).

1.6 Intangible assets

An asset is identifiable if it either:

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

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

Initial recognition

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipal entity; and
- the cost or fair value of the asset can be measured reliably.

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

Intangible assets are initially recognised at cost.

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

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

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

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

1.6 Intangible assets (continued)

Servitudes are classified as intangible assets. Servitudes are rights that are not amortised as they have an indefinite useful life.

Subsequent measurement

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

Servitudes are subsequently measured in accordance with the revaluation model.

Other intangible assets that are acquired by the municipal entity and have finite useful lives are initially recognised at cost and subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

Where an intangible asset is acquired at no cost, or for a nominal cost, the cost is deemed to be its fair value as at the date of acquisition.

Servitudes created through the exercise of legislation are not recognised as intangible assets and any costs incurred to register these servitudes are expensed. However, servitudes that are created through an agreement (contract) are recognised as intangible assets.

Subsequent expenditure

Expenditure on intangible assets shall be recognised as an expense when it is incurred unless it forms part of the cost of an intangible asset that meets the recognition criteria. All other expenditure, including expenditure on internally generated goodwill and customer lists, is recognised in surplus or deficit as incurred.

Amortisation

Amortisation is calculated over the cost of the asset, or other amount substituted for cost, less its residual value.

Servitudes are not amortised as their nature are similar to that of land rights, which is not a depreciable item. Servitudes are rights that are not amortised as they have an indefinite useful life.

Amortisation is recognised in surplus or deficit on a straight-line basis over the estimated useful lives of intangible assets, from the date that they are available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful lives for the current and comparative periods are as follows:

Item	Depreciation Method	Average useful life
Computer software & licenses	Straight-line	1-5 years
Servitudes		Indefinite

1.6 Intangible assets (continued)

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. Where the carrying amount of an item of an intangible asset is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the Statement of Financial Performance.

Amortisation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

Intangible assets are derecognised on disposal or when no future economic benefits or services potential are expected from its use or disposal. The gain or loss is the difference between the net disposal proceeds, if any, and the carrying amount. It is recognised in the Statement of Financial Performance when the asset is derecognised.

Intangible assets are derecognised:

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

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

1.7 Commitments

The term 'commitments' is not defined in any of the standards but may be referred to as the intention to commit to an outflow from the municipal entity of resources embodying economic benefits.

Generally, a commitment arises when a decision is made to incur a liability e.g. a purchase contract. Such a decision is evidenced by, but not limited to, actions taken to determine the amount of the eventual resource outflow or a reliable estimate e.g. a quote, and conditions to be satisfied to establish an obligation e.g. delivery schedules. These preconditions ensure that the information relating to commitments is relevant and capable of reliable measurement.

The municipal entity may enter into a contract on or before the reporting date for expenditure over subsequent accounting periods e.g. a contract for construction of infrastructure assets, the purchase of major items of plant and equipment or significant consultancy contracts. In these events, a commitment exists at the reporting date as the entity has contracted for expenditure but no work has started and no payments have been made.

The notes to the financial statements must disclose the nature and amount of each material individual expenditure commitment and each material class of capital expenditure commitment as well as non-cancelable operating leases contracted for at the reporting date. Commitments for the supply of inventories, where a liability under a contract has not yet been recognised, do not require disclosure as a commitment.

1.7 Commitments (continued)

Disclosures are required in respect of unrecognised contractual commitments.

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

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

1.8 Financial instruments

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

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

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

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

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

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

1.8 Financial instruments (continued)

A financial asset is:

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

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

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

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

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

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

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

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

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

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

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

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

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

1.8 Financial instruments (continued)

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

Classification

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

Class	***Category***
Cash and cash equivalents	Financial asset measured at amortised cost
Consumer receivables from exchange transactions	Financial asset measured at amortised cost
Other receivables from exchange transactions	Financial asset measured at amortised cost
Other financial assets	Financial asset measured at amortised cost

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

Class	***Category***
Consumer deposits	Financial liability measured at amortised cost
Finance lease obligation	Financial liability measured at amortised cost
Loans from shareholders	Financial liability measured at amortised cost
Other financial liabilities	Financial liability measured at amortised cost
Payables from exchange transactions	Financial liability measured at amortised cost

Initial recognition

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

The municipal entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

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

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

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

1.8 Financial instruments (continued)

Fair value measurement considerations

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

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

Short-term receivables and payables are not discounted where the initial credit period granted or received consistent with terms is used in the public sector, either through established practices or legislation.

Reclassification

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

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

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

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

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

1.8 Financial instruments (continued)

Gains and losses

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

The impact of the fair value gains or losses is taken into account in the calculation of current and deferred taxation.

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

Impairment and uncollectibility of financial assets

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

Financial assets measured at 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 (i.e. in the cases of other receivables and investments) or through the use of an allowance account (i.e. in the case of consumer receivables). The amount of the loss is recognised in surplus or deficit.

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

For amounts due to the municipal entity, significant financial difficulties of the receivable, probability that the receivable will enter bankruptcy and default of payments are all considered indicators of impairment.

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.

1.8 Financial instruments (continued)

Where financial assets are impaired through the use of an allowance account, the amount of the loss is recognised in surplus or deficit within operating expenses. When such financial assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

Derecognition

Financial assets

The municipal entity derecognises financial assets using trade date accounting.

The municipal entity derecognises a financial asset only when:

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

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

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

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

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

Financial liabilities

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

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

1.8 Financial instruments (continued)

Presentation

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

Losses and gains relating to a financial instrument is recognised as revenue or expense in surplus or deficit.

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

Cash and cash equivalents

Cash and cash equivalents comprise of cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at amortised cost. Fair value approximates the carrying amount. However, where the asset is not readily convertible into cash amounts for a period exceeding three months these are treated as investments.

1.9 Tax

Current tax assets and liabilities

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

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

Deferred tax assets and liabilities

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

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

1.9 Tax (continued)

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

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

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

Value added tax (VAT)

The municipal entity is registered with the South African Revenue Services (SARS) for VAT on the payments/cash basis, in accordance with Section 15(2) of the VAT Act (Act No. 89 of 1991) and accounts for VAT on this basis. The municipal entity is liable to account for VAT at the standard rate of 15% in terms of section 7 (1) (a) of the VAT Act in respect of the supply of goods or services, except where the supplies are specifically zero-rated in terms of section 11, exempted in terms of section 12 of the VAT Act or are scoped out for VAT purposes. The municipal entity accounts for VAT on a monthly basis.

1.10 Leases

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

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

Finance leases - lessee

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

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease or where no interest rate implicit in the lease is available, the rate used is the municipal entity’s incremental borrowing rate.

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

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

Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

1.10 Leases (continued)

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets, or where shorter, the term of the relevant lease.

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

Operating leases - lessee

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

Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

1.11 Inventories

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

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

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

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

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

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

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

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

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

1.11 Inventories (continued)

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

1.12 Impairment of cash-generating assets

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

Designation

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

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

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

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

Identification

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

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

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

1.12 Impairment of cash-generating assets (continued)

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

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

Where it is not practical to determine the fair value less costs to sell, the municipal entity uses the value in use.

Basis for estimates of future cash flows

In measuring value in use the municipal entity:

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

Composition of estimates of future cash flows

Estimates of future cash flows include:

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

Estimates of future cash flows exclude:

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

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

1.12 Impairment of cash-generating assets (continued)

Discount rate

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

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

Cash-generating units

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

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

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

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

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

1.12 Impairment of cash-generating assets (continued)

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

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

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

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

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

Reversal of impairment loss

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

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

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

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

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

1.12 Impairment of cash-generating assets (continued)

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

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

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

Redesignation

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

1.13 Impairment of non-cash-generating assets

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

Designation

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

The municipal entity 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.

Designation

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

Identification

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

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

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

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

Value in use

Where it is not practical to determine the fair value less costs to sell, the municipal entity uses the value in use.

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

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

Depreciated replacement cost approach

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

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

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

Reversal of an impairment loss

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

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

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

Reversal of an impairment loss

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

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

Redesignation

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

1.14 Share capital

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

1.15 Employee benefits

Identification

Employee benefits

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

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

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

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

Classification of plans

A binding arrangement is an arrangement that confers enforceable rights and obligations on the parties to the arrangement as if it were in the form of a contract. It includes rights from contracts or other legal rights.

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

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

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

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

1.15 Employee benefits (continued)

Defined benefit cost

Service cost comprises: (a) current service cost, which is the increase in the present value of the defined benefit obligation resulting from employee service in the current period; (b) past service cost, which is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting from a plan amendment (the introduction or withdrawal of, or changes to, a defined benefit plan) or a curtailment (a significant reduction by the entity in the number of employees covered by a plan); and (c) any gain or loss on settlement.

Net interest on the net defined benefit liability (asset) is the change during the period in the net defined benefit liability (asset) that arises from the passage of time.

Remeasurements of the net defined benefit liability (asset) comprise: (a) actuarial gains and losses; (b) the return on plan assets, excluding amounts included in net interest on the net defined benefit liability (asset); and (c) any change in the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability (asset).

Actuarial gains and losses are changes in the present value of the defined benefit obligation resulting from: (a) experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred); and (b) the effects of changes in actuarial assumptions.

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

A settlement is a transaction that eliminates all further legal or constructive obligations for part or all of the benefits provided under a defined benefit plan, other than a payment of benefits to, or on behalf of, employees that is set out in the terms of the plan and included in the actuarial assumptions.

Short-term employee benefits

Recognition and measurement

All short-term employee benefits

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

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

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

1.15 Employee benefits (continued)

Short-term paid absences

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

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

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

Bonus, incentive and performance related payments

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

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

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

Post-employment benefits: Defined benefit plans

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

Actuarial valuation method

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

Attributing benefit to periods of service

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

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

1.15 Employee benefits (continued)

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

Actuarial assumptions: Mortality

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

Actuarial assumptions: Discount rate

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

Actuarial assumptions: Salaries, benefits and medical costs

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

(a) the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the end of the reporting period;
(b) any estimated future salary increases that affect the benefits payable;
(c) the effect of any limit on the employer's share of the cost of the future benefits;
(d) contributions from employees or third parties that reduce the ultimate cost to the entity of those benefits; and
(e) estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, andonly if, either:
(i) those changes were enacted before the end of the reporting period; or
(ii) historical data, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs takes account of estimated future changes in the cost of medical services, resulting from bothinflation and specific changes in medical costs.

Components of defined benefit cost

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

(a) service cost;
(b) net interest on the net defined benefit liability (asset); and
(c) remeasurements of the net defined benefit liability (asset).

1.15 Employee benefits (continued)

Current service cost

The entity determines current service cost using actuarial assumptions determined at the start of the reporting period. However, if the entity remeasures the net defined benefit liability (asset) in accordance with the section on Past service cost gains and losses on settlement, it determines current service cost for the remainder of the reporting period after the plan amendment, curtailment or settlement using the actuarial assumptions used to remeasure the net defined benefit liability (asset) in accordance with the section on Past service cost gains and losses on settlement (part b).

Net interest on the net defined benefit liability (asset)

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

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

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

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

Remeasurements of the net defined benefit liability (asset)

Remeasurements of the net defined benefit liability (asset) comprise:

(a) actuarial gains and losses;
(b) the return on plan assets, excluding amounts included in net interest on the net defined benefit liability (asset); and
(c) any change in the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability (asset).

Presentation

Components of defined benefit cost

The entity recognises service cost, net interest on the net defined benefit liability (asset) and remeasurements in surplus or deficit.

Other long-term employee benefits

Recognition and measurement

1.15 Employee benefits (continued)

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

(a) service cost;

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

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

For long service awards the cost of providing the benefits is determined using the projected unit credit method.

Actuarial valuations are conducted on an annual basis by independent actuaries.

Actuarial gains and losses are recognised in the statement of financial performance in the period that they occur.

Gains or losses on the curtailment or settlement of long service awards are recognised when the municipal entity is demonstrably committed to curtailment or settlement.

The amount recognised in the statement of financial position represents the present value of the long service award obligation minus the fair value of plan assets, if any.

Actuarial assumptions are included in the note of long service awards and employee benefits obligations.

1.16 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

1.16 Provisions and contingencies (continued)

Reimbursements

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

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

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

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

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

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the board.

A contingent liability is:

- a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or nonoccurrence of one or more uncertain future events not wholly within the control of the board; or
- a present obligation that arises from past events but is not recognised because:
- it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation;
- the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 39.

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

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

1.17 Revenue from exchange transactions (continued)

Measurement

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

Sale of goods

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

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

Rendering of services

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

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

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

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

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

1.17 Revenue from exchange transactions (continued)

Service charges

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

Pre-paid electricity

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

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 municipal entity, and
- The amount of the revenue can be measured reliably.

No interest is charged on overdue government debtors.

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

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

1.18 Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange.

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.

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.

Conditional grants and receipts

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

Recognition

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

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

Measurement

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

When, as a result of a non-exchange transaction, the municipal entity recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability.

Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Government grants

Government grants are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipal entity,
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any restrictions associated with the grant.

1.18 Revenue from non-exchange transactions (continued)

The municipal entity assesses the degree of certainty attached to the flow of future economic benefits or service potential on the basis of the available evidence. Certain grants payable by one level of government to another are subject to the availability of funds.

Revenue from these grants is only recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the entity. An announcement at the beginning of a financial year that grants may be available for qualifying entities in accordance with an agreed programme may not be sufficient evidence of the probability of the flow. Revenue is then only recognised once evidence of the probability of the flow becomes available.

Restrictions on government grants may result in such revenue being recognised on a time proportion basis. Where there is no restriction on the period, such revenue is recognised on receipt or when the Act becomes effective, which-ever is earlier.

When government remit grants on a re-imbursement basis, revenue is recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with.

Other grants and donations

Other grants and donations are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipal entity;
- the amount of the revenue can be measured reliably; and
- to the extent that there has been compliance with any restrictions associated with the grant.

If goods in-kind are received without conditions attached, revenue is recognised immediately. If conditions are attached, a liability is recognised, which is reduced and revenue recognised as the conditions are satisfied.

1.19 Service charges

Turnover comprises of sales to customers and service rendered to customers. Turnover is stated at the invoice amount and is exclusive of value-added taxation.

1.20 Investment income

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

1.21 Borrowing costs

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

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

1.22 Comparative figures

When the presentation or classification of an item in the financial statements are amended, comparative amounts are reclassified.

1.23 Fruitless and wasteful expenditure

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

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the Statement of Financial Performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance. Detailed disclosure have been made in the notes to the financial statements as required by MFMA.

1.24 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 municipal entity's supply chain management policy. Irregular expenditure is accounted for in line with all relating requirements, including, but not limited to, ruling Legislation, Regulations, Frameworks, Circulars, Instruction Notes, Practice Notes, Guidelines etc (as applicable).

Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

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

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

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

1.24 Irregular expenditure (continued)

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

1.25 Revaluation reserve

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

1.26 Budget information

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

The approved budget covers the fiscal period from 2023/07/01 to 2024/06/30.

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

Comparative information is not required.

1.27 Related parties

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

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

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

1.27 Related parties (continued)

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

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

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

The municipal entity is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the municipal entity to have adopted if dealing with that individual entity or person in the same circumstances and terms and conditions are within the normal operating parameters established by that reporting entity's legal mandate. Where the municipal entity is exempt from the disclosures in accordance with the above, the municipal entity discloses narrative information about the nature of the transactions and the related outstanding balances, to enable users of the entity's financial statements to understand the effect of related party transactions on its financial statements.

1.28 Events after reporting date

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

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

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

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

1.29 Accumulated surplus

The municipal entity's surplus/deficit for the year is accounted for in the accumulated surplus in the statement of changes in net assets.

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

NOTES TO THE FINANCIAL STATEMENTS

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

The entity has not applied the following standards and interpretations, which have been published and are mandatory for the entity's accounting periods beginning on or after 01 July 2024 or later periods:

GRAP 2023 Improvements to the Standards of GRAP 2023

The Board undertakes periodic revisions of the Standards of GRAP in line with best practice internationally among standard setters. The Improvements to the Standards of GRAP include changes resulting from amendments to the International Public Sector Accounting Standards and the International Financial Reporting Standards, as well as general improvements identified through consultation with stakeholders. The Improvements to the Standards of GRAP (2023) was approved by the Board and issued in November 2023.

GRAP1 - Presentation of Financial Statements

Narrow scope amendments to the IAS Standard on Presentation of Financial Statements (IAS 1) Feb 2021

Disclosure of Accounting Policies: Changes from "significant accounting policies" to "material accounting policies" because the Standards of GRAP do not define the term "significant".

General Improvements

- Provide clarity to the terms "publicly available" and "publicly accountable".
- Remove encouraged disclosures with limited information value.

GRAP2 - Cash Flow Statements

General Improvements

Amend disclosures to read as "useful additional information that may be disclosed" as opposed to "encouraged disclosures".

GRAP3 - Accounting Policies, Changes in Accounting Estimates and Errors

Narrow scope amendments to IAS 8 Feb 2021

Change in the definition of an accounting estimate because the previous definition was not sufficiently clear.

GRAP3 - Accounting Policies, Changes in Accounting Estimates and Errors (continued)

General Improvements

Clarify that the requirements only apply to Standards of GRAP that are not yet effective for which the Minister of Finance has already determined an effective date.

GRAP5 - Borrowing Costs

Amendments to the IPSAS on Borrowing Costs (IPSAS 5) – Non-authoritative Guidance 2021

Add the Illustrative Examples in IPSAS 5 to GRAP 5.

GRAP13 - Leases

General Improvements

Remove encouraged disclosures with limited information value.

GRAP17 - Property, Plant and Equipment

Improvements to IPSAS 2021

Amendments are made to prohibit proceeds from selling items produced before that asset is available, to be deducted from the cost of property, plant and equipment.

GRAP19 - Provisions, Contingent Liabilities and Contingent Assets

General Improvements

Remove encouraged disclosures with limited information value.

GRAP20 - Related Party Disclosures

General Improvements

Update the definition of "significant influence" to align with the Standard of GRAP on Investments in Associates and Joint Ventures (GRAP 36).

GRAP23 - Revenue from Non-exchange Transactions (Taxes and Transfers)

General Improvements

Remove encouraged disclosures with limited information value.

GRAP24 - Presentation of Budget Information in Financial Statements

Narrow scope amendments to the IAS Standard on Presentation of Financial Statements (IAS 1) Feb 2021

GRAP24 - Presentation of Budget Information in Financial Statements (continued)

Disclosure of Accounting Policies: Changes from "significant accounting policies" to "material accounting policies" because the Standards of GRAP do not define the term "significant".

General Improvements

- Provide clarity to the terms "publicly available" and "publicly accountable".
- Simplify the disclosures on the presentation of a reconciliation to improve the quality of reporting, by not prescribing the line items to reconcile to.
- Re-instate the Illustrative Examples that were deleted when GRAP 24 became effective.

GRAP27 - Agriculture

General Improvements

Remove encouraged disclosures and repackage it as "useful information" in another section of the Standard.

GRAP31 - Intangible Assets

General Improvements

- Clarify when the Standard of GRAP on Service Concession Arrangements: Grantor (GRAP 32) is applicable.
- Remove reference to fully depreciated assets.
- Remove encouraged disclosures with limited information value.

GRAP104 - Financial Instruments

Improvements to IPSAS 2021

- Interest Rate Benchmark Reform - Amendments to provide a practical expedient not to treat changes in contractual cash flows as a modification.
- Amendments to clarify the fees that an entity includes when it applies the "10 percent" test to derecognise a financial liability.

Narrow scope amendments to the IAS Standard on Presentation of Financial Statements (IAS 1) Feb 2021

Disclosure of Accounting Policies: Changes from "significant accounting policies" to "material accounting policies" because the Standards of GRAP do not define the term "significant".

General Improvements

Remove encouraged disclosures with limited information value.

iGRAP20 - Accounting for Adjustments to Revenue

Narrow scope amendments to IAS 8 Feb 2021

Change in the definition of an accounting estimate because the previous definition was not sufficiently clear. Directive 12 - The Selection of an Appropriate Reporting Framework by Public Entities

Narrow scope amendments to the IAS Standard on Presentation of Financial Statements (IAS 1) Feb 2021

Disclosure of Accounting Policies: Changes from "significant accounting policies" to "material accounting policies" because the Standards of GRAP do not define the term "significant".

Guideline on The Application of Materiality to Financial Statements

Narrow scope amendments to the IAS Standard on Presentation of Financial Statements (IAS 1) Feb 2021

Disclosure of Accounting Policies: Changes from "significant accounting policies" to "material accounting policies" because the Standards of GRAP do not define the term "significant".

General Improvements

Amendments resulting from the review of the Standard of GRAP on Cash Flow Statements (GRAP 2) and the Standard of GRAP on Presentation of Budget Information in Financial Statements (GRAP 24).

The effective date of these improvements have not yet been set.

The entity expects to adopt the improvements for the first time when the Minister sets the effective date for the improvements.

The adoption of this standard is not expected to impact on the results of the municipal entity, but may result in more disclosure than is currently provided in the financial statements.

GRAP 1 (amended): Presentation of Financial Statements (Going Concern)

The Board undertook a project in 2021 to consider the guidance and disclosure requirements on going concern in the relevant Standards of GRAP. As an outcome of this project, the Board agreed to include additional guidance and disclosures on going concern in this Standard. Consequential amendments are also made to the Standard of GRAP on Events After the Reporting Date.

Applicability of going concern in the public sector

An entity prepares its financial statements on a going concern basis unless there is an intention to liquidate the entity, to cease operating, or if there is no realistic alternative but to do so. A liquidation or cessation of an entity's operations will result in the termination of all its functions.

GRAP 1 (amended): Presentation of Financial Statements (Going Concern) (continued)

In South Africa, specific legislative requirements need to be followed before a decision is taken to liquidate a public sector entity, to cease or scale back its operations, to transfer some or all of its functions to another entity, or to merge one or more entities. The "intention" to liquidate an entity, to cease or scale back its operations, to transfer some or all of its functions to another entity, or to merge one or more entities needs to be established. This intention can be reflected in a number of ways and may encompass legislation passed in Parliament or a provincial legislature, cabinet decision, ministerial order, a decision made by a municipal council, board, council or equivalent, a regulation or a notice, or other official means.

The liquidation or cessation of a public sector entity's operations is rare, and only in the case of dissolution without any continuation of the entity's operations will the going concern basis cease to apply. When all, or some of the functions of an entity are transferred to another entity, or when a decision is taken to merge one or more entities, the application of the going concern basis remains appropriate. This is because the entity's functions will continue to be provided in a modified form, even though they are executed by another entity.

The Board agreed to include explanatory guidance in this Standard on the application of the going concern assumption by public sector entities.

Where some of an entity's functions are transferred in a transfer of functions, and the remaining functions are discontinued, there are two separate transactions. The Board concluded that management should assess these transactions separately based on the functions transferred, those to be discontinued (if any), and those that may be retained and continued (if any), to determine if preparing the entity's financial statements on a going concern basis remains appropriate.

Disclosure on going concern

The Board's project highlighted a need for specific disclosures on going concern, material uncertainties relating to going concern, and actions taken by management to mitigate these uncertainties. Consideration was also given to the practices, guidance and requirements in other countries and/or from other standard-setting bodies on these matters.

To address the diversity in the information disclosed on going concern, the Board agreed to expand the disclosure requirements in this Standard to ensure that consistent disclosures are provided.

The effective date of these revisions have not yet been set.

The entity expects to adopt the revisions for the first time when the Minister sets the effective date for the revisions.

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

iGRAP 22 Foreign Currency Transactions and Advance Consideration

Background

Paragraph .21 of the Standard of GRAP on The Effects of Changes in Foreign Exchange Rates (GRAP 4) requires an entity to record a foreign currency transaction, on initial recognition in its functional currency, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency (the exchange rate) at the date of the transaction. Paragraph .22 of GRAP 4 states that the date of the transaction is the date on which the transaction first qualifies for recognition in accordance with the Standards of GRAP.

When an entity pays or receives consideration in advance in a foreign currency, it generally recognises a non-monetary asset or nonmonetary liability before the recognition of the related asset, expense or revenue. The related asset, expense or revenue (or part of it) is the amount recognised applying the relevant Standard of GRAP, which results in the derecognition of the non-monetary asset or nonmonetary liability arising from the advance consideration.

A question arose asking how to determine "the date of the transaction" applying paragraphs .21 and .22 of GRAP 4 when recognising revenue. The question specifically addressed circumstances in which an entity recognises a non-monetary liability arising from the receipt of advance consideration before it recognises the related revenue. It was further noted that the receipt or payment of advance consideration in a foreign currency is not restricted to revenue transactions. Accordingly, it was decided to clarify the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or revenue when an entity has received or paid advance consideration in a foreign currency.

Issue

This Interpretation addresses how to determine the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or revenue (or part of it) on the derecognition of a non-monetary asset or nonmonetary liability arising from the payment or receipt of advance consideration in a foreign currency.

Consensus

Applying paragraphs .21 and .22 of GRAP 4, the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or revenue (or part of it) is the date on which an entity initially recognises the nonmonetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

If there are multiple payments or receipts in advance, the entity shall determine a date of the transaction for each payment or receipt of advance consideration.

The effective date of this interpretation is for years beginning on or after 01 April 2025.

The entity expects to adopt the standard for the first time in the 2025/2026 financial statements.

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

GRAP 104 (as revised): Financial Instruments

Following the global financial crisis, a number of concerns were raised about the accounting for financial instruments. This included that (a) information on credit losses and defaults on financial assets was received too late to enable proper decision-making, (b) using fair value in certain instances was inappropriate, and (c) some of the existing accounting requirements were seen as too rules based. As a result, the International Accounting Standards Board® amended its existing Standards to deal with these issues. The IASB issued IFRS® Standard on Financial Instruments (IFRS 9) in 2009 to address many of the concerns raised. Revisions were also made to IAS® on Financial Instruments: Presentation and the IFRS Standard® on Financial Instruments: Disclosures. The IPSASB issued revised International Public Sector Accounting Standards in June 2018 so as to align them with the equivalent IFRS Standards.

The revisions better align the Standards of GRAP with recent international developments. The amendments result in better information available to make decisions about financial assets and their recoverability, and more transparent information on financial liabilities.

The most significant changes to the Standard affect:

- Financial guarantee contracts issued
- Loan commitments issued
- Classification of financial assets
- Amortised cost of financial assets
- Impairment of financial assets
- Disclosures

The effective date of the revisions is not yet set by the Minister of Finance.

The entity expects to adopt the revisions for the first time when the Minister sets the effective date for the revisions.

The adoption of this standard is not expected to impact on the results of the municipal entity, but may result in more disclosure than is currently provided in the financial statements.

Notes to the Financial Statements

	2024	2023

3. Cash and cash equivalents

Cash and cash equivalents consist of:

	2024	2023
Bank balances	10 271 281	23 942 943
Short-term deposits	839 268	352 141
	11 110 549	**24 295 084**

Short-term deposits consist of:

ABSA - 1 Day call account	839 268	352 141

Short-term deposits consist of the following short-term investment with ABSA. The details and interest earned on this investment is set out below:

- ABSA 1 Day call account with varying interest rates between 0.00% and 7.05% depending on the amount invested and the change in the prime interest rate.

The municipal entity had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2024	30 June 2023	30 June 2022	30 June 2024	30 June 2023	30 June 2022
ABSA Bank - Cheque account - 4058833582	4 985 191	4 032 634	694 130	9 265 968	7 765 659	4 579 005
ABSA Bank - Cheque account - 4055133721	(16)	7	7 785	(16)	7	(2 215)
ABSA Bank - Cheque account - 4054065339	32 980	18 646	16 772	51 521	37 387	(16 524)
ABSA Bank - Cheque account - 470001402	1 183 681	1 395 908	4 538 094	893 311	1 105 537	(1 946 261)
ABSA Bank - Cheque account - 4054530924	-	-	258	(294)	(295)	(882)
ABSA Bank - Cheque account - 4078209583	37 551	21 043	93 919	(84 698)	(72 348)	(345 125)
ABSA Bank - Cheque account - 4080522070	3 345	7 409	377	3 345	7 409	378
ABSA Bank - Cheque account - 4080521896	-	79	685	85	79	685
ABSA Bank - Cheque account - 9326102088	143 130	15 099 918	1 168	142 059	15 099 508	(28 736)
ABSA Bank - 1 Day call account - 9280674256	839 268	352 141	773 068	839 268	352 141	773 068
Total	**7 225 130**	**20 927 785**	**6 126 256**	**11 110 549**	**24 295 084**	**3 013 393**

Notes to the Financial Statements

	2024	2023

4. Consumer receivables from exchange transactions

	2024	2023
Gross balances		
Electricity	1 149 859 890	1 166 137 225
Less: Provision for impairment		
Electricity	(700 514 375)	(632 154 138)
Net balance		
Electricity	449 345 515	533 983 087
Electricity		
Current (0 -30 days)	76 946 700	141 765 450
31 - 60 days	28 691 241	27 301 723
61 - 90 days	22 269 937	14 082 801
91+ days	805 485 604	779 795 918
Meter reading estimate at year end (Consumption across year end)	216 467 984	203 207 645
Discounting	(1 573)	(16 312)
Provision for debt impairment	(700 514 378)	(632 154 138)
	449 345 515	**533 983 087**

Summary of debtors by customer classification

	2024	2023
Residential and sundry		
Current (0 -30 days)	4 852 452	10 997 616
31 - 60 days	1 068 329	632 210
61 - 90 days	906 256	404 120
91+ days	124 568 469	123 660 296
	131 395 506	**135 694 242**
Business/Commercial and municipal		
Current (0 -30 days)	53 556 356	110 939 260
31 - 60 days	14 121 036	14 852 957
61 - 90 days	12 264 923	5 405 648
91+ days	114 835 582	81 635 819
	194 777 897	**212 833 684**
Government		
Current (0 -30 days)	18 537 891	19 828 574
31 - 60 days	13 501 876	11 816 556
61 - 90 days	9 098 758	8 273 032
91+ days	566 081 554	574 499 803
	607 220 079	**614 417 965**

Notes to the Financial Statements

	2024	2023

4. Consumer receivables from exchange transactions (continued)

Total

	2024	2023
Current (0 -30 days)	76 946 700	141 765 450
31 - 60 days	28 691 241	27 301 723
61 - 90 days	22 269 937	14 082 801
91+ days	805 485 604	779 795 918
Meter reading estimate at year end (Consumption across year end)	216 467 984	203 207 645
Discounting	(1 573)	(16 312)
	1 149 859 893	1 166 137 225
Less: Provision for impairment	(700 514 378)	(632 154 138)
	449 345 515	**533 983 087**

Reconciliation of allowance for impairment

	2024	2023
Balance at beginning of the year	(632 154 138)	(689 014 738)
Contributions to allowance	(68 360 237)	-
Debt impairment written off against allowance	-	108 873
Reversal of allowance	-	56 751 727
	(700 514 375)	**(632 154 138)**

Consumer receivables pledged as security

No consumer receivables were pledged as security in the current or prior financial period.

Fair value of consumer debtors

Consumer receivables are reflected net of the provision for doubtful debt and the effect of discounting. The interest rate used in discounting is the prime rate at period end adjusted for CPI applicable to the public sector.

Consumer debtors past due but not impaired

Consumer debtors which are less than 3 months past due are not considered to be impaired. At 30 June 2024, R 232 879 104 (2023: R 330 791 754) were past due but not impaired.

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

	2024	2023
Current (0 -30 days)	65 801 041	135 603 865
31 - 60 days	18 374 008	22 628 363
61 - 90 days	11 989 647	10 203 842
90+ days	136 714 408	162 355 684
	232 879 104	**330 791 754**

Notes to the Financial Statements

	2024	2023

4. Consumer receivables from exchange transactions (continued)

Consumer debtors impaired

As of 30 June 2024, consumer debtors of R 700 514 375 (2023: R 632 154 138) were impaired and provided for.

The ageing of these consumer debtors impaired is as follows:

Current (0 -30 days)	11 145 658	6 161 585
31 - 60 days	10 317 233	4 673 360
61 - 90 days	10 280 290	3 878 959
90+ days	668 771 194	617 440 234
	700 514 375	**632 154 138**

The municipal entity enters into settlement agreements with debtors whose accounts are long overdue and these agreements carry no interest. The balance that is settled over a period longer than 12 months is deemed to constitute a financing arrangement and is accounted for at the net present value of the future cash flows. The accounts which are due for more than 12 months are disclosed as non-current receivables.

The creation and release of provision for impaired receivables have been included in expenses in the statement of financial performance. Unwinding of discount is included in the notes to the statement of financial performance. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

The maximum exposure to credit risk at the reporting date is the fair value of each class of consumer receivable mentioned above. The municipal entity does not hold any collateral as security.

5. Inventories

Raw materials, components	227 286 486	131 470 808
	227 286 486	131 470 808
Inventories (write-downs)	(5 658 046)	(4 416 416)
	221 628 440	**127 054 392**

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

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

Inventory pledged as security

No inventory was pledged as security.

Notes to the Financial Statements

6. Other financial assets

	2024	2023
At amortised cost		
Kopanong Local Municipality	66 185	189 791
The capital funding provided to Kopanong Local Municipality is repayable in monthly installments based on the estimated useful life of the capital asset. The capital advances bears interest at 10%		
Mohokare Local Municipality	-	109 966
The capital funding provided to Mohokare Local Municipality is repayable in monthly installments based on the estimated useful life of the capital asset. The capital advances bears interest at 10%.		
	66 185	**299 757**
Non-current assets		
At amortised cost	-	108 412
Current assets		
At amortised cost	66 185	191 345

Financial assets at fair value

Renegotiated terms

The service level agreement with Mohokare Local Municipality was terminated during the 2023-24 financial year and the balance of the capital advance loan as at date of termination became payable and was transferred to the Mohokare Local Municipality - Other receivables from exchange transactions as a receivable.

Except for the above no other financial assets that are fully performing have been renegotiated in the last year.

Fair value of the other financial assets approximates the carrying value at year end.

Financial assets pledged as security

None of the financial assets were pledged as security for any financial liabilities and no securities are held for any of the financial assets.

Notes to the Financial Statements

	2024	2023

7. Other receivables from exchange transactions

	2024	2023
Deposits	1 222 704	1 103 741
Kopanong Local Municipality	61 467 910	37 075 823
Mohokare Local Municipality	89 288 750	82 292 309
Other receivables	10 109 741	9 975 320
DOE Grant - Southern Free State Towns	4 053 728	4 737 728
Receipt reversal	533 478	467 014
Vendors	28 758 680	11 707 724
	195 434 991	**147 359 659**

Trade and other receivables pledged as security

No trade and other receivables from exchange transactions were pledged as security for overdraft facilities of the municipal entity.

Credit quality of trade and other receivables

The maximum exposure to credit risk at the reporting date is the fair value of each class of trade and other receivable mentioned above. The municipal entity does not hold any collateral as security.

Fair value of trade and other receivables

The creation and release of provision for impaired receivables have been included in expenses in surplus or deficit.

Unwinding of discount is included in interest received in surplus or deficit. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

The maximum exposure to credit risk at the reporting date is the fair value of each class of other receivable mentioned above. The municipal entity does not hold any collateral as security.

Fair value of other receivables approximates the carrying value at year end.

Trade and other receivables past due but not impaired

Trade and other receivables which are less than 3 months past due are not considered to be impaired. At 30 June 2024, R 4 053 728 (2023: R 4 737 728) were past due but not impaired.

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

	2024	2023
90+ days	4 053 728	4 737 728

Notes to the Financial Statements

Figures in Rands

8. Property, plant and equipment

	2024			2023		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	9 331 313	-	9 331 313	9 331 313	-	9 331 313
Buildings	109 008 888	(26 339 832)	82 669 056	108 833 754	(22 773 821)	86 059 933
Motor vehicles	131 309 775	(95 085 060)	36 224 715	136 897 326	(90 025 775)	46 871 551
Office equipment	81 251 529	(55 699 684)	25 551 845	68 285 817	(52 159 041)	16 126 776
Infrastructure	7 544 064 573	(1 698 854 396)	5 845 210 177	7 426 614 571	(1 499 729 025)	5 926 885 546
Leased assets	5 820 061	(5 820 061)	-	5 820 062	(3 750 392)	2 069 670
Total	**7 880 786 139**	**(1 881 799 033)**	**5 998 987 106**	**7 755 782 843**	**(1 668 438 054)**	**6 087 344 789**

Reconciliation of property, plant and equipment - 2024

	Opening balance	Additions	Disposals	Capital work in progress	Revaluations	Depreciation	Impairment loss	Total
Land	9 331 313	-	-	-	-	-	-	9 331 313
Buildings	86 059 933	-	-	175 134	-	(3 566 011)	-	82 669 056
Infrastructure	5 926 885 546	127 939 567	(4 657 996)	5 374 941	(5 936 553)	(201 320 552)	(3 074 776)	5 845 210 177
Motor vehicles	46 871 551	-	(1 246 261)	-	-	(9 370 349)	(30 226)	36 224 715
Office equipment	16 126 776	14 123 531	(76 707)	-	-	(4 617 568)	(4 187)	25 551 845
Leased Assets	2 069 670	-	-	-	-	(2 069 670)	-	-
	6 087 344 789	**142 063 098**	**(5 980 964)**	**5 550 075**	**(5 936 553)**	**(220 944 150)**	**(3 109 189)**	**5 998 987 106**

Notes to the Financial Statements

Figures in Rands

8. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2023

	Opening balance	Additions	Disposals	Capital work in progress	Revaluations	Depreciation	Impairment loss	Total
Land	9 331 313	-	-	-	-	-	-	9 331 313
Buildings	88 771 483	-	-	854 461	-	(3 566 011)	-	86 059 933
Infrastructure	6 062 572 381	181 876 975	(24 169 299)	(56 933 825)	3 594 598	(203 344 867)	(36 710 417)	5 926 885 546
Motor vehicles	34 683 146	22 606 629	(189 709)	-	-	(10 162 881)	(65 634)	46 871 551
Office equipment	20 859 176	1 210 421	(1 299 646)	-	-	(4 619 423)	(23 752)	16 126 776
Leased Assets	3 307 845	-	-	-	-	(1 238 175)	-	2 069 670
	6 219 525 344	**205 694 025**	**(25 658 654)**	**(56 079 364)**	**3 594 598**	**(222 931 357)**	**(36 799 803)**	**6 087 344 789**

Property, plant and equipment pledged as security

No property, plant and equipment are pledged as security

Assets subject to finance lease (Net carrying amount)

Office equipment	-	2 069 670

Notes to the Financial Statements

	2024	2023

8. Property, plant and equipment (continued)

Revaluations

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

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

The valuations were performed using the depreciated replacement costs method.

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

- Preliminary & General (P & G's)

- Contingencies

- Engineering fees

- Location factor

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

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

Restrictions on title

	2024	2023
Carrying value of assets not yet legally transferred from Mangaung Metropolitan Municipality to Centlec (SOC) Ltd in accordance with the Sale of Business agreement: The intention of the sale of business agreement was to sell the land and buildings to the municipal entity for operational usage. The municipal entity has been using the land and buildings for operational usage since inception, 1 July 2005, but as at year end 30 June 2024 the land and buildings have not yet been legally transferred from Mangaung Metropolitan Municipality to the municipal entity.	80 767 294	84 333 305

Notes to the Financial Statements

	2024	2023

8. Property, plant and equipment (continued)

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

	2024	2023
Cumulative expenditure recognised in the carrying value of property, plant and equipment		
Buildings	11 233 077	11 057 942
Carrying value of property, plant and equipment that is taking a significantly longer period of time to complete than expected		
Buildings	11 057 942	11 057 942
The project to convert the old power station into offices was halted due to financial constraints, there was no indication of impairment at year end and therefore the work in progress value was not adjusted.		
Solar farm project	591 000	591 000
The solar farm project has not as yet fully started, management is still in the process of evaluating whether this project will be initiated therefore the expense to date relating to the feasibility study will remain as work in progress until a final decision is taken on whether the solar farm project will continue or not.		
	11 648 942	**11 648 942**

Reconciliation of Work-in-Progress 2024

	Included within Infrastructure	Total
Opening balance	123 234 766	123 234 766
Additions/capital expenditure	133 314 508	133 314 508
Transferred to completed items	(127 939 567)	(127 939 567)
	128 609 707	**128 609 707**

Reconciliation of Work-in-Progress 2023

	Included within Infrastructure	Total
Opening balance	180 168 591	180 168 591
Additions/capital expenditure	129 520 363	129 520 363
Transferred to completed items	(181 876 887)	(181 876 887)
Impairment	(4 577 301)	(4 577 301)
	123 234 766	**123 234 766**

Notes to the Financial Statements

	2024	2023

8. Property, plant and equipment (continued)

Expenditure incurred to repair and maintain property, plant and equipment

	2024	2023
Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance		
Contracted services	114 416 479	82 704 828
General expenses	40 540 222	29 063 922
	154 956 701	**111 768 750**

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

Notes to the Financial Statements

Figures in Rands

9. Intangible assets

	2024			2023		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software and licenses	62 241 336	(53 144 669)	9 096 667	54 907 200	(44 989 499)	9 917 701
Servitudes	88 230 417	-	88 230 417	88 259 418	-	88 259 418
Total	**150 471 753**	**(53 144 669)**	**97 327 084**	**143 166 618**	**(44 989 499)**	**98 177 119**

Reconciliation of intangible assets - 2024

	Opening balance	Additions	Disposals	Amortisation	Total
Computer software and licenses	9 917 701	7 686 936	(138 415)	(8 369 555)	9 096 667
Servitudes	88 259 418	-	-	-	88 259 418
	98 177 119	**7 686 936**	**(138 415)**	**(8 369 555)**	**97 356 085**

Reconciliation of intangible assets - 2023

	Opening balance	Additions	Disposals	Revaluations	Amortisation	Total
Computer software and licenses	17 331 636	4 747 931	(3 658 036)	-	(8 503 830)	9 917 701
Servitudes	78 242 566	-	-	10 016 852	-	88 259 418
	95 574 202	**4 747 931**	**(3 658 036)**	**10 016 852**	**(8 503 830)**	**98 177 119**

Notes to the Financial Statements

	2024	2023

9. Intangible assets (continued)

Pledged as security

No intangible assets are pledged as security.

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

10. Deferred tax

Deferred tax liability

	2024	2023
Opening balance	(1 333 331 491)	(1 358 071 535)
Property, plant and equipment	22 625 035	23 732 891
Taxable temporary differences	(578 596)	1 007 153
Total deferred tax liability	**(1 311 285 052)**	**(1 333 331 491)**

Deferred tax asset

	2024	2023
Opening balance	1 414 854 171	1 342 777 625
Taxable temporary differences	19 011 699	(55 688 404)
Tax losses available for set off against future taxable income	100 552 913	127 764 950
Total deferred tax asset	**1 534 418 783**	**1 414 854 171**

	2024	2023
Deferred tax liability	(1 311 285 052)	(1 333 331 491)
Deferred tax asset	1 534 418 783	1 414 854 171
Total net deferred tax asset	**223 133 731**	**81 522 680**

Reconciliation of deferred tax asset \ (liability)

	2024	2023
At beginning of year	81 522 680	(15 293 910)
Depreciable assets	22 625 035	23 732 891
Finance lease	150 793	(202 519)
Provisions	18 282 309	(53 932 521)
Assessed loss	100 552 914	127 764 950
Rate change	-	(546 211)
	223 133 731	**81 522 680**

Notes to the Financial Statements

	2024	2023

10. Deferred tax (continued)

Recognition of deferred tax asset

An entity shall disclose the amount of a deferred tax asset and the nature of the evidence supporting its recognition, when:

- the utilisation of the deferred tax asset is dependent on future taxable surpluses in excess of the surpluses arising from the reversal of existing taxable temporary differences; and
- the entity has suffered a deficit in either the current or preceding period in the tax jurisdiction to which the deferred tax asset relates.

The deferred tax asset arose as a result of the municipal entity not having been subject to income tax in the past. However in the 2014/15 financial year the municipal entity had to account for income tax which resulted in the wear and tear allowances being in excess of the available surplus. The municipal entity has the ability to generate profit in the foreseeable future against which temporary differences will be utilised.

Deferred tax assumptions

As at 30 June 2016 no guidance was received from SARS on the transition from a tax exempt entity to a taxable entity. Due to this, uncertainties in the calculation of the municipal entity's taxation exist and will continue to exist going forward until a pronunciation is made by SARS on the municipal entity's tax calculation. In the absence of a pronunciation from SARS and the fact that the municipal entity is no longer tax exempt, the municipal entity had to make certain key assumptions relating to income- and deferred tax to be able to account for tax. These assumptions are set out as follows:

Infrastructure assets

The base cost for the electrical infrastructure assets of the municipal entity was determined by using the audited infrastructure fixed asset register. The tax exemption for the municipal entity was no longer applicable as at the 1 July 2014, on this date the municipal entity embarked on an exercise to determine the base cost for each of the Infrastructure assets. The closing balance for the 2013/2014 financial year was deemed as the most accurate value to be used as the base cost and carrying values for tax purposes moving forward. Up until 1 July 2014 management had never claimed any wear & tear on infrastructure assets. The base cost was therefore the deemed cost as at 1 July 2014.

Infrastructure assets of the municipal entity are all carried on the revaluation model as per General Recognised Accounting Standards 17 - Property plant and equipment. There is no General Recognised Accounting Standards standard applicable to taxation, therefore the municipal entity referred to the international accounting standards (IAS) for further guidance, which is IAS 12: Income taxation. Through inspection of the income tax act and the practice notes it was noted that there was no clear guidance regarding the write off periods for electrical infrastructure assets. Due to this Section 12D of the income tax action was deemed as the best alternative to use to determine the write off periods for most of the electrical infrastructure assets. Section 12D was applied to the following electrical infrastructure assets: High Voltage conductors, Medium Voltage conductors, Low Voltage conductors and the Streetlights. All other categories of infrastructure assets could operate independent of transmission lines and Section 12D would not be applicable to these assets.

As per the Income Tax Act, 1962 (Act 58 of 1962) the kind of information that could be useful in determining the expected useful life of an asset/write off period include:

- Independent engineering information;

- The taxpayer’s own past experience with similar assets;

Notes to the Financial Statements

	2024	2023

10. Deferred tax (continued)

Based on the above and due to insufficient guidance in the Income Tax Act, 1962 (Act 58 of 1962) the option of best professional judgment in determining an accurate write off period for the Infrastructure assets was used as follows:

- For all the distribution lines and cables a 5% write off period was used

- For all other infrastructure assets a 5 year write off period was adopted as the assets have been in operation for some time and as per the engineering information they cannot fall within Section 12D of the Income Tax Act, 1962 (Act 58 of 1962) .

Section 12 of the Income Tax Act, 1962 (Act 58 of 1962) was applied therefore no apportionment of the wear and tear was done. The wear and tear of assets is the amount that the South African Receiver of Revenue considers an appropriate write off timeframe for each asset. The wear and tear was calculated as follows:

- The depreciated replacement cost was taken per asset and any addition for the year was added and this value was multiplied by 20%

- When an asset is disposed of during the financial year wear and tear is still calculated for that asset and an inspection for a possible recoupment is done.

Non-Infrastructure assets

All assets other than infrastructure assets were written off by making use of Practice note 19.

Debt impairment

The provision for debt impairment is limited as a tax deduction to the extent that the originating revenue was taxable. Since the municipal entity was tax exempt for a period the revenue recognised and subsequently impaired during this period could not fully be included as a tax deduction. Due to this only the movement in the debt impairment for the year when the municipal entity first became taxable was used in calculating the tax.

11. Consumer deposits

Electricity	158 707 177	160 495 800

Guarantees in lieu of vendor deposits amounted to R 11 018 000 (2023: R 11 018 000).

Guarantees in lieu of consumer deposits amounted to R 44 907 971 (2023: R 43 469 744).

Fair value approximates the carrying value of the vendor deposits.

Notes to the Financial Statements

	2024	2023

12. Employee benefit obligations

Defined benefit plans

Post-employment medical aid benefit

Medical Aid Scheme Arrangements

The municipal entity offers employees and continuation members (pensioners) the opportunity of belonging to one of several medical aid schemes, most of which offer a range of options pertaining to levels of cover. Upon retirement, an employee may continue membership of the medical aid scheme. Upon a member's death-in-service or death-in-retirement, the surviving dependants may continue membership of the medical aid scheme.

Contribution Rate Structure

Members contribute according to tables of contribution rates which differentiate between them on the type and number of dependants. Some options also differentiate on the basis of income.

Subsidy Arrangements

The Organisation has agreed to subsidise the medical aid contributions of retired members in the following way:

- All new pensioners (that are currently still in service), and their dependants will receive a 60% subsidy.

- All existing continuation members (pensioners) and their dependants will continue to receive a 60% subsidy.

- Members are subject to a maximum subsidy cap of R 5277.

Membership Data

701 (20223: 610) current (in service) members and 17 (2023: 12) continuation members (Pensioners) were entitled to receive post-employment medical aid subsidies from the municipal entity.

Valuation Method

The Projected Unit Credit funding method has been used to determine the past-service liabilities at the valuation date and the projected annual expense in the year following the valuation date.

Post-employment Medical Aid Liabilities

The expected value of each employee and their spouse's future medical aid subsidies is projected by allowing for future medical inflation. The calculated values are then discounted at the assumed discount interest rate to the present date of valuation (calculation). There was also allowed for mortality, retirements and withdrawals from service. The accrued liability is determined on the basis that each employee's medical aid benefit accrues uniformly over the working life of an employee up until retirement. It is assumed that 100% of all active members on medical aid will remain on medical aid once they retire. it is also assumed that all active members will remain on the same medical aid option at retirement.

Valuation of Assets

As at the valuation date, the medical aid liability of the municipal entity was unfunded, i.e., no dedicated assets have been set aside to meet this liability. Therefore no assets were considered as part of our valuation.

Notes to the Financial Statements

	2024	2023

12. Employee benefit obligations (continued)

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

Carrying value		
Present value of the defined benefit obligation-wholly unfunded	(104 219 000)	(90 713 000)
Non-current liabilities	(83 487 000)	(73 505 000)
Current liabilities	(20 732 000)	(17 208 000)
	(104 219 000)	**(90 713 000)**

Accrued Contractual Liability

The figures below reflect the total value of the accrued contractual liability of the municipal entity in respect of post-employment medical aid benefits offered to employees:

Category	**2024**	**2023**
Current (In Service) Members	93 867 000	84 087 000
Continuation Members (Pensioners)	10 352 000	6 626 000
	104 219 000	**90 713 000**

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

Opening balance	90 713 000	90 141 000
Current service cost	5 990 000	6 637 000
Interest cost	12 045 000	11 021 000
Benefits paid	(983 751)	(655 682)
Actuarial loss/(gain)	(3 545 249)	(16 430 318)
	104 219 000	**90 713 000**

Net expense recognised in the statement of financial performance under the line item employee related costs are as follows:

Service cost	5 990 000	6 637 000
- Current service cost	5 990 000	6 637 000
Interest cost	12 045 000	11 021 000
	18 035 000	**17 658 000**

Notes to the Financial Statements

	2024	2023

12. Employee benefit obligations (continued)

Calculation of actuarial gains and losses

Actuarial (gains) losses – Obligation	(3 545 249)	(16 430 318)

Interest Cost

The Interest Cost represents the accrual of interest on the Accrued Liability, allowing for benefit payments, over the corresponding year. This arises because the post-employment medical aid scheme contributions are one year closer to payment.

Current Service Cost

The Current Service Cost reflects the additional liability that is expected to accrue in respect of in-service members' service over the corresponding year.

Actuarial gains

The main reasons for the actuarial gain can be attributed to the following factors:

1. Changes in economic variables – The nominal and real zero curves as 28 June 2024 supplied by the JSE was used to determine our discount rates and CPI assumptions at each relevant time period. As a result, the interest rates, bond yields and inflation figures changed. This resulted in a lower net effective discount rate and hence an overall decrease in the liability of around R 2 890 000.

2. Changes in subsidy increase – The average subsidy amongst in-service members was expected to increase with an average of 10.48% at the previous valuation. However, the average subsidy only increased with 6.0%, which is a smaller increase than expected. This resulted in a decrease in the liability of around R 2 349 000.

3. Changes in membership – There were various changes in the membership between the two valuations, which included a significant increase in the total members. The net effect of this and other smaller changes was an increase in the liability of around R 1 693 751.

Key assumptions used

Assumptions used at the reporting date:

Discount Rate	Yield Curve	Yield Curve
CPI (Consumer Price Inflation)	Difference between nominal and yield curves	Difference between nominal and yield curves
Medical Aid Contribution Inflation	CPI+2.5 %	CPI+2.5 %
Net Effective Discount Rate	Yield curve based	Yield curve based

Financial Variables

The two most important financial variables used in our valuation are the discount- and medical aid inflation rates.

Discount Rate

GRAP 25 defines the determination of the Discount rate assumption to be used as follows:
"The discount rate that reflects the time value of money is best approximated by reference to market yields at the reporting date on government bonds. Where there is no deep market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, an entity uses current market rates of the appropriate term to discount shorter term payments and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve."

Notes to the Financial Statements

	2024	2023

12. Employee benefit obligations (continued)

The nominal and real zero curves as at 28 June 2024 supplied by the JSE was used to determine our discount rates and CPI assumptions at each relevant time period. For example, a liability which pays out in 1 year will be discounted at a different rate than a liability which pays out in 30 years.

Although the yield curve was used for the discount rates and the corresponding inflation rates, for indicative purposes we show the discount rate and CPI that corresponds to the implied duration of the liability. The implied duration of the liability for this valuation is 19,27 years. It is however important to note that this is solely for indicative purposes as the entire yield curve is used to obtain the financial variables.

Financial Variable	**Assumed Value**
Discount Rate	13.86%
CPI (Consumer Price Inflation)	8.64%
Normal Salary Increase Rate	11.14%
Net Effective Discount Rate	2.44%

Medical Aid Inflation

The Medical Aid Contribution Inflation rate was set with reference to the past relationship between the (yield curve based) Discount Rate for each relevant time period and the (yield curve based) Medical Aid Contribution Inflation for each relevant time period.

South Africa has experienced high health care cost inflation in recent years. The annualised compound rates of increase for the last ten years show that registered medical aid schemes contribution inflation outstripped general CPI by almost 3% year on year. These increases are not considered to be sustainable and have assumed that medical aid contribution increases would out-strip general inflation by 2.5 % per annum over the foreseeable future.

Average Retirement Age

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

Normal Retirement Age

The normal retirement age (NRA) for all active employees was assumed to be 65 years.

Mortality Rates

Mortality before retirement has been based on the SA 85-90 mortality tables. Mortality post-employment (for pensioners) has been based on the PA (90) ultimate mortality tables. No explicit assumption was made about additional mortality or health care costs due to AIDS.

Spouses and Dependants

it was assumed that the marital status of members who are currently married will remain the same up to retirement. It was also assumed that 90% of all single employees would be married at retirement with no dependent children. Where necessary it was assumed that female spouses would be five years younger than their male spouses at retirement and vice versa.

Notes to the Financial Statements

	2024	2023

12. Employee benefit obligations (continued)

Sensitivity analysis

The valuation is only an estimate of the cost of providing post-employment medical aid benefits. The actual cost to the municipal entity will be dependent on actual future levels of assumed variables.

In order to illustrate the sensitivity of our results to changes in certain key variables, the liabilities have been recalculated using the following assumptions:

-20% increase/decrease in the assumed level of mortality;
-1% increase/decrease in the discount rate
-1% increase/decrease in the medical aid inflation.
-1 year increase/decrease in the average retirement age

Mortality rate

Deviations from the assumed level of mortality experience of the current employees and the continuation members (pensioners) will have a large impact on the actual cost to the municipal entity. If the actual rates of mortality turn out higher than the rates assumed in the valuation basis, the cost to the municipal entity in the form of subsidies will reduce and vice versa.

The effect of higher and lower mortality rates is illustrated by increasing and decreasing the mortality rates by 20%. The effect is as follows:

	-20% Mortality rate	Valuation Assumption	+20% Mortality rate
Total Accrued Liability	112 160 000	104 219 000	97 445 000
Interest Cost	15 995 000	14 852 000	13 877 000
Service Cost	7 832 000	7 225 000	6 706 000
	135 987 000	**126 296 000**	**118 028 000**

Discount rate

The value of the liability is directly dependent on the level of the discount rate used to discount the future expected cashflows. If the discount rate is higher the present value of the liability will be lower and vice versa.

The effect of a 1% p.a. change in the discount rate assumption was tested. The effect is as follows:

	-1% Discount rate	Valuation Assumption	+1% Discount rate
Total Accrued Liability	122 716 000	104 219 000	89 425 000
Interest Cost	16 262 000	14 852 000	13 633 000
Service Cost	8 830 000	7 225 000	5 975 000
	147 808 000	**126 296 000**	**109 033 000**

Notes to the Financial Statements

	2024	2023

12. Employee benefit obligations (continued)

Medical aid inflation

The cost of the subsidy after retirement is dependent on the increase in the contributions to the medical aid scheme before and after retirement. The rate at which these contributions increase will thus have a direct effect on the liability of future retirees.

The effect of a 1% p.a. change in the medical aid inflation assumption was tested. The effect is as follows:

	-1% Medical aid inflation	Valuation Assumption	+1% Medical aid inflation
Total Accrued Liability	96 000 000	104 219 000	109 555 000
Interest Cost	13 662 000	14 852 000	15 622 000
Service Cost	6 481 000	7 225 000	7 664 000
	116 143 000	**126 296 000**	**132 841 000**

Average retirement age

The liability value is directly influenced by the assumption about the average retirement age of members as this determines the length these benefits are paid out to members.

The effect of a one-year increase and decrease in the assumed average retirement age was tested. The effect is as follows:

	-1-year Average Retirement Age	Valuation Assumption	+1-year Average Retirement Age
Total Accrued Liability	114 623 000	104 219 000	94 203 000
Interest Cost	16 355 000	14 852 000	13 431 000
Service Cost	8 194 000	7 225 000	6 502 000
	139 172 000	**126 296 000**	**114 136 000**

Maturity analysis of the defined benefit obligations

Assuming that the post-employment medical aid subsidy policy stays the same and that the actuarial assumptions are borne out in practice the municipal entity's unfunded accrued liability and future service cost can be projected as follows:

Expected estimate changes in the value of the obligation:

	Current Valuation Date 30-06-2024	1 Year Following the Valuation Date	2 Years Following the Valuation Date	3 Years Following the Valuation Date
PV of the obligation as at the previous Valuation Date	90 713 000	104 219 000	124 951 000	150 040 000
Current Service Cost	5 990 000	7 225 000	8 226 000	9 366 000
Interest Cost	12 045 000	14 852 000	17 820 000	21 357 000
Benefits paid	(983 751)	(1 345 000)	(957 000)	(1 231 000)
Actuarial Loss / (Gain)	(3 545 249)	-	-	-
	104 219 000	**124 951 000**	**150 040 000**	**179 532 000**

Notes to the Financial Statements

	2024	2023

12. Employee benefit obligations (continued)

Maturity Analysis:

	Payable			
	Within one year from valuation date	**Between 1 and 5 years from valuation date**	**Longer than 5 years from valuation date**	**Total**
Liability value	1 345 000	3 523 000	99 351 000	150 040 000

13. Finance lease obligation

	2024	2023
Minimum lease payments due		
- within one year	-	1 566 823
	-	1 566 823
less: future finance charges	-	(55 644)
Present value of minimum lease payments	**-**	**1 511 179**
Present value of minimum lease payments due		
- within one year	-	1 511 179

It is the municipal entity's policy to lease certain photo copier machines under finance leases. The average lease term is 3 years and the average effective borrowing rate was 9.25%. Initial lease payments varied between R6 442 and R8 647 per month and are subject to prime lending rates.

Lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default.

Defaults and breaches

No default of the principal, interest or redemption terms of finance lease obligations occurred during the financial year.

Notes to the Financial Statements

	2024	2023

14. Long service awards

Reconciliation of long service awards - 2024

	Opening Balance	Actuarial (gains)/losses	Utilised during the year	Current service costs	Interest costs	Total
Provision for long service award	27 632 000	(1 706 973)	(2 400 027)	2 634 000	3 521 000	29 680 000

Reconciliation of long service awards - 2023

	Opening Balance	Actuarial (gains)/losses	Utilised during the year	Current service costs	Interest costs	Total
Provision for long service award	27 676 001	(4 302 070)	(1 818 931)	2 838 000	3 239 000	27 632 000

	2024	2023
Non-current liabilities	27 710 000	27 019 000
Current liabilities	1 970 000	613 000
	29 680 000	**27 632 000**

The long service awards liability arises from the municipal entity being a party to the Collective Agreement on Conditions of Service for the Free State Division of SALGBC . This agreement is effective from 1 August 2023.

The long service awards plan is a defined benefit plan. At year end 775 (2023 - 678) employees were eligible for long service bonuses.

The current service cost for the ensuing year is estimated to be R 3 017 000 (2023 - R 2 634 000) whereas the interest-cost for the next year is estimated to be R 3 102 000 (2023 - R 3 521 000).

As at the valuation date, the long service award liability of the organisation was unfunded, i.e. no dedicated assets have been set aside to meet this liability. Therefore no assets were valued as part of the valuation.

Valuation method

The Projected Unit Credit funding method has been used to determine the past-service liabilities at the valuation date and the projected annual expense in the year following the valuation date.

Long service awards liabilities

The expected value of each employee's long service award is projected to the next interval by allowing for future salary growth.

Long service benefits are awarded in the form of leave days and a percentage of salary. The awarded leave days have been converted into a percentage of the employee's annual salary. The conversion is based on a 250 working day year.

The calculated award values are then discounted at the assumed discount interest rate to the date of calculation. There was also allowed for mortality, retirements and withdrawals from service.

The accrued liability is determined on the basis that each employee's long service benefit accrues uniformly over the working life of an employee up to the end of the interval at which the benefit becomes payable.

Any employee that has five or more years' service with the municipality and leaves the service of the municipality for any reason, excluding reasons relating to misconduct, shall receive a pro-rata long service bonus for any uncompleted period service stipulated above.

Notes to the Financial Statements

	2024	2023

14. Long service awards (continued)

The key assumptions utilised by management in determining the long service awards liability are listed below:

Discount rate	Yield Curve	Yield Curve
Normal salary increase rate	CPI + 1%	CPI + 1%
Net effective discount rate	Yield Curve Based	Yield Curve Based
Mortality	SA 85-90 mortality tables	SA 85-90 mortality tables
Normal retirement age	65	65
Average retirement age	63	63
Consumer price inflation (CPI)	Difference between nominal and real yield curve	Difference between nominal and real yield curve

Total expense recognised in the statement of financial performance under the line item employee related costs:

Current service cost	2 634 000	2 838 000
Interest cost	3 521 000	3 239 000
Actuarial (gains) / losses	(1 706 973)	(4 302 070)
	4 448 027	**1 774 930**

Present value of long service award obligation:

Present value of long service award as at 30 June 2024	(29 680 000)
Present value of long service award as at 30 June 2023	(27 632 000)
Present value of long service award as at 30 June 2022	(27 676 000)
Present value of long service award as at 30 June 2021	(25 649 001)
Present value of long service award as at 30 June 2020	(20 999 000)

Financial variables

The two most important financial variables used in our valuation are the discount rate and salary inflation/increase.

Discount rate:

GRAP 25 defines the determination of the discount rate assumption to be used as follows:

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

In accordance with the above, the nominal and real zero curves as at 30 June 2024 supplied by the JSE was used to determine the discounted rates and CPI assumptions at each relevant time period.

The net effective discount rate:.

The net effective discount rate is different for each relevant time period of the yield curves’ various durations and therefore the net effective discount rate is based on the relationship between the (yield curve based) discount rate for each relevant time period and the (yield curve based) salary Inflation for each relevant time period.

Notes to the Financial Statements

	2024	2023

14. Long service awards (continued)

Although the yield curve was used as discount rates and corresponding inflation rates, for indicative purposes below illustrates the discount rate and CPI that corresponds to the implied duration of the liability. The implied duration of the liability for this valuation is 6,48 years. It is however important to note that this is solely for indicative purposes as the entire yield curve is used to obtain the financial variables.

Financial Variable	Assumed Value
Discount Rate	10.84%
CPI (Consumer Price Inflation)	5.60%
Normal Salary Increase Rate	6.60%
Net Effective Discount Rate	3.98%

Normal salary inflation/increase rate:

The underlying future rate of consumer price index inflation (CPI inflation) was derived from the relationship between the (yield curve based) Conventional Bond Rate for each relevant time period and the (yield curve based) Inflation-linked Bond rate for each relevant time period. The assumed rate of salary inflation was set as the assumed value of CPI plus 1%. The salaries used in the valuation include an assumed increase on 01 July 2024 of 5.1%. The next salary increase was assumed to take place on 01 July 2025.

Interest cost:

The interest cost represents the accrual of interest on the accrued defined benefit obligation, allowing for benefit payments, over the corresponding year. This arises because the long service benefits are one year closer to payment.

Current service cost:

The current service cost reflects the additional liability that is expected to accrue in respect of in members' service over the corresponding year.

Actuarial gain:

The main reasons for the actuarial gain can be attributed to the following factors:

1. Changes in economic variables - The nominal and real zero curves as at 28 June 2024 supplied by the JSE was used to determine the discount rates and CPI assumptions at each relevant time period. As a result, the interest rates, bond yields and inflation figures changed. This resulted in a decrease in liability of around R 405 000.

2. Expected payments different from expected - Over the past financial year, the expected long service payments for members were different than assumed in the previous valuation. The expected payments to be made was R5 713 000 while only R2 400 027 was paid out in 2023. This resulted in a decrease in liability of around R 2 772 973.

3. Membership changes and other smaller assumptions – Over the past financial year, the total members increased significantly, and a pro rata long service payout was added to the valuation. This, along with other smaller assumptions resulted in an increase in the liability of around R 1 471 000.

Sensitivity analysis:

In order to illustrate the sensitivity of the results to changes in certain key variables, the liabilities have been recalculated using the following assumptions:

- 20% increase/decrease in the assumed level of withdrawal rates;
- 1% increase/decrease in the discount rate
- 1% increase/decrease in the normal salary cost inflation

Notes to the Financial Statements

	2024	2023

14. Long service awards (continued)

Withdrawal rate:

Deviations from the assumed level of withdrawal experience of the eligible employees will have a large impact on the actual cost to the Organisation. If the actual rate of withdrawal turns out to be higher than the rates assumed in the valuation basis, then the cost to the Organisation in the form of benefits will reduce and vice versa. The effect of higher and lower withdrawal rates have been illustrated by increasing and decreasing the withdrawal rates by 20%. The effect is as follows:

Withdrawal rate	-20% Withdrawal rate	Valuation Assumption	+20% Withdrawal rate
Total Accrued Liability	30 996 000	29 680 000	28 466 000
Current Service Cost	3 201 000	3 017 000	2 852 000
Interest Cost	3 254 000	3 102 000	2 961 000

Normal salary inflation:

The cost of the long service awards is dependent on the increase in the annual salaries paid to employees. The rate at which salaries increase will thus have a direct effect on the liability of future employees.

The effect of a 1% p.a. change in the normal salary inflation assumption was tested. The effect is as follows:

Normal salary inflation	-1% Normal salary inflation	Valuation Assumption	+1% Normal salary inflation
Total Accrued Liability	27 985 000	29 680 000	31 532 000
Current Service Cost	2 829 000	3 017 000	3 225 000
Interest Cost	2 907 000	3 102 000	3 314 000

Discount rate:

The value of the liability is directly dependent on the level of the discount rate used to discount the future expected cashflows. If the discount rate is higher the present value of the liability will be lower and vice versa.

The effect of a 1% p.a. change in the discount rate assumption was tested. The effect is as follows:

Discount rate	-1% Discount rate	Valuation Assumption	+1% Discount rate
Total Accrued Liability	31 474 000	29 680 000	28 062 000
Interest Cost	3 218 000	3 017 000	2 837 000
Service Cost	3 002 000	3 102 000	3 185 000

Notes to the Financial Statements

	2024	2023

15. Other financial liabilities

At amortised cost		
Capital Advances Mangaung Metropolitan Municipality	41 190 373	47 744 789
The capital funding provided to the municipal entity is repayable in monthly installments based on the estimated useful life of the capital asset as initially determined by Mangaung Metropolitan Municipality. The capital funding provided to the municipal entity will bear interest annually at the interest rate equal to the prime lending rate on the first day of each financial year and shall thereafter be fixed for the entire financial year. The prime interest rate at 1 July 2023 was 11.75% (2022/23: 8.25%)		
Intercompany loan	822 297 757	813 738 269
The repayment terms of the intercompany loan was amended to be payable at the end of June 2025. The intercompany loan bears interest annually at the interest rate equal to the prime lending rate on the first day of each financial year calculated on the average of the opening balance and closing balance of the loan. The prime interest rate at 1 July 2023 was 11.75% (2022/23: 8.25%)		
ESKOM	128 940 293	257 880 585
The municipal entity applied for ESKOM debt relief in terms of MFMA Circular no. 124. In terms of this circular the ESKOM debt balance payable as at 31 March 2023 of R386 820 878 will be written off over a three year period. One third (2023: Two thirds) of this value is thus recognised as a non current other financial liability.		
	992 428 423	**1 119 363 643**
Total other financial liabilities	**992 428 423**	**1 119 363 643**

There were no defaults on the financial liability during the reporting period.

Non-current liabilities		
At amortised cost	985 874 007	1 112 809 227
Current liabilities		
At amortised cost	6 554 416	6 554 416

16. Payables from exchange transactions

Accrued bonus	12 783 889	10 829 003
Accrued leave pay	35 988 785	31 857 005
Deferred revenue	21 153 125	19 336 993
Electricity connections	15 015 231	13 942 470
Mantsopa Local Municipality	166 870	170 074
Operating expense accrual	6 934 687	5 619 183
Retention creditors	7 710 430	4 501 083
Salary control	13 999 566	6 109 313
Trade payables	979 152 663	484 243 844
Unallocated consumer and vendor payments received in advance	35 991 684	25 522 925
	1 128 896 930	**602 131 893**

Notes to the Financial Statements

	2024	2023

17. VAT payable

VAT Control	(20 875 960)	4 978 010
VAT Output Accrual	273 259 316	242 545 380
	252 383 356	**247 523 390**

VAT Receivable and VAT Payable are exchange transactions.

VAT Receivable and VAT Payable are statutory arrangements.

A prior period reclassification was done to separately disclose the statutory payable amount from the other VAT payable from exchange transactions in the previous financial year.

18. Loans to (from) shareholders ble

Mangaung Metropolitan Municipality	(803 609 369)	(803 609 369)

The loans are unsecured and bears interest at the lower of 15% of the revenue (sale of electricity and pre-paid electricity) of the municipal entity for the previous financial year or the interest rate on the loan for the financial year ended 30 June 2011 adjusted annually for the CPI applicable to the Public Finance Sector.

Installments of R267 867 789 are payable every five (5) years with the initial payment on 30 June 2015.

There were no defaults on the shareholders loan during the reporting period.

19. Share capital

Authorised		
1000 Ordinary shares or par value of R1	1 000	1 000
Issued		
100 Ordinary shares	100	100

20. Revaluation reserve

Revaluation surplus beginning of period	4 115 442 419	4 101 830 967
Movements in the reserve for the year	(5 936 553)	13 611 452
Closing balance	**4 109 505 866**	**4 115 442 419**

Notes to the Financial Statements

	2024	2023

21. Other NDR

In accordance with the terms of the NERSA (National Energy Regulator of South Africa) agreement it was agreed that R60 000 000 is to be held as a non-distributable reserve.

Non-distributable reserve beginning of period	60 000 000	60 000 000
Movements in the reserve for the year	-	-
Closing balance	**60 000 000**	**60 000 000**

22. Service charges

Free services recoverable	29 734 071	24 474 406
Sale of electricity	1 826 216 930	1 574 061 776
Sale of pre-paid electricity	1 347 166 428	1 216 009 014
	3 203 117 429	**2 814 545 196**

23. Other income

Credit control fees	3 951 859	2 962 296
Fines & reconnection income	3 447 861	4 846 035
Insurance claim recovery	880 849	4 639 039
Legal settlements	108 461	2 362 278
New connections	8 439 345	15 957 959
Sale of clearance certificates	675 089	751 039
Street lighting	117 449 370	99 876 206
Training income	680 020	642 668
Transaction handling fees	273 641	248 056
	135 906 495	**132 285 576**

24. Interest Income

Interest revenue		
Interest on ABSA current account	2 932 320	1 241 506
Interest on loans and other receivables from exchange transactions	26 310	57 347
Interest on consumer receivables from exchange transactions	37 807 692	24 795 511
Interest on bank investments	647 126	1 020 431
Interest received - Eskom deposit	44 864	27 923
	41 458 312	**27 142 718**

Short-term deposits consists of an ABSA 1 Day call account with varying interest rates between 0.00% and 7.05% depending on the amount invested and the change in the prime interest rate

Notes to the Financial Statements

	2024	2023

25. Government grants & subsidies

Capital grants

Urban settlements development grant	21 739 130	22 608 696
Informal settlements upgrading partnership grant	50 434 783	18 501 209
	72 173 913	**41 109 905**

Urban Settlements Development Grant

Current-year receipts	21 739 130	22 608 696
Conditions met - transferred to revenue	(21 739 130)	(22 608 696)
	-	-

The purpose of the grant is to upgrade informal settlements, either by creating formal housing or by upgrading services to informal settlements.

The conditions were met and the grant was transferred to revenue.

Informal settlements upgrading partnership grant

Current-year receipts	50 434 783	18 501 209
Conditions met - transferred to revenue	(50 434 783)	(18 501 209)
	-	-

The grant is aimed at using funding to intensify efforts to upgrade informal settlements. The grant aims to provide the means for households to receive water, electricity and sanitation services, and to supply informal settlements with public lighting, roads, stormwater drainage systems and refuse removal.

The conditions were met and the grant was transferred to revenue.

26. Unclaimed Money Forfeits

Unclaimed Money Forfeits	1 132 566	22 010 038

During the current and prior financial year unclaimed monies older than 3 years as at year end 30 June was recognised as revenue.

27. Agency services

Management fees	7 279 311	6 227 547

Agency services relates to administration, network- and vending charges rendered to the Southern Free State towns.

Notes to the Financial Statements

	2024	2023

28. Employee related costs

	2024	2023
Basic salary and wages	309 623 544	277 523 529
Bargaining council	102 579	90 785
Housing benefits and allowances	1 967 526	1 770 598
Leave pay provision charge	5 234 803	760 172
Long-service awards	4 448 027	1 774 929
Medical aid - company contributions	29 656 838	25 852 678
Overtime payments	72 372 164	62 177 325
Pension and provident fund contributions	49 408 852	44 681 667
Post employment medical aid	14 489 751	1 227 682
SDL	4 170 307	3 724 882
Travel, motor car, accommodation, subsistence and other allowances	32 448 629	30 153 491
UIF	1 592 518	1 482 916
	525 515 538	**451 220 654**

Remuneration of Chief Executive Officer - Mr. MS Sekoboto

	2024	2023
Annual Remuneration	2 479 770	2 222 965
Travel, motor car, accommodation, subsistence and other allowances	144 000	144 244
Contributions to UIF, Medical and Pension Funds	28 260	25 685
	2 652 030	**2 392 894**

Remuneration of Chief Financial Officer - ZSN Williams

	2024	2023
Annual Remuneration	666 328	-
Travel, motor car, accommodation, subsistence and other allowances	156 000	-
Contributions to UIF, Medical and Pension Funds	9 533	-
Acting allowance - S.K. Zziwa	-	87 329
Acting allowance - M.J. Lenka	118 842	65 654
	950 703	**152 983**

Mr. S.K. Zziwa was appointed as the acting Chief Financial Officer in July 2021 and acted until February 2023. Me. M.J. Lenka was appointed as the acting Chief Financial Officer in March 2023 and acted until January 2024. Me. Z.S.N. Williams was appointed as the new Chief financial Officer in February 2024.

Remuneration of Executive Manager: Compliance and Performance - Mr. MD Mahao

	2024	2023
Annual Remuneration - NA Leteno	455 113	981 072
Travel, motor car, accommodation, subsistence and other allowances - NA Leteno	106 000	254 400
Contributions to UIF, medical and pension funds - NA Leteno	6 354	14 130
Annual Remuneration - MD Mahao	694 607	-
Travel, motor car, accommodation, subsistence and other allowances - MD Mahao	6 000	-
Contributions to UIF, medical and pension funds - MD Mahao	7 949	-
	1 276 023	**1 249 602**

Me. N.A. Leteno's employment contract came to an end during November 2023. During February 2024 Mr. M.D. Mahao was appointed as the new Executive Manager: Compliance and Performance.

Notes to the Financial Statements

	2024	2023

28. Employee related costs (continued)

Remuneration of Company Secretary - Mr. KC Tsitsi

	2024	2023
Annual Remuneration	833 529	1 218 503
Travel, motor car, accommodation, subsistence and other allowances	12 000	152 400
Contributions to UIF, medical and pension funds	9 586	15 528
	855 115	**1 386 431**

Mr. T. Malgas resigned as the Company Secretary during June 2023. During January 2024, Mr K.C. Tsitsi was appointed as the new Company Secretary.

Remuneration of Executive Manager: Retail - Me. B Motshwene

	2024	2023
Annual Remuneration - Mr. SS Mokoena	423 113	904 272
Travel, motor car, accommodation, subsistence and other allowances - Mr. SS Mokoena	138 000	331 200
Contributions to UIF, medical and pension funds - Mr. SS Mokoena	6 290	13 976
Annual Remuneration - Me. B Motshwene	640 699	-
Travel, motor car, accommodation, subsistence and other allowances - Me. B Motshwene	131 000	-
Contributions to UIF, medical and pension funds - Me. B Motshwene	8 317	-
Acting allowance - Me. B Motshwene	110 143	60 600
	1 457 562	**1 310 048**

Me. B. Motshwene was appointed as the Acting Executive Manager: Retail in March 2023 until January 2024. From February 2024 Me. B. Motshwene was appointed as the new Executive Manager: Retail following the termination of Mr. SS Mokoena's employment contract in December 2023 .

Remuneration of Executive Manager: Wires - Mr. LJ Mojaje

	2024	2023
Annual Remuneration	1 636 309	1 450 492
Travel, motor car, accommodation, subsistence and other allowances	158 400	158 400
Contributions to UIF, medical and pension funds	19 921	18 056
	1 814 630	**1 626 948**

Remuneration of Executive Manager: Human Resources - Me. SSC Tsoai

	2024	2023
Annual Remuneration	1 429 836	1 450 492
Travel, motor car, accommodation, subsistence and other allowances	145 200	158 400
Contributions to UIF, medical and pension funds	17 560	18 056
Acting allowance - M. Molemela	15 969	-
	1 608 565	**1 626 948**

Me. S.S.C. Tsoai resigned as Executive Manager: Human Resources during May 2024. Me. M. Molemela was appointed as acting Executive Manager: Human Resources during June 2024.

Notes to the Financial Statements

	2024	2023

28. Employee related costs (continued)

Remuneration of non-executive directors

Annual Remuneration	1 138 301	-

No emoluments were paid to the non-executive directors during the prior financial year.

29. Depreciation and amortisation

Property, plant and equipment	220 944 150	222 931 357
Intangible assets	8 369 555	8 503 830
	229 313 705	**231 435 187**

30. Impairment loss

Impairments		
Property, plant and equipment	3 074 545	41 385 930
The recoverable amount of the asset was assessed at the end of the financial year and it was found to be less than the carrying amount of the asset based on asset condition and an impairment loss was raised.		
Inventories	1 241 630	3 384 578
An assessment of the net realisable value against cost was performed and inventory was written down.		
	4 316 175	**44 770 508**

31. Finance costs

Capital advances Mangaung Metropolitan Municipality	5 610 013	4 483 787
Finance leases	55 645	270 307
Interest on intercompany loan	90 783 581	64 188 863
Interest on shareholders loan	176 223 986	165 649 995
Trade and other payables	7 442 834	49 143 797
	280 116 059	**283 736 749**

32. Contributions to /(Reversal of) debt impairment provision

Contributions to /(Reversal of) debt impairment provision	68 360 237	(56 751 727)

Notes to the Financial Statements

	2024	2023

33. Bulk purchases

Electricity - Eskom	2 470 251 136	2 140 676 408

34. General expenses

Advertising & marketing	792 512	1 649 188
Auditors remuneration	6 715 099	6 601 435
Bank charges	1 468 279	1 843 363
Bursaries	410 674	218 748
Commission paid	60 876 544	56 919 571
Conferences and delegations	654 674	526 232
Consulting and professional fees	17 794 456	15 980 453
Credit control fees	10 403	108 881
Entertainment	270 523	138 828
Fines and penalties	-	87 315
Fuel and oil	12 779 128	12 338 543
Insurance	10 945 892	9 096 607
Internal audit fee	2 321 560	-
Inventory consumed *	38 828 117	22 636 664
Lease rentals on operating lease	1 010 770	918 882
Legal costs	8 708 012	18 118 111
License fees	6 863 793	8 240 542
Meter reading	11 732 514	2 913 287
Other expenses	2 297 984	315 953
Printing and stationery	2 242 789	2 394 753
Protective clothing	1 718 855	2 683 037
Rented office buildings utilities - Water	133 599	123 253
Repairs and maintenance *	116 128 584	89 132 086
Security services	14 462 909	5 276 224
Staff welfare	1 144 835	201 325
Stores and materials	995 425	441 321
Subscriptions and membership fees	176 358	159 892
Telephone and fax	5 600 490	5 951 102
Training	1 112 436	1 313 116
Travelling	436 131	306 446
Workman's compensation	7 029 062	5 747 756
	335 662 407	**272 382 914**

* A prior period reclassification was done to separately disclose the inventory consumed from the other repairs and maintenance line items.

Notes to the Financial Statements

	2024	2023

35. Taxation

Major components of the tax income

Current		
Local income tax - current period	-	-
Prior year - (Over) / Under provision	-	485 308
	-	**485 308**
Deferred		
Originating and reversing temporary differences	(41 058 138)	30 402 150
Changes in tax rates	-	546 211
Prior year - (Over) / Under provision	-	(485 308)
Assessed loss used	1 256 215 500	1 128 450 550
Assessed loss raised	(1 356 768 414)	(1 256 215 500)
	(141 611 052)	**(97 301 897)**
	(141 611 052)	**(96 816 589)**

Reconciliation of the tax expense

Reconciliation between accounting surplus and tax expense.

Accounting deficit	(455 621 447)	(348 434 640)
Tax at the applicable tax rate of 27% (2023: 27%)	(123 017 791)	(93 922 912)
Tax effect of adjustments on taxable income		
Non-taxable income	(19 486 957)	(11 099 674)
Non-deductible expenses	893 696	7 659 786
Change in rate	-	546 211
	(141 611 052)	**(96 816 589)**

Notes to the Financial Statements

	2024	2023

36. Cash generated from operations

Deficit	(314 010 395)	(251 618 051)
Adjustments for:		
Depreciation and amortisation	229 313 705	231 435 187
Gain on sale of assets and liabilities	3 309 984	28 282 264
Finance costs - Finance leases	55 645	270 307
Impairment	4 316 175	44 770 508
Debt impairment	68 360 237	(56 751 727)
Movements in retirement benefit assets and liabilities	13 506 000	572 000
Movements in long service awards	2 048 000	(44 001)
Annual charge for deferred tax	(141 611 052)	(96 816 589)
Non-cash investing activities - Intercompany related transactions	2 005 072	589 888
Changes in working capital:		
Inventories	(95 815 678)	(5 387 691)
Other receivables from exchange transactions	(48 075 332)	(14 481 370)
Consumer receivables from exchange transactions	16 277 335	35 591 956
Payables from exchange transactions	397 824 745	204 252 748
VAT	4 859 966	30 393 403
Consumer deposits	(1 788 623)	30 121 991
	140 575 784	**181 180 823**

37. Auditors' remuneration

Audit fees	6 715 099	6 601 435

Notes to the Financial Statements

	2024	2023

38. Commitments

Authorised capital expenditure

Approved and contracted for		
• Property, plant and equipment- infrastructure	-	-
Total capital commitments		
Approved and contracted for	-	-

Authorised operational expenditure

Approved and contracted for		
• Contracted services	26 000 614	304 664
Total operational commitments		
Approved and contracted for	26 000 614	304 664

Total commitments

Total commitments		
Authorised capital expenditure	-	-
Authorised operational expenditure	26 000 614	304 664
	26 000 614	**304 664**

This committed expenditure relates to Infrastructure and operational expenditure and will be financed by available government grants, retained surpluses, existing cash resources, funds internally generated, etc.

All commitments include VAT.

Operating leases - as lessee (expense)

Minimum lease payments due		
- within one year	1 111 847	1 010 770

The municipal entity leases a building situated in Botshabelo from Free State Development Corporation (FDC) for an indefinite period which can be terminated by way of a 3 month cancellation clause. Management agreed to rent from FDC for the next financial year at the end of which management will re-assess the likelihood of extending the lease further. The lease rental is escalated annually on 1 December by 10%.

Notes to the Financial Statements

	2024	2023

39. Contingencies

The municipal entity is being sued for the following pending claims. All the claims are being contested based on legal advice. The certainty and the timing of the outflow of these liabilities are uncertain. The possibility for reimbursements relating to these liabilities are uncertain.

	2024	2023
Contingent liabilities		
Litigations of Centlec (SOC) Ltd vs Makola - Litigation relating to repayment of an amount paid by the plaintiff in respect of a quotation for tampering	13 315	13 315
Litigations of Centlec (SOC) Ltd vs H Potgieter relating to civil claim for past and future damages suffered.	100 000	-
Litigations of Centlec (SOC) Ltd vs KPM/CMAI/DOMANI Joint venture - Litigation relating to alleged services rendered to Centlec (SOC) Ltd.	1 544 460	1 494 460
Litigations of Centlec (SOC) Ltd vs Boompies kitchen - Litigation relating to alleged meter tampering and electricity disconnection.	1 115 000	1 115 000
Litigations of Centlec (SOC) Ltd vs Legends 8079 (PTY) Ltd - Litigation relating to a claim for goods allegedly delivered to Centlec (SOC) Ltd.	1 209 407	1 159 407
Litigations of Centlec (SOC) Ltd vs MS Moloabi - Labour dispute relating to unfair dismissal claim.	-	800 000
Litigations of Centlec (SOC) Ltd vs Devovox (Pty) Ltd - Dispute relating to unpaid invoices due.	-	1 064 966
Litigations of Centlec (SOC) Ltd vs Brigida Araujo Caldeira & 3 others - Claim against Centlec (SOC) Ltd for damages arising from motor vehicle accident.	-	10 122
Litigations of Centlec (SOC) Ltd vs JJ van den Berg - Claim against Centlec (SOC) Ltd for damages arising from disconnection of electricity meter box.	10 827	10 827
Litigations of Centlec (SOC) Ltd vs HJ Steyn - Claim against Centlec (SOC) Ltd for damages arising from disconnection of electricity meter box.	21 407	21 407
Litigations of Centlec (SOC) Ltd vs Mario Nel obo Nel Familie Trust - Urgent application for restoration of electricity at Applicant's premises.	250 000	250 000
Litigations of Centlec (SOC) Ltd vs Lavender Hill Guesthouse - Claim against Centlec (SOC) Ltd for reconnection fees.	79 250	49 250
Litigations of Centlec (SOC) Ltd vs JH Viljoen - Application for declaratory order: prescribed claim.	150 414	-
Litigations of Centlec (SOC) Ltd vs FAL Mannor - Claim for repayment of money paid under duress for tampering with electricity meter box.	71 946	-
Litigations of Centlec (SOC) Ltd vs Calvin Family Security Group - Urgent application to interdict termination of contract.	283 500	-
Litigations of Centlec (SOC) Ltd vs S Setai - Application lodged arbitration against Centlec claiming unfair dismissal.	270 000	-
Litigations of Centlec (SOC) Ltd vs MJ Makofane - Applicant approached court on an urgent basis to obtain a rule nisi to have the electricity reconnected.	10 000	-
Litigations of Centlec (SOC) Ltd vs SM Maeyane T/A Malebogo Maeyane attorneys - Plaintiff issued a simple summons for for R1 155 000.00 to review of Centlec's policy against the popi act.	1 455 000	-
Litigations of Centlec (SOC) Ltd vs SK Zziwa - Labour dispute.	200 000	-
Litigations of Centlec (SOC) Ltd vs S Mokoena - Labour dispute.	200 000	-
Litigations of Centlec (SOC) Ltd vs Mohokare Local Municipality - Urgent interdict lodged against Centlec.	250 000	-
Litigations of Centlec (SOC) Ltd vs JE & AM de Villiers - Labour dispute	250 000	-
Litigations of Centlec (SOC) Ltd vs JN Knoetze - Urgent application brought to restore electricity.	250 000	-
Litigations of Centlec (SOC) Ltd vs H Nkomo OBO G Nkota - Claim for damages against the defendant while working within the scope of his employment.	1 250 000	-

Notes to the Financial Statements

	2024	2023

39. Contingencies (continued)

Litigations of Centlec (SOC) Ltd vs H Nkomo OBO G Nkota & five others - Claim for damages against the defendants while working within the scope of their employment. Possible vicarious liability if cited at a later stage.	1 000 000	-
Litigations of Centlec (SOC) Ltd vs Ontec Systems - Claim by Ontec for enforcement of a service level agreement/contract for vending services rendered.	3 145 713	-
	13 130 239	**5 988 754**

40. Change in estimate

Property, plant and equipment

During the year, the municipal entity changed its accounting estimates with respect to property, plant and equipment. In order to conform with the benchmark treatment of GRAP17, the residual values, estimated useful lives and depreciation method were reviewed at 30 June 2024. Adjustments to the useful lives affect the amount of depreciation for the current year and is expected to affect future periods as well.

The aggregate effect of the changes in accounting estimate on the financial statements for the year ended 30 June 2024 is as follows

Depreciation expense before remaining useful lives review	232 164 125
Future decrease in depreciation due to review	(6 416 432)
Depreciation expense after remaining useful lives review	**225 747 693**

41. Prior period errors

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

42.1. Prior period error - Employee benefit obligation - Post employment medical aid liability:

During the period under review an employee benefit obligation for post employment medical aid contributions was raised and accounted for in accordance with GRAP 25 which had not been accounted for in previous financial years. Actuarial valuations were obtained for the current and prior years. A correction was made and the comparative statements for the 2022/23 and prior financial years have been restated. The effect of the correction of the error(s) is summarised below:

Statement of Financial Position	
Increase in current liabilities - Employee benefit obligation	(17 208 000)
Increase in non-current liabilities - Employee benefit obligation	(73 505 000)
Statement of financial performance	
Decrease in employee related costs - Medical aid - company contributions	(655 682)
Increase in employee related costs - Post employment medical aid contributions	1 227 682
Decrease in opening accumulated surplus or deficit	90 141 000

Notes to the Financial Statements

	2024	2023

42. Events after the reporting date

The directors are not aware of any material matter or circumstances arising since the end of the financial year to the date of this report in respect of matters which would require adjustments to or disclosures in the financial statements.

43. Going concern

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

The following analysis supports the going concern assumption:

- Total assets (R 8 508 318 653) exceed total liabilities (R 4 781 209 307).

- The municipal entity has an accumulated surplus and other reserves of R 3 727 109 346.

The following analysis illustrates material uncertainties that may affect the going concern assumption:

- Current liabilities (R 1 569 243 879) exceed current assets (R 877 585 680).

- The municipal entity incurred a deficit of R 314 010 395 for the current financial year.

These events and conditions indicate that a material uncertainty exists that may cast significant doubt on the entity’s ability to continue as a going concern.

Management has reviewed the municipal entity's cash flow forecast for the year ended 30 June 2024. The municipal entity reported a trading deficit of R 314 010 395 which is mainly attributed to the declining trend in the revenue customer base due to the impact of loadshedding and the interest on the shareholders and intercompany loans.

The municipal entity and the parent municipality have continued with the resolution to defer the current liabilities related to the deemed sale of business agreement and the intercompany loans.

Discussions with the parent municipality to revise the entire sale of business agreement are still ongoing. Upon resolution of the new revised agreement it is expected to minimise the impact that the shareholder loan, capital redemption and interest charged on the intercompany related loans will have on the municipal entity's operations.

The revenue protection unit's effort to curb meter tampering/bypassing is likely to improve revenue collection.

The municipal entity owed Eskom R1 099 284 804 (2023: R737 644 103) as at 30 June 2024, which was long overdue.

The entity applied and was approved for Eskom debt relief in terms of national Treasury circular 124 to the value of R386 820 875. This will greatly assist in reducing the Eskom liability of the municipal entity in the future.

The entity still has the capacity and ability to continue with providing the services it is mandated to at the approved rates and will thus generate revenue from services in the future.

Notes to the Financial Statements

	2024	2023

44. Related parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions or if the related party entity and another entity are subject to common control.

Related parties include:

- entities that are directly or indirectly controlled by the municipality;
- associates;
- joint ventures and management;
- key management personnel, and close members of the family of key management personnel;
- entities in which a substantial ownership interest is held, directly or indirectly, by key management personnel or entities over which such a person is able to exercise significant influence;
- entities that control or exert significant influence over the municipality; and
- management entities providing key management services

Controlling entity

Mangaung Metropolitan Municipality is the sole shareholder of the municipal entity. The municipal entity was formed to take over all activities in respect of the supply of electricity.

Executive management

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the municipal entity, directly or indirectly, including any director (whether executive or otherwise) of the municipal entity. The municipal entity's key management personnel includes the Chief Executive Officer, Chief Financial Officer, Company Secretary and Executive Managers.

Close family members of key management personnel are considered to be those family members who may be expected to influence, or to be influenced by key management individuals, in their dealings with the group.

Related party balances

	2024	2023
Loan accounts - Owing (to) by related parties		
Mangaung Metropolitan Municipality - Advances	(41 190 372)	(47 744 789)
Mangaung Metropolitan Municipality - Shareholders loan	(803 609 369)	(803 609 369)
Mangaung Metropolitan Municipality - Intercompany loan balance	(822 297 757)	(813 738 269)
Issued share capital		
Mangaung Metropolitan Municipality	100	100
Percentage of shares owned by Mangaung Metropolitan Municipality	100%	100%

Related party transactions

	2024	2023
Interest paid to (received from) related parties		
Mangaung Metropolitan Municipality - Advances	5 610 013	4 483 787
Mangaung Metropolitan Municipality - Shareholders loan	176 223 986	165 649 995
Mangaung Metropolitan Municipality - Intercompany loan balance	90 783 581	64 188 863
Purchases from (sales to) related parties		
Mangaung Metropolitan Municipality - Amounts received on behalf of Centlec (SOC) Ltd	(11 993)	(33 157)

Notes to the Financial Statements

	2024	2023

44. Related parties (continued)

Mangaung Metropolitan Municipality - Fuel issued to Mangaung Metropolitan Municipality	(176 802)	(13 037)
Mangaung Metropolitan Municipality - Electricity charges - Municipal consumption & training	(75 571 157)	(62 439 297)
Mangaung Metropolitan Municipality - Reimbursable expenses - USDG grant	(21 739 130)	(22 608 696)
Mangaung Metropolitan Municipality - Reimbursable expenses - ISUPG grant	(50 434 783)	(18 501 209)
Mangaung Metropolitan Municipality - Reimbursable expenses - Free basic services	(29 734 070)	(24 474 406)
Mangaung Metropolitan Municipality - Streetlight consumption	(117 449 370)	(99 876 206)
Mangaung Metropolitan Municipality - Capital advance redemption	6 554 416	6 604 149
Mangaung Metropolitan Municipality - Centlec (SOC) Ltd telephone expense incurred by Mangaung Metropolitan Municipality.	361 517	-

Transfers made to (received from) related parties

Mangaung Metropolitan Municipality - Cash transfers to Mangaung Metropolitan Municipality	-	10 000 000

The sale of business and service level agreement which govern the relationship between Mangaung Metropolitan Municipality and Centlec (SOC) Ltd were reviewed by Council. As a result the recoverability of certain intercompany loan balances and -receivables (included as part of the trade receivables) relating to revenue from streetlighting and electricity usage by Mangaung Metropolitan Municipality properties are also subject to review by Council.

Compensation to directors and other key management

Annual remuneration	9 259 303	8 227 796
Travel, motor car, accommodation, subsistence and other allowances	996 600	1 199 044
Contributions to UIF, medical and pension funds	113 769	105 431
Acting allowance	244 953	213 583
Directors fee	1 138 301	-
	11 752 926	**9 745 854**

Key management information

Class	Number
Non-executive board members	6
Executive board members	2
Executive management	6

Remuneration of management

Management class: Board members (Non-Executive)

2024

Refer to note 46 "Director's emoluments"

Management class: Executive management

*Refer to note "Employee related costs"

Notes to the Financial Statements

	2024	2023

45. Directors' emoluments

No emoluments were paid to the non executive directors during the prior financial year.

Below is a breakdown of emoluments paid to the non executive directors during the current financial year.

Non-executive

2024	Directors' fees	Total
Mr. MC Mokitlane (Chairperson)	268 746	268 746
Me. MB Mfanta (Deputy Chairperson)	243 660	243 660
Me. G Mohanoe	151 160	151 160
Mr. DR Barlow	170 055	170 055
Mr. NT Baloyi	164 857	164 857
Mr. MA Mopeli	139 823	139 823
	1 138 301	**1 138 301**

46. Fruitless and wasteful expenditure

	2024	2023
Opening balance as previously reported	104 220 188	54 959 574
Expenditure incidents identified during the financial year	7 442 834	49 260 614
Closing balance	**111 663 022**	**104 220 188**

Fruitless and wasteful expenditure is presented exclusive of VAT in instances where VAT is applicable.

Expenditure identified in the current year include those listed below:

Details of fruitless and wasteful expenditure

Incident	Disciplinary steps taken/criminal proceedings	2024	2023
Interest & penalties relating to PAYE payable to SARS	The interest and penalty was incurred due to an error on the monthly EMP201 identified with the EMP501 reconciliation. The incident is currently being investigated, but was subsequently corrected and the incident will be considered for consequence management.	-	116 817
Interest incurred on late payment of TELKOM accounts	The interest was incurred due to late payment that was as a result of invoice disputes. No official of the entity is liable and the expense will be submitted to council for consideration of write off.	23 488	33 454
Interest incurred on late payment of ESKOM accounts	The interest was mainly incurred due to billing and collecting cycles relating to ESKOM payment terms being 15 days opposed to consumer payment terms of 30 days which resulted in the interest being levied. The cycles were subsequently aligned during the latter part of the current year under review. Subsequently Centlec (Soc) Ltd was also successfully approved as part of the ESKOM debt relief program in terms of MFMA circular no 124 as at 31 March 2023. An amount of R42 186 311 was written off by ESKOM during the current financial year. No official of the entity is liable and expense will be submitted to council for consideration of write off.	7 419 346	49 110 343
		7 442 834	**49 260 614**

Notes to the Financial Statements

	2024	2023

46. Fruitless and wasteful expenditure

Analysis of fruitless and wasteful expenditure to be considered for write off by council are as follows:

	2024	2023
Opening balance	104 220 188	54 959 574
Relating to prior year	-	-
Current year	7 442 834	49 260 614
	111 663 022	**104 220 188**

47. Irregular expenditure

	2024	2023
Opening balance as previously reported	1 071 142 023	914 795 080
Expenditure incidents identified during the financial year	761 779	228 537
Add: Irregular expenditure - (Overspending of approved budget) - current	468 716 707	156 118 406
Closing balance	**1 540 620 509**	**1 071 142 023**

Irregular expenditure is presented exclusive of VAT in instances where VAT is applicable.

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

Incident	**Disciplinary steps taken/criminal proceedings**	2024	2023
Procurement in contravention with Supply Chain Management policy, Municipal Financial Management Act and Municipal Systems Act.	Section 36 1(a) of the Supply Chain Management Regulations was not fully complied with. The incidents were investigated and subsequently corrected. The SCM policy for the year under review has been updated and approved by council and subsequently implemented. The incident will be considered for consequence management. The expenditure will be submitted to council for consideration to be condoned.	663 025	104 580
Procurement in contravention with Supply Chain Management policy, Municipal Financial Management Act and Municipal Systems Act.	Regulation 4(1) of the Preferential Procurement Regulations of 2022 was not fully complied with due to irregular relating application of the 80/20 points system for three quotes. The was investigated and subsequently corrected. The expenditure will be submitted to council for consideration for condonement.	-	91 784
Irregular payment of employee related costs	The expenditure originated due to employees being remunerated in excess of their contractual remuneration. The incident was investigated and debt acknowledgment with affected employees was agreed upon. Implementation of repayment agreements were entered into.	-	32 173

Notes to the Financial Statements

		2024	2023

47. Irregular expenditure (continued)

Procurement in contravention with Supply Chain Management policy, Municipal Financial Management Act and Municipal Systems Act.	The expenditure occurred due to a Formal Written Quotation process awarded to a service provider which has a director who is in employment of an organ of state. The incident was investigated and it was discovered that the director is no longer in employment of an organ of state. The incident will be considered for consequence management. The expenditure will be submitted to council for consideration to be condoned.	54 631	-
Procurement in contravention with Supply Chain Management policy, Municipal Financial Management Act and Municipal Systems Act.	The expenditure occurred due to procurement not being compliant with section 52 of the SCM policy. The incident is currently being considered for investigation and possible consequence management. The expenditure will be submitted to council for consideration for condonement.	33 888	-
Procurement in contravention with Supply Chain Management policy, Municipal Financial Management Act and Municipal Systems Act.	The expenditure occurred due to non compliance with section 36 1(a) of the supply chain management regulation. The incident is currently being considered for investigation and possible consequence management. The expenditure will be submitted to council for consideration for condonement.	10 235	-
Total irregular expenditure.		**761 779**	**228 537**

Overspending of approved budget: cash items

Overspending on cash items occurred during the financial year. No disciplinary steps were taken as the overspending is mainly attributed to: - actual figures at year end including provision amounts such as leave-, bonus- and long service provisions which could not be budgeted for accurately due to their unpredictable nature. - an increase in un-anticipated factors such as overtime and acting allowances - expenditure budget cuts during the adjustment budget resulting in under budgeting on bulk purchases. The expenditure will be submitted to council for consideration of condonement.	468 716 707	156 118 406

Analysis of expenditure to be considered for condonement by council per age classification

Current year	469 478 486	156 346 943
Prior years	1 071 142 023	914 795 080
	1 540 620 509	**1 071 142 023**

Irregular expenditure is calculated inclusive of VAT while the figures disclosed above have been presented exclusive of VAT.

The cumulative irregular expenditure balance as at 30 June 2024 will be submitted to all statutory committees and council to be considered for condonement during the next financial year.

Notes to the Financial Statements

	2024	2023

48. Additional disclosure in terms of Municipal Finance Management Act

Audit fees

	2024	2023
Opening balance	244 420	424 942
Current year fee	6 715 099	6 601 435
Amount paid - current year	(6 626 767)	(6 357 015)
Amount paid - previous years	(244 420)	(424 942)
	88 332	**244 420**

Councillors' arrear consumer accounts

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

Councillor	July 2023	August 2023	September 2023	October 2023
JH Denner	2 412	2 429	2 446	2 462
JI Mokoena	40 527	40 527	40 527	40 527
LER Rasoeu	584	584	584	584
GMS Nthatisi	70 588	70 588	70 588	70 588
BJ Viviers	4 574	3 431	(1 307)	1 396
VS Saqaca	408	408	408	408
	119 093	**117 967**	**113 246**	**115 965**

Councillor	November 2023	December 2023	January 2024	February 2024
JH Denner	2 479	2 496	2 512	2 529
JI Mokoena	40 527	40 527	40 527	40 527
LER Rasoeu	584	584	584	584
GMS Nthatisi	70 588	70 588	70 588	70 588
BJ Viviers	796	901	1 300	1 081
VS Saqaca	408	408	408	408
	115 382	**115 504**	**115 919**	**115 717**

Councillor	March 2024	April 2024	May 2024	June 2024
JH Denner	2 546	2 562	2 579	2 596
JI Mokoena	40 527	40 527	40 527	40 527
LER Rasoeu	584	584	584	584
GMS Nthatisi	70 588	70 588	70 588	70 588
BJ Viviers	3 397	1 198	348	1 099
VS Saqaca	408	408	408	408
	118 050	**115 867**	**115 034**	**115 802**

Councillor GMS Nthatisi has settled the outstanding balance subsequent to financial year end.

Notes to the Financial Statements

	2024	2023

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

Distribution losses

For the 2023/24 financial year the distribution losses amount to 7.67% (2023: 9.81%). These losses are the result off theft, vandalism, faulty meters and variances in monthly consumption estimates. Management has determined that these losses are not recoverable.

	2024	2023
kWh - units	109 506 299	142 852 292
Rand value	202 219 217	213 876 959
Percentage	7,67%	9,81%

The annual electricity distribution losses are made up of technical and non-technical losses which are the difference between electricity purchased and electricity sold.

Non-technical losses:

Non-technical losses are amongst others the result of administrative and technical errors, negligence, theft of electricity, tampering with meters and connections which form part of illegal consumption, faulty meters, etc. Non-technical losses amounted to 36 502 099 kWh - units (2023: 47 617 431 kWh - units) with a Rand value of R 67 406 405 (2023: R 71 292 320).

Technical losses:

Technical losses are the result of electricity losses while being distributed from the source of generation through the transmission and distribution network to the final consumer. The wires (copper or aluminium) being used to distribute electricity have certain resistance which resist the throughput of current, as a result there is a certain portion of electricity that is lost due to distribution. Technical losses amounted to 73 004 200 kWh - units (2023: 95 234 861 kWh - units) with a Rand value of R 134 812 812 (2023: R 142 584 639).

PAYE and UIF

	2024	2023
Opening balance	(152)	(39 024)
Payable for the current year	95 964 560	85 217 330
Amount paid - current year	-	(85 222 306)
Unallocated payments allocated - current year	(95 968 174)	43 848
	(3 766)	**(152)**

Pension and Medical Aid Deductions

	2024	2023
Opening balance	(4 150)	(92 420)
Payable for the current year	124 641 942	110 492 935
Amount paid - current year	(124 627 714)	(110 497 085)
Amount paid/refunded - previous years	4 150	92 420
	14 228	**(4 150)**

Notes to the Financial Statements

	2024	2023

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

Supply chain management regulations

In terms of Section 36 of the Municipal Supply Chain Management Regulations any deviation from the supply chain management policy needs to be approved by the Accounting Officer and noted by the board of Directors.

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.

For the period under review there were instances where goods and services were procured via a deviation from the normal Supply Chain Management Regulations.

The reasons for these deviations were documented and reported to the Accounting Officer, who considered them and subsequently approved the deviation from the normal Supply Chain Management Regulations.

Incident	Number of deviations 2024	Rand value 2024	Number of deviations 2023	Rand value 2023
Sole supplier	11	5 187 431	36	3 266 211
Urgent	1	591 472	6	1 259 413
Other	10	3 047 750	14	499 849
	22	**8 826 653**	**56**	**5 025 473**

In terms of Section 45 of the Municipal Supply Chain Management Regulations the municipal entity must disclose particulars of any award more than R 2 000 to a person who is a spouse, child or parent of a person in the service of the state, or has been in the service of the state in the previous 12 months.

For the period under review there were instances where the municipal entity made awards more than R 2 000 to a person who is a spouse, child or parent of a person in the service of the state as set out below:

Incident	**Rand Value**
NB Mechanicals The spouse of one of the directors, Shaun Barnes, is employed as an assistant librarian at the Department of Sports, Arts and Culture.	3 151 899
Ice-cloud SA/Mosima SA The spouse of one of the directors, Victor Motatung, is employed as a medical officer at the department of health.	38 586 981
Bluestone Developers SA The spouse of one of the directors, Amanda Collison, is employed in the revenue department at Centlec (SOC) Ltd.	1 245 270
Da Vinci Institute for technology One of the shareholder companies, Business Venture Investments No. 428 PTY Ltd, of the service provider has a director, Edward Kieswetter, who is the Commissioner of SARS	102 000
CBD Platinum Solutions The mother of one of the directors, Mpho Sebidi, is employed as an electrician in the engineering department of Centlec (SOC) Ltd	69 000

VAT

VAT payable	252 383 356	247 523 390

All VAT returns have been submitted by the due date throughout the year.

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49. Risk management

Financial risk management

This note presents information about the municipal entity's exposure to each of the financial risks below and the municipal entity's objectives, policies and procedures for measuring and managing financial risks. Further quantitive disclosures are included in the financial statements.

The board of directors and the NCR have overall responsibility for the establishment and oversight of the municipal entity’s risk management framework. The municipal entity’s audit committee oversees the monitoring of compliance with the municipal entity’s risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the municipal entity. The audit committee is assisted in its oversight role by the municipal entity's internal audit function.

The municipal entity's exposure to risk is similar to that of the previous year. The municipal entity still faces the same risks as in the previous financial year.

The municipal entity monitors and manages the financial risks relating to operations through internal risk reviews which analyse exposures by degree and magnitude of risks. These risks include the following:

- liquidity risk;

- credit risk; and

- market risk (including interest rate risk).

The municipal entity seeks to minimise the effects of these risks in accordance with the municipal entity’s policies. The policies provide written principles on interest rate risk, credit risk, and in the investment of excess liquidity.

Compliance with policies and exposure limits is reviewed by the internal auditors on a continuous basis. The municipal entity does not enter into or trade in financial instruments for speculative purposes.

Notes to the Financial Statements

	2024	2023

49. Risk management (continued)

Liquidity risk

Liquidity risk is the risk that the municipal entity will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

The municipal entity's exposure to liquidity risk is as a result of the funds not being available to cover future commitments. The municipal entity manages liquidity risk through ongoing review of commitments.

The municipal entity has replaced most of the rotational meters within it's service area with prepaid meters to improve the cash funds available.

The municipal entity manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The municipal entity has not defaulted on payables and lease commitment payments.

All of the municipal entity's financial assets have been reviewed for indicators of impairment. Certain receivables were found to be impaired and a provision has been recorded accordingly. The impaired receivables are mostly due from customers defaulting on service costs levied by the municipal entity.

The table below analyses the municipal entity’s 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.

2024	Less than 1 year	Between 1 and 2 years
Consumer deposits	158 707 177	-
Other financial liabilities	6 554 416	985 874 007
Payables from exchange transactions	1 128 896 930	-
	1 294 158 523	**985 874 007**

2023	Less than 1 year	Between 1 and 2 years
Consumer deposits	160 495 800	-
Finance lease obligation	1 511 179	-
Other financial liabilities	6 554 416	1 112 809 227
Payables from exchange transactions	602 131 891	-
	770 693 286	**1 112 809 227**

Notes to the Financial Statements

	2024	2023

49. Risk management (continued)

Credit risk

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

Trade receivables comprise a widespread customer base. Management evaluates 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 board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

Financial instruments disclosure

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

Carrying amount of financial asset measured at amortised cost	2024	2023
Cash and cash equivalents	11 110 549	24 295 084
Consumer receivables from exchange transactions	449 345 515	533 983 087
Other financial assets	66 185	299 757
Other receivables from exchange transactions	195 434 991	147 359 659

Carrying amount of financial liabilities measured at amortised cost	2024	2023
Consumer deposits	158 707 177	160 495 800
Finance lease obligations	-	1 511 179
Loans from shareholders	803 609 369	803 609 369
Other current liabilities	6 554 416	6 554 416
Other non-current liabilities	985 874 007	1 112 809 227
Payables from exchange transactions	1 128 896 930	602 131 893

Notes to the Financial Statements

	2024	2023

49. Risk management (continued)

Market risk

Interest rate risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the municipal entity's revenue or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

There has been no change, since the previous financial year to the municipal entity's exposure to market risks or the manner in which it manages and measures the risk.

Market risk consists of the following risks:

Foreign currency risk

The municipal entity does not enter into significant foreign currency transactions and has had very limited exposure to foreign currency risk.

Interest rate risk

Interest rate risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes. The municipal entity's policy is to minimise interest rate cash flow risk exposures on long-term financing. Long term borrowings are therefore usually at fixed rates. The municipal entity's exposures to interest rates on financial assets and financial liabilities are detailed below:

At year-end, financial instruments exposed to interest rate risk due to being linked to prime interest rate were as follows:
- Call and notice deposits
- Current bank accounts
- Interest charged on consumer receivables from exchange transactions overdue
- Other financial liabilities

The municipal entity's interest rate risk arises from the above financial instruments being linked to the prime interest rate. The prime interest rate is used as a factor in calculating the interest received or interest charged on these financial instruments. Fluctuations in the prime interest rate during the year give rise to a possible interest rate risk affecting the entity.

Interest charged on the intercompany loans are calculated using the prime rate at the beginning of the financial year on a weighted average basis. Since this interest rate is only based on prime rate at one point during the financial year, fluctuations in prime during the year will not have a material effect on these loans.

Fair values

The municipal entity's financial instruments consist mainly of cash and cash equivalents, investments, trade receivables, trade payables and long term debt.

No financial asset was carried at an amount in excess of its fair value. The following methods and assumptions are used to determine the fair value of each class of financial instrument:

Cash and cash equivalents

The carrying amount of cash and cash equivalents approximates fair value due to the relatively short-term maturity of these financial assets and financial liabilities

Notes to the Financial Statements

	2024	2023

49. Risk management (continued)

Investments

Investments are carried at their original cost in the statement of financial position, except for those where the interest received are capitalised.

Receivables from exchange transactions

The carrying amount of trade receivables, net of provision for impairment (provision for bad debt) approximates fair value due to the relatively short-term maturity of these financial assets.

Trade payables

The carrying amount of trade payables approximates fair value due to the relatively short-term maturity of this financial liability.

Interest bearing loans

Subsequent to initial recognition, interest bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in surplus or deficit over the period of the borrowings on an effective interest basis. The fair value of interest bearing borrowings with variable interest rates approximates their carrying amounts.

Price risk

Price risk is the risk that the fair value of future cash flows of financial instruments will fluctuate because of changes in market prices. These changes are caused by factors specific to the individual financial instruments for its users or by factors affecting all similar financial instruments in the market. The municipal entity's financial instruments are affected by the whole sale price of electricity from ESKOM.

50. Budget differences

Variance Explanations

The budget is approved on an accrual basis by nature of classification. The budget and the accounting bases are both on the accrual basis. The financial statements are prepared using the nature of expenses in the statement of financial performance. The approved budget covers the fiscal period from 1 July 2023 to 30 June 2024.

Changes from approved budget to final budget are the result of reallocations and shifting within the budget.

Basis for material differences between budget and actual amounts

It is general practice to deem a 5% or higher deviation on operational revenue and expenditure versus the final budget as material and for capital expenditure the percentage deviation is 5% or higher.

Explanations for material variances relating to the Statement of Financial Performance is set out as follows:

1. Service charges - The variance is mainly attributed to the impact of frequent loadshedding experienced during the year as well as customers converting to alternative energy sources due to the inconvenience of load shedding and escalating electricity tariffs.

2. Other Income - The variance in mainly attributed to streetlight consumption revenue not originally being budgeted for under other income but rather under service charges due to mSCOA requirements.

Notes to the Financial Statements

	2024	2023

50. Budget differences (continued)

3. Interest Income - The variance is mainly due to total actual interest levied on consumer receivables from exchange transactions being higher than initially anticipated and budgeted for.

4. Government grants & subsidies - The variance is due to the fact that the amount budgeted for included VAT while the actual amount recognized for the grant revenue excludes VAT.

5. Unclaimed money forfeits - At the time of preparing the budget the unclaimed money forfeits were not budgeted for as it requires a lapse of three years before the unknown funds are considered as revenue.

6. Employee related costs - The variance is mainly due to a larger than initially expected increase of newly appointed staff members during the current financial year.

7. Depreciation and amortisation - The variance is due to the cutting down of the entity's budget on consolidation as per the prescribed budget related requirements of the parent municipality.

8. Impairment loss/ Reversal of impairments - This is linked to the inventory valuation process at year end that is not taken into account during the budget preparation process. Other items include the impairment of PPE whose recoverable amounts are not readily available at the time of budget preparation and are thus not taken into account.

9. Finance costs - The variance is due to the concession reached between the entity and the parent municipality on how to temporarily deal with the impact of the Sale of business agreements whilst the definitive agreement is being reviewed. The budget considered only R120 000 000 as set out in the budget guidelines received from the parent municipality, while the sale of business agreement refers to the full amount as per the agreement terms which is far higher than the prescribed R120 000 000 from the parent municipality.

10. Debt impairment - The variance is as a result of national treasury requiring the budget for debt impairment being based on an actual collection rate percentage of the total budgeted sales while the actual value is based on a GRAP compliant debt impairment accounting methodology which tests all consumer debtors individually for potential impairment.

11. Bulk purchases - The variance is mainly due to the tariff increase disparity between the implemented ESKOM tariff and the awarded NERSA approved tariffs of the municipal entity.

12. General Expenses - The main reason for the variance was due to the fact that the municipal entity experienced a decline in it's cutomer base that required stringent controls and reactive management over expenditure which resulted in a lower than anticipated expense on the individual general expenditure items.

13. Loss on disposal of assets and liabilities - The large variance is mainly attributed to the wear and tear effect that the constant loadshedding is having on the electrical infrastructure assets. These assets are put under a lot of strain due to loadshedding resulting in a lot of them having to be replaced. This in turn results in a larger than anticipated disposal of damaged assets.

14. Inventories losses/write-downs - The variance is mainly due to the unpredictable nature of potential stock adjustments at the time of preparing the budget.

Explanations for material variances relating to the Statement of Financial Position is set out as follows:

Current assets

The municipal entity does not budget for current portions of long term assets. The current portion as reflected on the face of the statement of financial position is budgeted for as part of the non-current assets.

1. Inventories - A large volume of high value items were received towards the end of the year resulting in a larger actual balance for inventory than initially budgeted for. Furthermore, the operations of the municipal entity was also impacted by the impact of loadshedding resulting in more store items needed to be on hand for power failures and maintenance.

Notes to the Financial Statements

	2024	2023

50. Budget differences (continued)

2. Other financial assets - The variance is attributed to the fact that no budget was prepared for this item as it is an accounting entry between the municipal entity and the Southern Free State towns receivable.

3. Other receivables from exchange transactions - The unpredictable nature of the various line items that make up the total balance makes it impossible to estimate a reasonable and credible budget value for this item.

4. Consumer receivables from exchange transactions - The final actual impact of the debt impairment could not have been reliably predicted at the time of preparing the budget thus the reason for the variance.

5. Cash and cash equivalents - The variance is mainly attributed to creditor payments being done close to year end resulting in a lower than budgeted balance as at year end.

Non-Current Assets

1. Property, plant and equipment - The variance is mainly due to large downward adjustments due to asset conditions and large additions (completion of work in progress projects at the end of the prior financial year) that increased the depreciation expense in the current year.

2. Intangible assets - The increase is due to new software procured during the year and more licenses being maintained and paid than originally budgeted for.

3. Deferred Tax - The variance is mainly attributed to the larger than anticipated taxable loss resulting in a large temporary tax difference.

Current Liabilities

The municipal entity does not budget for current portions of long term liabilities. The current portion as reflected on the face of the statement of financial position is budgeted for as port of the non-current liability.

1. Payables from exchange transactions - The main reason for the variance is the ESKOM Circular 124 debt relief granted to Centlec (SOC) Ltd which could not be taken into consideration when the budget was prepared as insufficient guidance was provided on the treatment in the entity's accounting system.

2. VAT liability - VAT is not provided for in the budget process due to the nature of the item which makes it impossible to estimate a reasonable and credible budget value for this item.

3. Consumer deposits - The variance is due consumer deposits being higher than anticipated following the completion of a number of public connections projects. The lower budgeted value was in anticipation of a decrease in deposits due to prepaid meter conversions and customers seeking alternative power solutions due to loadshedding.

Non-Current Liabilities

1. Loans from shareholders - The budget was prepared on the basis that the sale of business agreement was to be replaced with a new settlement agreement, thus no budget was made for the loan balance. This agreement review was not finalized at the time of preparing the budget. A concession was reached between the entity and the parent municipality on how to temporarily deal with the impact of the Sale of business agreements whilst the definitive agreement is being reviewed resulting in no budget made for this item whilst the agreement is being reviewed.

2. Other financial liabilities - The budget was prepared on the basis that the sale of business agreement was to be replaced with a new settlement agreement, thus no budget was made for the loan balance. A concession was reached between the entity and the parent municipality on how to temporarily deal with the impact of the Sale of business agreements whilst the definitive agreement is being reviewed resulting in no budget made for this item whilst the agreement is being reviewed.

Notes to the Financial Statements

	2024	2023

50. Budget differences (continued)

3. Employee benefit obligation - This was a new item only accounted for the first time in the current financial year in response to a prior year audit finding, hence no budget was made for this item. A budget will be considered for this new item going forward.

4. Deferred tax - The deferred tax final figure is influenced by the actual movements in the timing differences that cannot be reliably predicted.

5. Long service awards - The parameters used to arrive at the figure for long services are influenced by the actuarial records at the year end while the budget is based on the adjusted projections prior year.

Share Capital

1. Share capital - At the time the budget was finalised it was assumed that the sale of business agreement was to be revised and the debt converted to equity. This did not materialise. A concession was reached between the entity and the parent municipality on how to temporarily deal with the impact of the Sale of business agreements whilst the definitive agreement is being reviewed resulting in a debt to equity swap based budget being made for this item whilst the agreement is being reviewed.

2. Revaluation reserve - The variance is mainly attributed to the revaluation of infrastructure assets resulting in a large increase in the asset value from the prior year. The adjusted budget did not fully accommodate this increase.

3. Accumulated Surplus - This was impacted by the current year's unforeseen trading deficit.

51. Inter-departmental consumption

	2024	2023
Inter-departmental consumption	1 663 384	1 533 337

The inter-departmental consumption is based on units consumed as per the meter records.

52. Non-compliance with Municipal Finance Management Act and other Legislation

Non-compliance with Municipal Finance Management Act

During the current financial year the following non-compliance issues were identified:

Non-compliance with MFMA

- **Non-compliance with MFMA sec 65(2)(e)**
  Money owing by the entity to the value R 51 812 499 was not paid within 30 days of receiving the relevant invoice or statement mainly due to lack of proper supporting documents and late submission of invoices by the suppliers

Non-compliance with King IV Code of Governance for South Africa, 2016

The King IV Report on Corporate Governance (2016) provides governance principles and best implementation practice guides. The municipal entity did not fully comply with the provisions of the code in the following aspects:

- The evaluation of the board, its committees and the individual directors was not conducted as required by Par 2.22 of the code.

Appendix F: Disclosures of Grants and Subsidies in terms of Section 123 MFMA, 56 of 2003

June 2024

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts				Quarterly Expenditure				Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act
										Yes/ No
Urban Settlements Development Grant	National Government	-	-	15 304 259	6 434 872	3 140 640	12 163 619	828 582	5 606 289	Yes
Informal settlements upgrading partnership grant	National Government	-	-	2 504 372	47 930 410	-	1 533 464	2 225 756	46 675 562	Yes
		-	-	17 808 631	54 365 282	3 140 640	13 697 083	3 054 338	52 281 851	

The purpose of the urban settlements development grant is to upgrade informal settlements, either by creating formal housing or by upgrading services to informal settlements.
The purpose of the informal settlements upgrading partnership grant is aimed at using funding to intensify efforts to upgrade informal settlements. The grant aims to provide the means for households to receive water, electricity and sanitation services, and to supply informal settlements with public lighting, roads, stormwater drainage systems and refuse removal.

PART C:

AUDIT REPORT

REPORT OF THE AUDITOR-GENERAL TO THE FREE STATE PROVINCIAL LEGISLATURE AND THE COUNCIL ON THE CENTLEC SOC LTD

Report on the audit of the financial statements

Opinion

1. I have audited the financial statements of Centlec (SOC) Ltd set out on pages 85 to 216, which comprise the statement of financial position as at 30 June 2024, statement of financial performance, statement of changes in net assets and cash flow statement and statement of comparison of budget and actual amounts for the year then ended, as well as notes to the financial statements, including a summary of significant accounting policies.

2. In my opinion, the financial statements present fairly, in all material respects, the financial position of Centlec (SOC) Ltd as at 30 June 2024 and its financial performance and cash flows for the year then ended in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) and the requirements of the Municipal Finance Management Act 56 of 2003 (MFMA) and the Companies Act 71 of 2008 (Companies Act of South Africa).

Basis for opinion

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the responsibilities of the auditor-general for the audit of the financial statements section of my report.

4. I am independent of the municipal entity in accordance with the International Ethics Standards Board for Accountants' International code of ethics for professional accountants (including International Independence Standards) (IESBA code) as well as other ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.

5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of matters

6. I draw attention to the matters below. My opinion is not modified with respect to these matters.

Close calls relating to going concern

7. Note 43 in the financial statements, which deals with the possible effects of the future continuing deterioration in operational results on the municipal entity's prospects, performance, and cash flows.

Irregular expenditure

8. As disclosed in note 47 to the financial statements, irregular expenditure of R469 454 086 (2023: R156 346 943) was incurred, mainly due to overspending on the budget.

Restatement of corresponding figures

9. As disclosed in note 41 to the financial statements, the corresponding figures for 30 June 2023 were restated as a result of errors in the financial statements of the municipal entity at, and for the year ended 30 June 2024.

Material uncertainty relating to claims against the municipal entity

10. With reference to note 39 to the financial statements, the municipal entity is the defendant in various claims against the municipal entity. The municipal entity is opposing these claims. The ultimate outcome of these matters could not be determined and no provision for any liabilities that may result were made in the financial statements.

Material losses

11. As disclosed in note 48 to the financial statements, material electricity distribution losses of R202 219 217 (2023: R213 876 959) were incurred. Technical losses amounted to R134 812 812 (2023: R142 584 639) and were due to electricity losses while being distributed from the source of generation through the transmission and distribution network to the final consumer. Non-technical losses amounted to R67 406 405 (2023: R71 292 320) and were due to administrative and technical errors, negligence, theft of electricity, tampering with meters and connections which form part of illegal consumption, faulty meters.

Material impairment

12. As disclosed in note 4 to the financial statements, receivables from exchange transactions were impaired by R700 514 375 (2023: R632 154 138).

Other matters

13. I draw attention to the matters below. My opinion is not modified with respect to these matters.

Unaudited disclosure notes

14. In terms of section 125(2)(e) of the MFMA, the particulars of non-compliance with the MFMA should be disclosed in the financial statements. This disclosure requirement did not form part of the audit of the financial statements and, accordingly, I do not express an opinion on it.

Unaudited supplementary schedules

15. The supplementary information set out on page 216 does not form part of the financial statements and is presented as additional information. I have not audited these schedules and, accordingly, I do not express an opinion on them.

Responsibilities of the accounting authority for the financial statements

16. The accounting authority is responsible for the preparation and fair presentation of the financial statements in accordance with the GRAP standards and the requirements of the MFMA and the Companies Act of South Africa; and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

17. In preparing the financial statements, the accounting authority is responsible for assessing the municipal entity's ability to continue as a going concern; disclosing, as applicable, matters relating to going concern; and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the municipal entity's or to cease operations or has no realistic alternative but to do so.

Responsibilities of the auditor-general for the audit of the financial statements

18. My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error; and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

19. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report. This description, which is located on page 225 to 226, forms part of our auditor's report.

Report on the audit of the annual performance report

20. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, I must audit and report on the usefulness and reliability of the reported performance against predetermined objectives for the selected programme presented in the annual performance report. The accounting authority is responsible for the preparation of the annual performance report.

21. I selected the following programme presented in the annual performance report for the year ended 30 June 2024 for auditing. I selected a programme that measures the municipal entity's performance on its primary mandated functions and that is of significant national, community or public interest.

Programme	Page numbers	Purpose
Engineering Wires	59 – 65	The directorate is responsible for asset creation, network operations and maintenance, as well as service delivery to the communities"

22. I evaluated the reported performance information for the selected programme against the criteria developed from the performance management and reporting framework, as defined in the general notice. When an annual performance report is prepared using these criteria, it provides useful and reliable information and insights to users on the municipal entity's planning and delivery on its mandate and objectives.

23. I performed procedures to test whether:

- the indicators used for planning and reporting on performance can be linked directly to the municipal entity's mandate and the achievement of its planned objectives
- all the indicators relevant for measuring the municipal entity's performance against its primary mandated and prioritised functions and planned objectives are included
- the indicators are well defined to ensure that they are easy to understand and can be applied consistently, as well as verifiable so that I can confirm the methods and processes to be used for measuring achievements
- the targets can be linked directly to the achievement of the indicators and are specific, timebound and measurable to ensure that it is easy to understand what should be delivered and by when, the required level of performance as well as how performance will be evaluated
- the indicators and targets reported on in the annual performance report are the same as those committed to in the approved initial or revised planning documents
- there is adequate supporting evidence for the achievements reported.

24. I performed the procedures for the purpose of reporting material findings only; and not to express an assurance opinion or conclusion.

25. I did not identify any material findings in the reported performance information for the selected programme.

Other matters

26. I draw attention to the matters below.

Achievement of planned targets

27. The annual performance report includes information on reported achievements against planned targets and provides measures taken to improve performance.

28. The table that follows provides information on the achievement of planned targets and lists the key service delivery indicators that were not achieved as reported in the annual performance report. The measures taken to improve performance are included in the annual performance report on pages 47 to 50 and 59 to 65.

Engineering Wires

Targets not achieved: 63%
Budget spent: 87,4%

Key service delivery indicators not achieved	Planned target	Reported achievement
Percentage of valid customer applications for new electricity connections processed in terms of municipal services by June 2024	70%	58%
Unplanned interruptions of supply should be restored as per Nersa licence requirements in terms of NRS 047 (2019) by 30 June 2024	a) After unplanned interruptions which affects more than one customer i.e., multiple customer interruption/outage, the customers supply should be restored 98 % within 24 hours as per NERSA license requirements in terms of NRS 047 (2019) by 30 June 2024. b) After an unplanned interruption which affects a single i.e., individual customer interruption/outage the customers supply should be restored 98% within 24h as per NERSA license requirements in terms of NRS 047 (2019) by 30 June 2024	Area faults 94,37% Single complaint 77,14%

Material misstatements

29. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were in the reported performance information for Engineering Wires. Management subsequently corrected all the misstatements, and I did not include any material findings in this report.

Report on compliance with legislation

30. In accordance with the PAA and the general notice issued in terms thereof, I must audit and report on compliance with applicable legislation relating to financial matters, financial management and other related matters. The accounting authority is responsible for the municipal entity's compliance with legislation.

31. I performed procedures to test compliance with selected requirements in key legislation in accordance with the findings engagement methodology of the Auditor-General of South Africa (AGSA). This engagement is not an assurance engagement. Accordingly, I do not express an assurance opinion or conclusion.

32. Through an established AGSA process, I selected requirements in key legislation for compliance testing that are relevant to the financial and performance management of the municipal entity, clear to allow consistent measurement and evaluation, while also sufficiently detailed and readily available to report in an understandable manner. The selected legislative requirements are included in the annexure to this auditor's report.

33. The material findings on compliance with the selected legislative requirements, presented per compliance theme, are as follows:

Annual financial statements

34. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122(1) of the MFMA. Material misstatements of non-current assets and disclosure items identified by the auditors in the submitted financial statement were subsequently corrected, resulting in the financial statements receiving an unqualified audit opinion.

Expenditure management

35. Reasonable steps were not taken to prevent irregular expenditure of R469 454 086 as disclosed in note 47 to the annual financial statements, as required by section 95(d) of the MFMA. The majority of the irregular expenditure was caused by overspending of the budget.

36. Reasonable steps were not taken to prevent fruitless and wasteful expenditure of R7 442 834 as disclosed in note 46 to the annual financial statements, in contravention of section 95(d) of the MFMA. The majority of the disclosed fruitless and wasteful expenditure was caused by the interest charged on overdue accounts.

37. Expenditure was incurred in excess of the approved budget, in contravention of section 87(8) of the MFMA.

Other information in the annual report

38. The accounting authority is responsible for the other information included in the annual report. The other information referred to does not include the financial statements, the auditor's report and the selected programme presented in the annual performance report that have been specifically reported on in this auditor's report.

39. The accounting authority is responsible for the other information included in the annual report which includes the directors' report, the audit committee's report and the company secretary's certificate, as required by the Companies Act of South Africa. The other information referred to does not include the financial statements, the auditor's report and those selected programmes presented in the annual performance report that have been specifically reported on in this auditor's report.

40. My opinion on the financial statements, the report on the audit of the annual performance report and the report on compliance with legislation do not cover the other information included in the annual report and I do not express an audit opinion or any form of assurance conclusion on it.

41. My responsibility is to read this other information and, in doing so, consider whether it is materially inconsistent with the financial statements and the selected programme presented in the annual performance report or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

42. I did not receive the other information before the date of this auditor's report. When I do receive and read this information, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.

Internal control deficiencies

43. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with applicable legislation; however, my objective was not to express any form of assurance on it.

44. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for the opinion and the material findings on compliance with legislation included in this report.

45. Management did not implement adequate controls over daily and monthly processing and reconciling of transactions resulting in corrections of material misstatements on the audit of predetermined objectives and material adjustments being processed on the financial statements submitted for audit.

46. Management did not implement adequate controls over budget monitoring and related internal controls. This resulted in instances of non-compliance being identified during the audit process.

Auditor - General

Bloemfontein
30 November 2024

AUDITOR-GENERAL
SOUTH AFRICA
Auditing to build public confidence

ANNEXURE TO THE AUDITOR'S REPORT

1. The annexure includes the following:

- the auditor-general's responsibility for the audit
- the selected legislative requirements for compliance testing.

Auditor-general's responsibility for the audit

Professional judgement and professional scepticism

2. As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements and the procedures performed on reported performance information for selected programmes and on the municipal entity's compliance with selected requirements in key legislation.

Financial statements

3. In addition to my responsibility for the audit of the financial statements as described in this auditor's report, I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control
- obtain an understanding of internal control relevant to the audit to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the municipal entity's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made
- conclude on the appropriateness of the use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the ability of the municipal entities to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify my opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause a municipal entity's to cease operating as a going concern
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Communication with those charged with governance

4. I communicate with the accounting authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

5. I also provide the accounting authority with a statement that I have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on my independence and, where applicable, actions taken to eliminate threats or safeguards applied

Legislation	Sections or regulations
Municipal Finance Management Act 56 of 2003 (MFMA)	Sections 1, 87(5)(b), 87(5)(d), 87(5)(d)(i), 87(5)(d)(iii) Sections 87(6)(c), 87(8), 88(1)(a), 90(1), 90(2)(a) Sections 90(2)(b), 95(d), 96(2)(a), 96(2)(b), 97(e) Sections 97(f), 97(h), 97(i), 99(2)(a), 99(2)(b), 99(2)(c) Sections 99(2)(g), 102(1), 102(2)(a), 112(1)(j) Sections 116(2)(b), 116(2)(c)(ii), 122(1), 126(2)(b) Sections 133(1)(a), 133(1)(c)(i), 133(1)(c)(ii), 170 Sections 172(3)(a), 172(3)(b)
MFMA: Municipal Budget and Reporting Regulations, 2009	Regulations 73(1)(a), 73(1)(b), 73(2)(b), 73(2)(d) Regulations 75(1), 75(2)
MFMA: Municipal Investment Regulations, 2005	Regulations 3(2), 3(3), 6, 7, 12(2), 12(3)
MFMA: Municipal Regulations on Financial Misconduct Procedures and Criminal Proceedings, 2014	Regulations 5(4), 6(8)(b), 10(1)
MFMA: Municipal Supply Chain Management Regulations, 2005	Regulations 5, 12(1)(c), 12(3), 13(b), 13(c), 16(a) Regulations 17(1)(a), 17(1)(b), 17(1)(c), 19(a), 21(b) Regulations 22(1)(b)(i), 22(2), 27(2)(a), 27(2)(e) Regulations 28(1)(a)(i), 28(1)(a)(ii), 29(1)(a), 29(1)(b) Regulations 29(5)(a)(ii), 29(5)(b)(ii), 32, 36(1), 36(1)(a) Regulations 38(1)(c), 38(1)(d)(ii), 38(1)(e), 38(1)(g)(i) Regulations 38(1)(g)(ii), 38(1)(g)(iii), 43, 44, 46(2)(e) Regulations 46(2)(f)
Companies Act 71 of 2008	Sections 45(2), 45(3)(a)(ii), 45(3)(b)(i), 45(3)(b)(ii) Sections 45(4), 46(1)(a), 46(1)(b), 46(1)(c), 112(2)(a)
Construction Industry Development Board Act 38 of 2000	Section 18(1)
Construction Industry Development Board Regulations, 2004	Regulations 17, 25(7A)
Municipal Systems Act 32 of 2000	Sections 93B(a), 93C(a)(iv), 93J(1)
Preferential Procurement Policy Framework Act 5 of 2000	Sections 2(1)(a), 2(1)(f)
Preferential Procurement Regulations, 2017	Regulations 4(1), 4(2), 5(1), 5(3), 5(6), 5(7), 6(1), 6(2) Regulations 6(3), 6(6), 6(8), 7(1), 7(2), 7(3), 7(6), 7(8) Regulations 8(2), 8(5), 9(1), 10(1), 10(2), 11(1), 11(2)
Preferential Procurement Regulations, 2022	Regulations 4(1), 4(2), 4(3), 4(4), 5(1), 5(2), 5(3), 5(4)
Prevention and Combating of Corrupt Activities Act 12 of 2004	Section 34(1)

Notes:

Notes:

MANGAUNG

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Reg No. 2003/011612/30

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