



Bojanala Platinum District Municipality  
Annual Financial Statements  
for the year ended 30 June 2020  
Auditor General of South Africa

# Bojanala Platinum District Municipality

Annual Financial Statements for the year ended 30 June 2020

## General Information

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<b>Legal form of entity</b>	Bojanala Platinum District Municipality
<b>Nature of business and principal activities</b>	Provide democratic and accountable government for local authorities
<b>Mayoral committee</b>	
Executive Mayor	Cllr M.F. Molosiwa
	Cllr E.E. Tanke : Speaker
	Cllr P.A. Tlhapi : Chief WHIP
	Cllr S. Davids : MPAC Chairperson
	Cllr B. Mantsho : MMC Budget and Treasury
	Cllr T.L. Madiba : MMC Technical Support
	Cllr N.E. Gwegwe : MMC Special Projects
	Cllr V.O. Moche : MMC Arts and Culture
	Cllr N. R. Rakolle : MMC IDP, PMS, Monitoring and Evaluation
	Cllr. R.D. Tlabyane : MMC Rural and Agricultural Development
	Cllr J.J. Kgarimetsa : MMC Community Development Services
	Cllr M. P. Papa : MMC Corporate Support
	Cllr L. L. Moate : MMC Local Economic Development
	Cllr V. K. Maluleka : MMC Health and Environment
	Cllr K .Kgaswe
	Cllr W.M. Lefyine
	Cllr M.D. Kodisang
	Cllr M.R. Seema
	Cllr N.P. Bogatsu
	Cllr G. Makhanya
	Cllr L. Mabula
	Cllr M.D. Malane
	Cllr M.M. Modise
	Cllr D.M. Rakgatlha
	Cllr G.T. Mogale
	Cllr L.A. Ratlou
	Cllr P.R. Zwede
	Cllr P.E. Hendricks
	Cllr D.M.N. Ngadi
	Cllr T.S. Bogale
	Cllr M.L. Makgale
	Cllr J.M.S. Mosito
	Cllr H.T. Phalwane
	Cllr E. Van der Schyffe
	Cllr M.M. Sekgothe
	Cllr M.W. Motlhasedi
	Cllr K.S. Komape
	Cllr J.T. Moabi
	Cllr O.D. Marapyane
	Cllr M.Z. Banda
	Cllr E.E. Tanke
	Cllr M.S. Mloi
	Cllr K. Seanego
	Cllr N. Mollo
	Cllr M.N. Nkotswe
	Cllr E. Matshereng

# Bojanala Platinum District Municipality

Annual Financial Statements for the year ended 30 June 2020

## General Information

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	Cllr M.Z. Motsoenyane
	Cllr B.W. Baloyi
	Cllr L.M. Letebele
	Cllr C.M. Shai
	Cllr T.G. Naledi
	Cllr J.C. Van Rhyn
	Cllr J.M. Radiokana
	Cllr J. Makhubela
	Cllr R.S. Magalefa
	Cllr B.J. Mpolokeng
	Cllr A.D. Malla
	Cllr J. Motshwane
	Cllr M.R. Rantho
	Cllr M. Coetzee
	Cllr I. Edwards
	Cllr N.V. Mqanqeni
	Cllr J.L. Sephai
	Cllr E.N. Mjekula
	Cllr L.P. Mokwele
	Cllr F.L. Setshoane
	Cllr A.B.P. Mnisi
	Cllr C.N. Mmolotsi
	Cllr A.S. Habi
	Cllr R.P. Molatlhegi
<b>Grading of local authority</b>	Grade 5
<b>Acting Chief Finance Officer (ACFO)</b>	Mr Morena Mofokeng
<b>Acting Accounting Officer</b>	Mrs D. Tlhoaele
<b>Business address</b>	Cnr Beyers Naude and Fatima Bhayat Drive Rustenburg 0300
<b>Postal address</b>	P O Box 1993 Rustenburg 0300
<b>Bankers</b>	ABSA Bank Limited
<b>Auditors</b>	Auditor General of South Africa

# Bojanala Platinum District Municipality

Annual Financial Statements for the year ended 30 June 2020

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

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

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Appendixes:

Appendix G(1): Budgeted Financial Performance (revenue and expenditure by standard classification)

### Abbreviations

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
CIGFARO	Chartered Institute of Government, Financial and Risk Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

# Bojanala Platinum District Municipality

Annual Financial Statements for the year ended 30 June 2020

## Accounting Officer's Responsibilities and Approval

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

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

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

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

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

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2021 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The municipality is wholly dependent on the grants for continued funding of operations. The annual financial statements are prepared on the basis that the municipality is a going concern and that the municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

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

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is presented on page 6.

The annual financial statements set out on pages 6 to 57, which have been prepared on the going concern basis, were approved by the on 29 January 2021 and were signed by:

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**Mrs D. Tlhoale (Acting Accounting Officer)**  
Designation

# Bojanala Platinum District Municipality

Annual Financial Statements for the year ended 30 June 2020

## Audit Committee Report

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We are pleased to present our report for the financial year ended 30 June 2020.

### Audit committee members and attendance

The audit committee consists of the members listed hereunder and should meet 4 times per annum as per its approved terms of reference. During the current year 3 number of meetings were held.

<b>Name of member</b>	<b>Number of meetings attended</b>
Mr I.S. Mogotsi (Chairperson)	3
Ms S.J. Masite (Deputy Chairperson)	3
Mr S.A.B. Ngobeni	3
Mr T. Zororo	3
Mr M. Makgale	3

### Audit committee responsibility

The audit committee reports that it has complied with its responsibilities arising from section 166(2)(a) of the MFMA.

The audit committee also reports that it has adopted appropriate formal terms of reference as its audit committee charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

### The effectiveness of internal control

The quality of in year management and monthly/quarterly reports submitted in terms of the MFMA and the Division of Revenue Act.

### Evaluation of annual financial statements

The audit committee has:

- reviewed and discussed the audited annual financial statements to be included in the annual report, with the Auditor-General.
- reviewed the Auditor-General of South Africa's management report and management's response thereto;
- reviewed changes in accounting policies and practices.
- reviewed the municipal compliance with legal and regulatory provisions;
- reviewed significant adjustments resulting from the audit.

The audit committee concurs with and accepts the Auditor-General of South Africa's report on the annual financial statements, and are of the opinion that the audited annual financial statements should be accepted and read together with the report of the Auditor-General of South Africa.

### Internal audit

The audit committee is satisfied that the internal audit function is operating effectively and that it has addressed the risks pertinent to the municipality and its audits.

### Auditor-General of South Africa

The audit committee has met with the Auditor-General of South Africa to ensure that there are no unresolved issues.

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**Chairperson of the Audit Committee**

**Date:** \_\_\_\_\_

# Bojanala Platinum District Municipality

Annual Financial Statements for the year ended 30 June 2020

## Accounting Officer's Report

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The accounting officer submits his report for the year ended 30 June 2020.

### 1. Review of activities

#### Main business and operations

The municipality is engaged in provide democratic and accountable government for local authorities and operates principally in South Africa.

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

Net surplus of the municipality was R 48,754,329 (2019: deficit R 115,761,382).

### 2. Going concern

We draw attention to the fact that at 30 June 2020, the municipality had an accumulated deficit of R (81,235,883) and that the municipality's total liabilities exceeded its assets by R (69,108,329).

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

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality. The entity will continue to receive funding from government as evident from the equitable share allocation in terms of the Division of Revenue Act.

### 3. Subsequent events

There were no subsequent events identified after 30 June 2020

### 4. Accounting policies

The annual financial statements were prepared in accordance with GRAP and any interpretations of such Statements issued by the Accounting Practices Board, and in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board as the prescribed framework by National Treasury.

### 5. Corporate governance

#### General

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

The municipality confirms and acknowledges its responsibility to total compliance with the Code of Corporate Practices and Conduct ("the Code") laid out in the Municipal Systems Act as per Schedule A and Schedule B. The municipality discusses the responsibilities of management in this respect, at Board meetings and monitor the municipality's compliance with the code on a quarterly basis.

# Bojanala Platinum District Municipality

Annual Financial Statements for the year ended 30 June 2020

## Accounting Officer's Report

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### Audit and risk committee

The audit committee consists of the following members that were appointed on the 1st of June 2017 for a period of 3 years;

Mr I.S. Mogotsi (Chairperson)  
Ms S.J. Masite (Deputy Chairperson)  
Mr S.A.B. Ngobeni  
Mr T. Zororo  
Mr M. Makgale

The committee met 3 times during the financial year to review matters necessary to fulfil its role. This is considered to be non-compliance in terms of the Section 166, 4(b) of the Municipal Financial Management Act as it requires that the audit committee meets at least 4 times a year to perform its functions.

Details of the meetings held are as follows:

<b>Date</b>	<b>Venue</b>
22 January 2020	Bojanala Platinum District Municipality
18 May 2020	Visual
02 June 2020	Visual

In terms of Section 166 of the Municipal Finance Management Act, Bojanala Platinum District Municipality must appoint members of the Audit Committee. Bojanala Platinum District Municipality was satisfied that the Audit Committee of the municipality, constituted by the non-executive directors was properly constituted to fulfil its role and advise the Council of its responsibilities as provided in Section 166 of the Municipal Finance Management Act.

### Internal audit

The municipality has an internal audit department that executes the function of the internal audit as provided in Section 165 of the Municipal Finance Management Act, however the internal audit department has been severely under-staffed for a period of 12 months.

# Bojanala Platinum District Municipality

Annual Financial Statements for the year ended 30 June 2020

## Statement of Financial Position as at 30 June 2020

Figures in Rand	Note(s)	2020	2019 Restated*
<b>Assets</b>			
<b>Current Assets</b>			
Inventories	5&1.8	14,650,610	16,356,380
Receivables from exchange transactions	6	28,308	17,406
Receivables from non-exchange transactions	7	-	50,000,000
VAT receivable	8	2,850,592	-
Cash and cash equivalents	9	6,585,829	4,137,030
		<b>24,115,339</b>	<b>70,510,816</b>
<b>Non-Current Assets</b>			
Property, plant and equipment	2	43,878,661	55,555,287
Intangible assets	3	244,106	404,794
		<b>44,122,767</b>	<b>55,960,081</b>
<b>Total Assets</b>		<b>68,238,106</b>	<b>126,470,897</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Payables from exchange transactions	11	106,506,673	78,462,626
VAT payable	12	-	309,882
Employee benefit obligation	4	1,219,000	1,299,000
Unspent conditional grants and receipts	10	1,279,762	3,024,000
Payables from non - exchange transactions	36	2,024,000	134,097,050
		<b>111,029,435</b>	<b>217,192,558</b>
<b>Non-Current Liabilities</b>			
Employee benefit obligation	4	26,317,000	27,141,000
<b>Total Liabilities</b>		<b>137,346,435</b>	<b>244,333,558</b>
<b>Net Assets</b>		<b>(69,108,329)</b>	<b>(117,862,661)</b>
Reserves			
Revaluation reserve		12,127,554	12,127,554
Accumulated deficit		(81,235,883)	(129,990,215)
<b>Total Net Assets</b>		<b>(69,108,329)</b>	<b>(117,862,661)</b>

\* See Note 28

# Bojanala Platinum District Municipality

Annual Financial Statements for the year ended 30 June 2020

## Statement of Financial Performance

Figures in Rand	Note(s)	2020	2019 Restated*
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Interest received	13	1,306,803	2,477,460
Gain on land donated		-	94,000
<b>Total revenue from exchange transactions</b>		<b>1,306,803</b>	<b>2,571,460</b>
<b>Revenue from non-exchange transactions</b>			
<b>Transfer revenue</b>			
Government grants & subsidies	14	343,422,000	329,995,754
<b>Total revenue</b>		<b>344,728,803</b>	<b>332,567,214</b>
<b>Expenditure</b>			
Employee related costs	15	(192,795,195)	(180,863,350)
Remuneration of councillors	16	(17,478,139)	(17,930,112)
Depreciation and amortisation	17	(9,298,459)	(9,174,455)
Finance costs	19	(772,495)	(281,113)
Lease rentals on operating lease		(10,257,788)	(12,240,434)
Impairment	18	(2,558,946)	-
Consumables	20	(102,921)	(3,770,316)
Contracted services	21	(30,913,141)	(141,917,932)
Loss on disposal of assets and liabilities		(1,705,828)	(11,751,241)
Loss on foreign exchange		-	(40,446)
Operational costs	22	(30,091,562)	(70,359,197)
<b>Total expenditure</b>		<b>(295,974,474)</b>	<b>(448,328,596)</b>
<b>Surplus (deficit) for the year</b>		<b>48,754,329</b>	<b>(115,761,382)</b>

\* See Note 28

# Bojanala Platinum District Municipality

Annual Financial Statements for the year ended 30 June 2020

## Statement of Changes in Net Assets

Figures in Rand	Revaluation reserve	Accumulated surplus	Total net assets
<b>Balance at 01 July 2018</b>	<b>12,127,554</b>	<b>(14,228,833)</b>	<b>(2,101,279)</b>
Changes in net assets			
Deficit for the year	-	(115,761,382)	(115,761,382)
Total changes	-	(115,761,382)	(115,761,382)
Opening balance as previously reported	12,127,554	(119,327,043)	(107,199,489)
Adjustments			
Prior year adjustments	-	(10,663,169)	(10,663,169)
<b>Restated* Balance at 01 July 2019 as restated*</b>	<b>12,127,554</b>	<b>(129,990,212)</b>	<b>(117,862,658)</b>
Changes in net assets			
Surplus for the year	-	48,754,329	48,754,329
Total changes	-	48,754,329	48,754,329
<b>Balance at 30 June 2020</b>	<b>12,127,554</b>	<b>(81,235,883)</b>	<b>(69,108,329)</b>
Note(s)			

\* See Note 28

# Bojanala Platinum District Municipality

Annual Financial Statements for the year ended 30 June 2020

## Cash Flow Statement

Figures in Rand	Note(s)	2020	2019 Restated*
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Grants		343,701,762	333,019,754
Interest income		1,306,803	2,477,461
Other cash item		50,000,000	134,097,050
		<u>395,008,565</u>	<u>469,594,265</u>
<b>Payments</b>			
Employee costs		(205,035,789)	(191,168,140)
Suppliers		(186,728,309)	(270,849,818)
Finance costs		(772,495)	(281,113)
		<u>(392,536,593)</u>	<u>(462,299,071)</u>
<b>Net cash flows from operating activities</b>	23	<b><u>2,471,972</u></b>	<b><u>7,295,194</u></b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	2	(23,173)	(1,753,764)
Proceeds from sale of assets		-	31,716
<b>Net cash flows from investing activities</b>		<b><u>(23,173)</u></b>	<b><u>(1,722,048)</u></b>
<b>Cash flows from financing activities</b>			
Finance lease payments		-	(3,775,717)
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b><u>2,448,799</u></b>	<b><u>1,797,429</u></b>
Cash and cash equivalents at the beginning of the year		4,137,030	2,339,601
<b>Cash and cash equivalents at the end of the year</b>	9	<b><u>6,585,829</u></b>	<b><u>4,137,030</u></b>

\* See Note 28

# Bojanala Platinum District Municipality

Annual Financial Statements for the year ended 30 June 2020

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Statement of Financial Performance</b>						
<b>Revenue</b>						
<b>Revenue from exchange transactions</b>						
Fines, Penalties and forfeits	-	-	-	-	-	
Interest received - investment	1,500,000	(300,000)	<b>1,200,000</b>	1,306,803	<b>106,803</b>	More interest generated from short term investment than anticipated.
<b>Total revenue from exchange transactions</b>	<b>1,500,000</b>	<b>(300,000)</b>	<b>1,200,000</b>	<b>1,306,803</b>	<b>106,803</b>	
<b>Revenue from non-exchange transactions</b>						
<b>Transfer revenue</b>						
Government grants & subsidies	341,519,000	3,316,000	<b>344,835,000</b>	343,422,000	<b>(1,413,000)</b>	Unspent portion of the Spluma grant which was not realized and over adjusting.
<b>Total revenue</b>	<b>343,019,000</b>	<b>3,016,000</b>	<b>346,035,000</b>	<b>344,728,803</b>	<b>(1,306,197)</b>	
<b>Expenditure</b>						
Personnel	(191,950,000)	(2,635,000)	<b>(194,585,000)</b>	(192,795,195)	<b>1,789,805</b>	
Remuneration of councillors	(18,662,000)	-	<b>(18,662,000)</b>	(17,478,139)	<b>1,183,861</b>	Actual cost reduced as a result of Covid 19
Transfer payments - Other	-	-	-	-	-	
Depreciation and amortisation	(6,500,000)	200,000	<b>(6,300,000)</b>	(9,298,459)	<b>(2,998,459)</b>	Adjustment on Property, Plant and equipment.
Finance costs	(1,871,000)	(1,460,000)	<b>(3,331,000)</b>	(772,495)	<b>2,558,505</b>	Re-classification of finance lease to operational lease
Lease rentals on operating lease	-	-	-	(10,257,788)	<b>(10,257,788)</b>	Re-classification of finance lease to operational lease
Debt Impairment	-	-	-	(2,558,946)	<b>(2,558,946)</b>	
Consumables	(279,000)	-	<b>(279,000)</b>	(102,921)	<b>176,079</b>	
Transfers and subsidies	(51,844,000)	17,658,000	<b>(34,186,000)</b>	(30,913,141)	<b>3,272,859</b>	
Operational costs	(17,333,000)	(4,017,000)	<b>(21,350,000)</b>	(30,091,562)	<b>(8,741,562)</b>	Additional spending as a result of Covid 19 expenses

# Bojanala Platinum District Municipality

Annual Financial Statements for the year ended 30 June 2020

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Total expenditure</b>	<b>(288,439,000)</b>	<b>9,746,000</b>	<b>(278,693,000)</b>	<b>(294,268,646)</b>	<b>(15,575,646)</b>	
<b>Operating surplus</b>	<b>54,580,000</b>	<b>12,762,000</b>	<b>67,342,000</b>	<b>50,460,157</b>	<b>(16,881,843)</b>	
Loss on disposal of assets and liabilities	-	-	-	(1,705,828)	<b>(1,705,828)</b>	Budgeted under operational expenses
<b>Surplus before taxation</b>	<b>54,580,000</b>	<b>12,762,000</b>	<b>67,342,000</b>	<b>48,754,329</b>	<b>(18,587,671)</b>	
<b>Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement</b>	<b>54,580,000</b>	<b>12,762,000</b>	<b>67,342,000</b>	<b>48,754,329</b>	<b>(18,587,671)</b>	
<b>Reconciliation</b>						

# Bojanala Platinum District Municipality

Annual Financial Statements for the year ended 30 June 2020

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand

### Statement of Financial Position

#### Assets

##### Current Assets

Inventories	-	-	-	14,650,610	<b>14,650,610</b>	
Receivables from exchange transactions	-	-	-	28,308	<b>28,308</b>	
VAT receivable	-	-	-	2,850,592	<b>2,850,592</b>	
Cash and cash equivalents	-	-	-	6,585,829	<b>6,585,829</b>	
	-	-	-	<b>24,115,339</b>	<b>24,115,339</b>	

##### Non-Current Assets

Property, plant and equipment	-	-	-	43,878,661	<b>43,878,661</b>	
Intangible assets	-	-	-	244,106	<b>244,106</b>	
	-	-	-	<b>44,122,767</b>	<b>44,122,767</b>	

##### Total Assets

	-	-	-	<b>68,238,106</b>	<b>68,238,106</b>	
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#### Liabilities

##### Current Liabilities

Payables from exchange transactions	-	-	-	106,506,671	<b>106,506,671</b>	
Employee benefit obligation	-	-	-	1,219,000	<b>1,219,000</b>	
Unspent conditional grants and receipts	-	-	-	1,279,762	<b>1,279,762</b>	
Payables from non - exchange transactions	-	-	-	2,024,000	<b>2,024,000</b>	
	-	-	-	<b>111,029,433</b>	<b>111,029,433</b>	

##### Non-Current Liabilities

Employee benefit obligation	-	-	-	26,317,000	<b>26,317,000</b>	
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##### Total Liabilities

	-	-	-	<b>137,346,433</b>	<b>137,346,433</b>	
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##### Net Assets

	-	-	-	<b>(69,108,327)</b>	<b>(69,108,327)</b>	
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#### Net Assets

##### Net Assets Attributable to Owners of Controlling Entity

##### Reserves

Revaluation reserve	-	-	-	12,127,554	<b>12,127,554</b>	
Accumulated surplus	-	-	-	(81,235,881)	<b>(81,235,881)</b>	
<b>Total Net Assets</b>	-	-	-	<b>(69,108,327)</b>	<b>(69,108,327)</b>	

# Bojanala Platinum District Municipality

Annual Financial Statements for the year ended 30 June 2020

## Accounting Policies

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### 1. Presentation of Annual Financial Statements

The annual financial statements have been prepared on an Accrual Basis of accounting and are in accordance with the historical convention, except where otherwise indicated.

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), as approved by the Minister of Finance, including interpretations, guidelines and directives issued by the Accounting Standards Board in accordance with the requirements of the Municipal Finance Management Act (Act 56 of 2003).

The municipality implemented the Municipal Standard Chart of Accounts (mSCOA) during the period ended 30 June 2017 as required in terms of the Municipal Regulations on Standard Chart of Accounts, announced by the Government Gazette No 37577 of 22 April 2014, in section 168 of the Local Government: Municipal Finance Management Act (Act 56 of 2003) and through directives and guidelines from National Treasury.

#### 1.1 Presentation currency

These annual financial statements are presented in South African Rand, rounded off to the nearest Rand which is the functional currency of the municipality.

#### 1.2 Going concern assumption

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

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

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

##### Trade receivables, loans and receivables

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

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

##### Fair value estimation

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

The fair value of financial instruments that are not traded in an active market (for example, over-the counter derivatives) is determined by using valuation techniques. The municipality uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the end of the reporting period.

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

# Bojanala Platinum District Municipality

Annual Financial Statements for the year ended 30 June 2020

## Accounting Policies

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

#### Impairment testing

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

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time.

#### Provisions

Provisions were raised and management determined an estimate based on the information available. Provisions are measured using management best estimates of the expenditure required to settle the obligation at the reporting date and are discounted to the present value where the effects are material. Reliance was based on expert knowledge.

#### Post retirement benefits

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

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 4.

#### Allowance for doubtful debts

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

#### Cash and cash equivalents

Cash and cash equivalent comprises of cash on hand and demand deposits, and other short-term highly liquid investment that are readily convertible to a known amount of cash and are subject to an insignificant risk in change of value. These are initially and subsequently recorded at fair value.

### 1.4 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 municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

# Bojanala Platinum District Municipality

Annual Financial Statements for the year ended 30 June 2020

## Accounting Policies

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

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

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

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

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

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

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

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

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

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses except for land and buildings which is carried at a 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.

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.

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

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

The useful lives of items of property, plant and equipment is assessed annually and in some cases may extend the useful life of an asset to longer than the predetermined useful live of that particular class of asset. Useful lives have been assessed as follows:

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Item	Depreciation method	Average useful life
Buildings	Straight line	30 years
Plant and machinery	Straight line	5-7 years
Furniture and fixtures	Straight line	7 years

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# Bojanala Platinum District Municipality

Annual Financial Statements for the year ended 30 June 2020

## Accounting Policies

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

Motor vehicles	Straight line	5-7 years
Office equipment	Straight line	3-7 years
Computer equipment	Straight line	3 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 depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

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

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

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.

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 22).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 1.4).

### 1.5 Intangible assets

An asset is identifiable if it either:

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

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

An intangible asset is recognised when:

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

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

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

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

# Bojanala Platinum District Municipality

Annual Financial Statements for the year ended 30 June 2020

## Accounting Policies

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### 1.5 Intangible assets (continued)

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.

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

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

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

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Internally generated goodwill is not recognised as an intangible asset.

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

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<b>Item</b>	<b>Amortisation method</b>	<b>Average useful life</b>
Computer software	Straight line	3 years

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The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements.

### 1.6 Financial instruments

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

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

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

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

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

# Bojanala Platinum District Municipality

Annual Financial Statements for the year ended 30 June 2020

## Accounting Policies

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### 1.6 Financial instruments (continued)

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

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

A financial asset is:

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

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

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

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

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

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

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

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

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

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

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

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.

# Bojanala Platinum District Municipality

Annual Financial Statements for the year ended 30 June 2020

## Accounting Policies

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### 1.6 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 entity had not acquired, issued or disposed of the financial instrument.

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

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

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

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

- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
  - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
  - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
  - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
  - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

#### Initial recognition

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

The entity recognises financial assets using trade date accounting.

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

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

The entity measures a financial asset and financial liability initially at its fair value [if subsequently measured at fair value].

The entity first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the entity analyses a concessionary loan into its component parts and accounts for each component separately. The entity accounts for that part of a concessionary loan that is:

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

# Bojanala Platinum District Municipality

Annual Financial Statements for the year ended 30 June 2020

## Accounting Policies

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### 1.6 Financial instruments (continued)

#### Subsequent measurement of financial assets and financial liabilities

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

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

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

#### Reclassification

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

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

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

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

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

#### Impairment and uncollectibility of financial assets

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

Financial assets measured at amortised cost:

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

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

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.

# Bojanala Platinum District Municipality

Annual Financial Statements for the year ended 30 June 2020

## Accounting Policies

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### 1.6 Financial instruments (continued)

#### Presentation

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

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

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

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

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

### 1.7 Leases

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

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

#### Finance leases - lessor

The municipality recognises finance lease receivables as assets on the statement of financial position. Such assets are presented as a receivable at an amount equal to the net investment in the lease.

Finance revenue is recognised based on a pattern reflecting a constant periodic rate of return on the municipality's net investment in the finance lease.

#### Finance leases - lessee

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

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

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

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

#### Operating leases - lessor

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

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

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

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

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

# Bojanala Platinum District Municipality

Annual Financial Statements for the year ended 30 June 2020

## Accounting Policies

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### 1.7 Leases (continued)

#### Operating leases - lessee

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

### 1.8 Inventories

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

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

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

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

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

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

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

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 formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

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

### 1.9 Impairment of cash-generating assets

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

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

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

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

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

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

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

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

# Bojanala Platinum District Municipality

Annual Financial Statements for the year ended 30 June 2020

## Accounting Policies

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

Useful life is either:

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

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

#### 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 municipality 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.

### 1.10 Employee benefits

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

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

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

Termination benefits are employee benefits payable as a result of either:

- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

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

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

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

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

# Bojanala Platinum District Municipality

Annual Financial Statements for the year ended 30 June 2020

## Accounting Policies

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### 1.10 Employee benefits (continued)

#### Post-employment benefits

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

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

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

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

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

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

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

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

# Bojanala Platinum District Municipality

Annual Financial Statements for the year ended 30 June 2020

## Accounting Policies

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### 1.10 Employee benefits (continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

# Bojanala Platinum District Municipality

Annual Financial Statements for the year ended 30 June 2020

## Accounting Policies

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### 1.10 Employee benefits (continued)

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

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

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

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

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

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

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

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

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

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

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

# Bojanala Platinum District Municipality

Annual Financial Statements for the year ended 30 June 2020

## Accounting Policies

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### 1.10 Employee benefits (continued)

#### Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

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

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

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

### 1.11 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality 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 deficit.

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

# Bojanala Platinum District Municipality

Annual Financial Statements for the year ended 30 June 2020

## Accounting Policies

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### 1.11 Provisions and contingencies (continued)

A constructive obligation to restructure arises only when an entity:

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

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

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding arrangement.

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

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 26.

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

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

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

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

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

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

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

### 1.12 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

# Bojanala Platinum District Municipality

Annual Financial Statements for the year ended 30 June 2020

## Accounting Policies

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### 1.12 Commitments (continued)

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

- Contracts should be non-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 entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

### 1.13 Revenue from non-exchange transactions

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

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

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

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

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

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

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

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

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

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

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

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

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

### Recognition

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

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

# Bojanala Platinum District Municipality

Annual Financial Statements for the year ended 30 June 2020

## Accounting Policies

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

#### Measurement

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

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

#### Transfers

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

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

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

### 1.14 Investment income

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

### 1.15 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.

### 1.16 Comparative figures

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

### 1.17 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

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

### 1.18 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.

### 1.19 Irregular expenditure

Irregular expenditure as defined in section 1 of the MFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

- (a) this Act; or

# Bojanala Platinum District Municipality

Annual Financial Statements for the year ended 30 June 2020

## Accounting Policies

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### 1.19 Irregular expenditure (continued)

- (b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- (c) any provincial legislation providing for procurement procedures in that provincial government.

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the MFMA requires the following (effective from 1 April 2008):

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

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

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

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

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

### 1.20 Revaluation reserve

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

### 1.21 Budget information

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

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

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

The approved budget covers the fiscal period from 2018/07/01 to 2019/06/30.

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

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

### 1.22 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.

# Bojanala Platinum District Municipality

Annual Financial Statements for the year ended 30 June 2020

## Accounting Policies

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### 1.22 Related parties (continued)

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

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

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

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

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

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

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

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

### 1.23 Events after reporting date

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

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

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

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

### 1.24 Value Added Tax

The municipality is registered with SARS for VAT on payment basis in accordance with section 15 (to) (a). of the Value Added Tax Act No. 89 of 1991.

# Bojanala Platinum District Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

Figures in Rand

2020

2019

### 2. Property, plant and equipment

	2020			2019		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	18,888,000	-	18,888,000	18,888,000	-	18,888,000
Buildings	5,269,173	(1,374,686)	3,894,487	5,269,173	(1,046,830)	4,222,343
Plant and machinery	3,149,668	(2,207,371)	942,297	3,137,864	(1,027,325)	2,110,539
Motor vehicles	22,068,974	(9,216,667)	12,852,307	22,068,974	(6,504,474)	15,564,500
Office equipment	10,872,704	(6,796,523)	4,076,181	10,872,704	(4,148,638)	6,724,066
Computer equipment	16,637,811	(13,412,422)	3,225,389	16,629,465	(8,583,626)	8,045,839
<b>Total</b>	<b>76,886,330</b>	<b>(33,007,669)</b>	<b>43,878,661</b>	<b>76,866,180</b>	<b>(21,310,893)</b>	<b>55,555,287</b>

# Bojanala Platinum District Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

Figures in Rand

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

#### Reconciliation of property, plant and equipment - 2020

	Opening balance	Additions	Depreciation	Impairment loss	Total
Land	18,888,000	-	-	-	18,888,000
Buildings	4,222,343	-	(327,856)	-	3,894,487
Plant and machinery	2,110,539	11,804	(403,909)	(776,137)	942,297
Motor vehicles	15,564,500	-	(2,712,193)	-	12,852,307
Office equipment	6,724,066	-	(1,729,422)	(918,463)	4,076,181
Computer equipment	8,045,839	8,346	(3,964,449)	(864,347)	3,225,389
	<b>55,555,287</b>	<b>20,150</b>	<b>(9,137,829)</b>	<b>(2,558,947)</b>	<b>43,878,661</b>

#### Reconciliation of property, plant and equipment - 2019

	Opening balance	Additions	Disposals	Depreciation	Total
Land	18,794,000	94,000	-	-	18,888,000
Buildings	4,550,199	-	-	(327,856)	4,222,343
Plant and machinery	2,206,658	303,386	-	(399,505)	2,110,539
Motor vehicles	17,739,481	484,838	-	(2,659,819)	15,564,500
Office equipment	8,563,176	315,650	(424,752)	(1,730,008)	6,724,066
Computer equipment	11,334,626	555,890	-	(3,844,677)	8,045,839
	<b>63,188,140</b>	<b>1,753,764</b>	<b>(424,752)</b>	<b>(8,961,865)</b>	<b>55,555,287</b>

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

# Bojanala Platinum District Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

Figures in Rand

### 3. Intangible assets

	2020			2019		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	1,094,589	(850,483)	244,106	1,094,589	(689,795)	404,794

#### Reconciliation of intangible assets - 2020

Computer software	Opening balance 404,794	Amortisation (160,688)	Total 244,106
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#### Reconciliation of intangible assets - 2019

Computer software	Opening balance 617,383	Amortisation (212,589)	Total 404,794
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#### Other information

No intangible assets had been pledged as security for any liability of the municipality.

No restrictions to any of the intangible assets of the municipality.

# Bojanala Platinum District Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

Figures in Rand 2020 2019

### 4. Employee benefit obligations

#### Defined benefit plan

##### Post retirement medical aid plan

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

The most recent actuarial valuations of the present value of the defined benefit obligation were carried out at 30 June 2020 by Independent Actuaries and Consultants PTY(LTD). The valuator is Peter Theusissen who has a Bsc (FASSA) and is a Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit funding method.

##### Other employee benefit - Long Service Awards

The municipality operates an unfunded defined benefit plan for all its employees. Under the plan, a Long-service Award is payable to employees after 10 years of continuous service, and every 5 years of continuous service from 10 years of service to 45 years of service. The provision is an estimate of the long service awards based on historical staff turnover. Additional cash/gifts are awarded to employees for levels of past service per the LSA policy.

The most recent actuarial valuations of the present value of the defined benefit obligation were carried out at 30 June 2020 by Independent Actuaries and Consultants PTY(LTD). The valuator is Peter Theusissen who has a Bsc (FASSA) and is a Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit funding method. The principal assumptions used for the purposes of the actuarial valuations were as follows for the year ended 30 June 2019:

Discount rate - 8.72% p.a, General salary inflation - 5.10%, Net discount rate - 3.45%. The basis on which the discount rate has been determined is as follow: GRAP 25 stipulates that the choice of this rate should be derived from high quality corporate bond yields. However, where the market in these bonds is not significant, the market yields on government bonds consistent with the estimated term of the post-employment liabilities should be used.

Non-current liabilities	-	-	(26,317,000)	(27,141,000)
Current liabilities	-	-	(1,219,000)	(1,299,000)
	-	-	<b>(27,536,000)</b>	<b>(28,440,000)</b>
Non-current liabilities - Defined Benefit	-	-	(17,472,000)	(17,512,000)
Non-current liabilities - Long Sservice Awards	-	-	(8,845,000)	(9,629,000)
	-	-	<b>(26,317,000)</b>	<b>(27,141,000)</b>
Current liabilities - Defined Benefit	-	-	(319,000)	(325,000)
Current liabilities - Long Sservice Awards	-	-	(900,000)	(974,000)
	-	-	<b>(1,219,000)</b>	<b>(1,299,000)</b>

The amounts recognised are as follows:

#### Long Service Awards

Opening balance	10,603,000	8,830,000
Additions	982,000	884,000
Utilised during the year	1,084,000	905,000
Reversed during the year	(900,000)	(310,000)
Changes in discount factor	(2,024,000)	294,000

# Bojanala Platinum District Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

Figures in Rand

	2020	2019
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### 4. Employee benefit obligations (continued)

	<b>9,745,000</b>	<b>10,603,000</b>
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The amount recognised in the Statement of Financial Performance are as follows:

Current service cost	982,000	884,000
Interest cost	1,084,000	905,000
Actuarial (gains) losses	(2,024,000)	294,000
	<b>42,000</b>	<b>2,083,000</b>

The amounts recognised are as follows:

#### Defined Benefits

Present value of the defined benefit obligation-wholly unfunded	(17,837,000)	(13,684,000)
Present value of the defined benefit obligation-partly or wholly funded	46,000	(4,153,000)
	<b>(17,791,000)</b>	<b>(17,837,000)</b>

The major categories of plan assets as a percentage of total plan assets are as follows:

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

Opening balance	17,837,000	15,026,000
Benefits paid	(319,000)	(325,000)
Net expense recognised in the statement of financial performance	273,000	3,136,000
	<b>17,791,000</b>	<b>17,837,000</b>

Net expense recognised in the statement of financial performance

Current service cost	1,112,000	995,000
Interest cost	1,807,000	1,528,000
Actuarial (gains) losses	(2,646,000)	613,000
	<b>273,000</b>	<b>3,136,000</b>

Calculation of actuarial gains and losses

Actuarial (gains) losses – Obligation	(2,646,000)	613,000
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#### Key assumptions used

Assumptions used at the reporting date:

The basis on which the discount rate has been determined is as follows: GRAP25 stipulates that the choice of this rate should be derived from high quality corporate bond yields. However, where the market in these bonds is not significant, the market yields on government bonds consistent with the estimated term of the postemployment liabilities should be used

We used the nominal and real zero curves as at 30 June 2020 supplied by the JSE to determine our discount rates and CPI assumptions at each relevant time period. In the event that the valuation is performed prior to the effective valuation date, we use the prevailing yield at the time of performing our calculations.

# Bojanala Platinum District Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

Figures in Rand

2020

2019

### 4. Employee benefit obligations (continued)

#### Other assumptions

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

	One percentage point increase	One percentage point decrease
Effect on the aggregate of the service cost and interest cost	-	2,919,000

Amounts for the current and previous four years are as follows:

	2020 R	2019 R	2018 R	2017 R	2016 R
Defined benefit obligation	17,791,000	17,837,000	15,026,000	13,416,000	11,550,000

### 5. Inventories

Inventories	14,650,610	16,356,380
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### 6. Receivables from exchange transactions

Staff Debts	1,253,308	1,242,406
Provision for bad debts	(1,225,000)	(1,225,000)
	<b>28,308</b>	<b>17,406</b>

#### Trade and other receivables impaired

As of 30 June 2018, trade and other receivables of R - (2018: R 1,225,000) were impaired.

The initial recognition of the impaired balance was R 1,400,000 in 2018 as a result of a fine issued to FCF plant and R 175,000 was received which brought the total outstanding balance to R 1,225,000.

Unfortunately market conditions forced the FCF plant into care-and-maintenance shortly after the issuing of the fine, and the company have not been in a position to pay the fine and it is from this condition that impairment assessment was performed.

#### Reconciliation of provision for impairment of trade and other receivables

Opening balance	-	1,237,098
Amounts written off as uncollectible - Debt Impairment	-	(1,225,000)
Staff debt adjustment	-	(12,098)
	-	-

### 7. Receivables from non-exchange transactions

Rustenburg Local Municipality Debtor	-	50,000,000
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### 8. VAT receivable

VAT	2,850,592	-
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# Bojanala Platinum District Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

Figures in Rand	2020	2019
<b>8. VAT receivable (continued)</b>		
Opening balance	(309,882)	-
Input Vat	5,373,492	-
Vat Refund	(2,164,441)	-
Vat Output	(48,577)	-
	<b>2,850,592</b>	<b>-</b>

### 9. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	6,585,829	4,137,030
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#### The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2020	30 June 2019	30 June 2018	30 June 2020	30 June 2019	30 June 2018
ABSA Call Account 11-3150-027	6,473,329	2,734,268	2,335,398	6,473,329	2,734,268	2,335,398
ABSA Cheque Account 11-2000-0272	2,000	2,000	2,000	2,000	2,000	2,000
ABSA Petty Cash 90-8451-8967	-	1,395	2,203	-	1,395	2,203
Housing Account 40-9603-861	110,499	1,399,367	-	110,499	1,399,367	-
<b>Total</b>	<b>6,585,828</b>	<b>4,137,030</b>	<b>2,339,601</b>	<b>6,585,828</b>	<b>4,137,030</b>	<b>2,339,601</b>

### 10. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

#### Unspent conditional grants and receipts

Spatial Planning and Land Use Management Grant	924,000	3,024,000
Skills Development Grant	355,762	-
	<b>1,279,762</b>	<b>3,024,000</b>

The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the municipality has directly benefited; and

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

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

### 11. Payables from exchange transactions

Trade payables	69,361,203	50,865,517
Provision for leave	29,369,369	24,272,506
Unidentified Deposit	1,647,995	730,606
Other payables	108,404	108,404
Bonus accrual	5,199,506	4,143,923
Retentions	885,453	885,453
Suspense	(65,257)	(2,543,783)
	<b>106,506,673</b>	<b>78,462,626</b>

### 12. VAT payable

Vat Payable	-	309,882
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# Bojanala Platinum District Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

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Figures in Rand	2020	2019
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### 12. VAT payable (continued)

Vat is payable on the receipts basis. Only once payment is received from debtors, VAT is paid over to SARS.

No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to SARS policies. The municipality has financial risk policies in place to ensure that payments are effected before the due date.

See below a reconciliation for VAT payable:

Opening balance	-	2,405,694
Input Vat	-	10,238,716
Vat Refund	-	(12,950,379)
Vat Output	-	(3,913)
	-	<b>(309,882)</b>

### 13. Investment revenue

#### Interest revenue

Investment Interest	1,097,331	1,216,525
Bank Interest	209,472	1,260,935
	<b>1,306,803</b>	<b>2,477,460</b>

The amount included in Investment revenue arising from exchange transactions amounted to R 1,097,331.

The amount included in Investment revenue arising from non-exchange transactions amounted to R 209,472.

# Bojanala Platinum District Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

Figures in Rand	2020	2019
<b>14. Government grants and subsidies</b>		
<b>Operating grants</b>		
Equitable share	337,899,000	322,202,000
Financial Management Grant	556,000	1,000,000
EPWP	1,024,000	1,558,000
SETA Skills Development Grant	-	295,754
Spatial Planning and Land Use Management Act Grant	2,100,000	2,576,000
Disaster Grant - Covid 19	272,000	-
Rural Asset Management Grant	1,571,000	2,364,000
	<b>343,422,000</b>	<b>329,995,754</b>
<b>Conditional and Unconditional</b>		
Included in above are the following grants and subsidies received:		
Conditional grants received (conditions met)	3,423,000	7,793,754
Unconditional grants received	337,899,000	322,202,000
	<b>341,322,000</b>	<b>329,995,754</b>
<b>Disaster Grant - Covid 19</b>		
Current-year receipts	506,000	-
Conditions met - transferred to revenue	(272,000)	-
Disallowed Unspent	(234,000)	-
	-	-
<b>Expanded Public Works Programme</b>		
Current-year receipts	1,437,000	1,558,000
Conditions met - transferred to revenue	(1,024,000)	(1,558,000)
Disallowed Unspent	(413,000)	-
	-	-
<b>Financial Management Grants</b>		
Current-year receipts	1,000,000	1,000,000
Conditions met - transferred to revenue	(556,000)	(1,000,000)
Disallowed Unspent	(444,000)	-
	-	-
<b>Rural Asset Management Grant</b>		
Current-year receipts	2,504,000	2,364,000
Conditions met - transferred to revenue	(1,571,000)	(2,364,000)
Disallowed Unspent	(933,000)	-
	-	-
<b>SPLUMA Grant</b>		
Balance unspent at beginning of year	3,024,000	-
Current-year receipts	-	5,600,000
Conditions met - transferred to revenue	(2,100,000)	(2,576,000)
	<b>924,000</b>	<b>3,024,000</b>

# Bojanala Platinum District Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

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Figures in Rand	2020	2019
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### 14. Government grants and subsidies (continued)

Conditions still to be met - remain liabilities (see note 10).

#### SETA Grant (Conditional)

Current-year receipts	355,762	295,754
Conditions met - transferred to revenue	-	(295,754)
	<b>355,762</b>	<b>-</b>

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Conditions still to be met - remain liabilities (see note 10).

# Bojanala Platinum District Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

Figures in Rand	2020	2019
<b>15. Employee related costs</b>		
Basic	118,046,340	106,160,498
Leave Pay	986,777	1,697,012
Bonus	9,572,724	8,049,934
Contribution to pension and provident	20,816,530	19,111,874
Medical aid - company contributions	8,989,010	8,288,406
Contributions	36,145	32,140
UIF	586,591	561,703
Cellphone allowance	691,600	651,600
Skills Development Levy	1,290,059	1,409,420
Leave gratuity	5,096,864	2,567,168
Standby allowance	2,768,074	2,423,003
Overtime payments	8,122,056	8,347,954
Long-service awards	(858,000)	1,773,000
Acting allowances	1,253,761	1,947,630
Car allowance	13,209,630	12,602,962
Housing benefits and allowances	2,233,034	2,428,046
Post employment medical aid benefit	(46,000)	2,811,000
	<b>192,795,195</b>	<b>180,863,350</b>
<b>Remuneration of Municipal Manager</b>		
Annual Remuneration	1,494,573	1,266,624
Car Allowance	60,000	60,000
Contributions to UIF, Medical and Pension Funds	-	14,848
Cellphone allowance	24,000	24,000
Housing allowances	120,000	120,000
	<b>1,698,573</b>	<b>1,485,472</b>
<b>Remuneration of Chief Finance Officer</b>		
Annual Remuneration	1,424,219	1,207,462
Contributions to UIF, Medical and Pension Funds	-	12,973
	<b>1,424,219</b>	<b>1,220,435</b>
<b>Remuneration of Director Corporate Services</b>		
Acting allowance: Tshukuku MM	-	103,512
Acting allowance: Maape M	-	4,916
	-	<b>108,428</b>
<b>Remuneration of Director Local Economic development</b>		
Acting Allowance - Mkgatsi LM	-	69,385
Annual Remuneration	1,325,126	478,171
Car Allowance	60,000	25,000
Cell Phone Allowance	24,000	10,000
Contributions to UIF, Medical and Pension Funds	-	5,279
	<b>1,409,126</b>	<b>587,835</b>
<b>Remuneration of Director : Community Development Services</b>		
Annual Remuneration	1,424,219	930,114
Car Allowance	-	270,000
Contributions to UIF, Medical and Pension Funds	-	12,629

# Bojanala Platinum District Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

Figures in Rand	2020	2019
<b>15. Employee related costs (continued)</b>		
Cell phone Allowance	-	7,500
	<b>1,424,219</b>	<b>1,220,243</b>
<b>Remuneration of Director -Technical Services</b>		
Annual Remuneration	810,460	644,850
Car Allowance	342,000	313,500
Housing allowance	253,759	232,612
Cellphone Allowance	18,000	16,500
Contributions to UIF, Medical and Pension Funds	-	11,742
	<b>1,424,219</b>	<b>1,219,204</b>
<b>Remuneration of Director - Health and Environment Services</b>		
Acting allowance : Masebe K.J.	-	36,452
Acting Allowance : Bubu A.	-	37,783
Annual Remuneration	1,086,326	351,774
Car Allowance	300,000	150,000
Cellphone allowance	22,800	11,400
Contributions to UIF, Medical and Pension Funds	-	5,724
	<b>1,409,126</b>	<b>593,133</b>
<b>16. Remuneration of councillors</b>		
Mayor	1,050,884	1,043,610
Single Whip	798,362	540,798
Speaker	410,976	772,550
Councillors	6,872,137	6,859,662
MPAC	776,141	770,848
MMC's	7,569,639	7,942,644
	<b>17,478,139</b>	<b>17,930,112</b>
<b>In-kind benefits</b>		
The Executive Mayor, Single WHIP ,Speaker and Mayoral Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.		
The Executive Mayor, Single whip and the Speaker have use of a Council owned vehicle for official duties.		
The Executive Mayor has two full-time bodyguards and two drivers.		
Councillors were paid in accordance with the Government Gazette, Remuneration of Councillors with exception to the SDL that the municipality is intending to correct and recover in the year 2019-2020.		
<b>17. Depreciation and amortisation</b>		
Property, plant and equipment	9,137,771	8,961,866
Intangible assets	160,688	212,589
	<b>9,298,459</b>	<b>9,174,455</b>

See Note 2 and 3 for details per asset

# Bojanala Platinum District Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

Figures in Rand	2020	2019
<b>18. Impairment</b>		
<b>Impairments</b>		
Property, plant and equipment Lost assets that were unverifiable for the period older than 2 years.	2,558,946	-
<b>19. Finance costs</b>		
Bank	704,940	281,113
Late salary payments	67,555	-
	<b>772,495</b>	<b>281,113</b>
Part of the interest stated above relates to interest paid to employees as a result of late salary payments and bank interest.		
<b>20. Consumables</b>		
Consumables	102,921	3,770,316
<b>21. Contracted services</b>		
<b>Outsourced Services</b>		
Accommodation & Catering	-	6,595,765
Catering Services	12,000	13,126,350
Cleaning Services	-	1,061,587
Security Services	6,918,589	6,774,075
Transport Services & Professional Fees	1,732,424	30,957,916
<b>Consultants and Professional Services</b>		
Business and Advisory	-	1,971,200
Legal Cost	1,037,744	5,174,654
<b>Contractors</b>		
Maintenance of Buildings and Facilities	2,521,139	24,741,980
Maintenance of illegal dump & Disludging Tanks	11,394,000	42,646,387
Other Contractors	7,297,245	8,868,018
	<b>30,913,141</b>	<b>141,917,932</b>

# Bojanala Platinum District Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

Figures in Rand	2020	2019
<b>22. Operational cost</b>		
Advertising	-	227,199
Auditors remuneration	1,014,075	3,101,150
Bank charges	391,183	220,254
Catering	263,417	3,446,349
Accommodation	2,516,919	14,854,238
Promotional Material	555,652	3,209,558
Workshops & Hire	11,487,573	7,904,493
Insurance	-	943,907
Community development and training	59,500	3,370,402
Registration and training	1,558,072	4,384,339
Fuel and oil	694,569	611,587
Postage and courier	-	9,925
Printing and stationery	-	34,500
Software expenses	-	722,435
Subscriptions and membership fees	42,113	63,349
Travel - local	1,896,817	2,485,533
Uniforms	-	1,304,113
Operational costs - Other	9,611,672	23,465,866
	<b>30,091,562</b>	<b>70,359,197</b>
<b>23. Cash generated from operations</b>		
Surplus (deficit)	48,754,329	(115,761,382)
<b>Adjustments for:</b>		
Depreciation and amortisation	9,298,459	9,174,455
Loss on foreign exchange	-	40,446
Debt impairment	2,558,946	1,730,006
Movements in retirement benefit assets and liabilities	(904,000)	4,266,000
Movements in provisions	-	318,000
Loss on disposal of assets	1,764,865	11,751,241
<b>Changes in working capital:</b>		
Inventories	1,705,770	4,261,243
Receivables from exchange transactions	(10,902)	1,248,716
Other receivables from non-exchange transactions	50,000,000	(50,000,000)
Payables from exchange transactions	26,282,267	2,584,544
Movement in VAT	(3,160,474)	560,875
Unspent conditional grants and receipts	(1,744,238)	3,024,000
Payables from non-exchange transactions	(132,073,050)	134,097,050
	<b>2,471,972</b>	<b>7,295,194</b>
<b>24. Financial instruments disclosure</b>		
<b>Categories of financial instruments</b>		
<b>2020</b>		
<b>Financial assets</b>		
	At amortised cost	Total
Trade and other receivables from exchange transactions	28,308	28,308
Cash and cash equivalents	6,585,829	6,585,829
	<b>6,614,137</b>	<b>6,614,137</b>
<b>Financial liabilities</b>		

# Bojanala Platinum District Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

Figures in Rand	2020	2019	
<b>24. Financial instruments disclosure (continued)</b>			
	At amortised cost	Total	
Trade and other payables from exchange transactions	105,946,555	105,946,555	
Employee benefit obligation	17,791,000	17,791,000	
Payables from non - exchange transactions	2,024,000	2,024,000	
	<b>125,761,555</b>	<b>125,761,555</b>	
<b>Residual interest</b>			
	At fair value	At amortised cost	Total
Revaluation reserve	12,108,319	-	12,108,319
Accumulated deficit	-	(91,937,888)	(91,937,888)
	<b>12,108,319</b>	<b>(91,937,888)</b>	<b>(79,829,569)</b>
<b>2019</b>			
<b>Financial assets</b>			
	At amortised cost	Total	
Trade and other receivables from exchange transactions	17,406	17,406	
Other receivables from non-exchange transactions	50,000,000	50,000,000	
Cash and cash equivalents	4,137,030	4,137,030	
	<b>54,154,436</b>	<b>54,154,436</b>	
<b>Financial liabilities</b>			
	At amortised cost	Total	
Trade and other payables from exchange transactions	79,866,403	79,866,403	
Employee benefit obligation	17,837,000	17,837,000	
Payables from non-exchange transactions	134,097,050	134,097,050	
	<b>231,800,453</b>	<b>231,800,453</b>	
<b>Residual interest</b>			
	At fair value	At amortised cost	Total
Revaluation reserve	12,108,319	-	12,108,319
Accumulated deficit	-	(147,429,311)	(147,429,311)
	<b>12,108,319</b>	<b>(147,429,311)</b>	<b>(135,320,992)</b>
<b>Financial instruments in Statement of financial performance</b>			
<b>2020</b>			
	At amortised cost	Total	
Interest income for financial instruments at amortised cost	1,360,803	1,360,803	
<b>2019</b>			
	At amortised cost	Total	

# Bojanala Platinum District Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

Figures in Rand	2020	2019
<b>24. Financial instruments disclosure (continued)</b>		
Foreign exchange gains or losses	(40,446)	(40,446)
Interest income for financial instruments at amortised cost	2,477,461	2,477,461
	<b>2,437,015</b>	<b>2,437,015</b>

### Foreign Exchange Gains or Losses

The municipality procured a Microsoft Licence from Ireland dominated in US Dollars in 2017. The amount has remained outstanding to date and the foreign exchange gains and losses movement relates to the fluctuations in the value of the payable at year end.

There was no ineffectiveness to be recorded from net investment in foreign entity hedges.

### 25. Commitments

#### Authorised capital expenditure

##### Already contracted for but not provided for

• Property, plant and equipment	-	1,435,676
• Adjusted	-	(1,435,676)
	-	-

#### Operating leases - as lessee (expense)

##### Minimum lease payments due

- within one year	5,592,043	4,823,128
- in second to fifth year inclusive	10,501,621	209,952
	<b>16,093,664</b>	<b>5,033,080</b>

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

# Bojanala Platinum District Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

Figures in Rand	2020	2019
<b>26. Contingencies</b>		
<b>Contingent Liabilities</b>		
Case Number 3926/17 In Rustenburg Magistrates Court: Claimed amount R 72 878.54 plus cost for vehicle damage due to pothole in Bethanie Road. Setshesh Makgale Attorneys in Rustenburg are handling this matter on behalf of BPDM	-	100,000
Case Number 742/17 In the Brits Magistrates court: Claimed amount +/- R80 000 plus costs for vehicles damage due to pothole in Bethanie road. Malatji Attorneys in Brits are handling this matter on behalf of BPDM.	-	38,000
Case number 1006/17 Possible obligation to be incurred by the lawyer for defending the concluded case on Taupedi Security.	-	500,000
Case number 6226/17 Claim for damage on a motor vehicle arising out of a road in a state of despair.	-	38,000
Case Number [J145/18 Parties: Bojanala Platinum District Municipality/ Bontle Debra Qiqimana Description of the matter: Application to declare the contract of employment null and void Current Status of the matter: In progress [Parties exchanged all relevant affidavits. We have filed the heads of argument on behalf of the Municipality and await set down of the matter from the Registrar of the Labour Court following receipt of the heads of argument on behalf of Ms. Qiqimana and/or way forward of the matter as per the directive of the Registrar of the Labour Court.	1,000,000	-
BPDM // SHIKWANE & ONE OTHER	750,000	-
Disciplinary Hearing & unfair suspension CCMA hearing Matters relating to moderwinkel due to Listeriosis outbreak. There has been no claim further.	-	15,000
Case number 1560/19 - Former Mayor Kgetleng Municipality, K. Medupe, sued Bojanala District Municipality for failing assist when her house was burnt down by a protesting mob.	2,000,000	2,000,000
Choshane/LBR/BJPDM-DQ0167 Parties: Bojanala Platinum District Municipality/ Bontle Debra Qiqimana Description of the matter: Application to declare the contract of employment null and void Current Status of the matter: In progress [Parties exchanged all relevant affidavits and busy with preparation of the heads of arguments. Subsequent thereto the matter will await date of hearing from the Registrar of the Labour Court]	-	1,500,000
PHIHLELA v BPDM - Defending Review Application	250,000	-
EFF v BPDM - Opposing urgent application	350,000	-
	<b>4,350,000</b>	<b>4,191,000</b>

# Bojanala Platinum District Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

Figures in Rand 2020 2019

### 27. Related parties

Relationships

Day to day management of the municipality

Members of key management

Close member of the family of management

Likopane Libokodo Trading

[For a detailed breakdown of the remuneration paid to s57 managers and councillors refer to note 14 and 15 of the financial statements. ]

### Related party balances

### Related party transactions

#### Purchases from (sales to) related parties

Likopane Libokodo Trading and Projects 6,298,064 18,298,755

### 28. Prior-year adjustments

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

#### Statement of financial position

##### 2020

	Note	As previously reported	Correction of error	Classification	Restated
Inventory		-	-	16,356,380	16,356,380
Receivables from exchange transactions		1,237,098	(1,219,692)	-	17,406
Receivables from non-exchange transactions		50,000,000	-	-	50,000,000
VAT receivable		609,870	(609,870)	-	-
Cash and cash equivalents		4,137,838	(808)	-	4,137,030
Property, plant and equipment		59,118,402	12,793,265	(16,356,380)	55,555,287
Intangible assets		404,794	-	-	404,794
Payables from exchange transactions		(210,438,193)	(2,121,483)	134,097,050	(78,462,626)
VAT payable		-	(309,882)	-	(309,882)
Employee benefit obligation		(325,000)	-	(974,000)	(1,299,000)
Unspent conditional grants and receipts		(3,024,000)	-	-	(3,024,000)
Provisions		(974,000)	-	974,000	-
Payables from non-exchange transactions		-	-	(134,097,050)	(134,097,050)
Employee benefit obligation		(17,512,000)	-	(9,629,000)	(27,141,000)
Provisions		(9,629,000)	-	9,629,000	-
Reserves		(11,240,135)	(887,419)	-	(12,127,554)
		<b>(137,634,326)</b>	<b>7,644,111</b>	<b>-</b>	<b>(129,990,215)</b>

#### Statement of financial performance

# Bojanala Platinum District Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

Figures in Rand		2020	2019		
<b>28. Irregular expenditure (continued)</b>					
<b>2020</b>					
	Note	As previously reported	Correction of error	Classification	Restated
Interest received		2,477,461	-	-	2,477,461
Gain on land donated		94,000	-	-	94,000
Government grants & subsidies		329,995,754	-	-	329,995,754
Employee related costs		(180,147,265)	17,403	(733,488)	(180,863,350)
Remuneration of councillors		(17,930,112)	-	-	(17,930,112)
Depreciation and amortisation		(6,244,169)	(2,930,286)	-	(9,174,455)
Finance costs		(246,603)	(34,510)	-	(281,113)
Lease rentals on operating lease		(11,734,100)	(506,333)	-	(12,240,433)
Consumables		(3,726,344)	(43,972)	-	(3,770,316)
Contracted services		(145,898,221)	(1,136,839)	5,117,129	(141,917,931)
Loss on disposal of assets and liabilities		(11,375,043)	(376,198)	-	(11,751,241)
Loss on foreign exchange		(40,446)	-	-	(40,446)
Operational costs		(65,455,417)	(520,139)	(4,383,641)	(70,359,197)
<b>Surplus for the year</b>		<b>(110,230,505)</b>	<b>(5,530,874)</b>	<b>-</b>	<b>(115,761,379)</b>

### Errors

Decrease in Receivables from exchange transaction is as a result of an impairment performed on the irrecoverable debt.

Decrease in Vat receivable was as a result of previous uncaptured transactions relating to the financial year ended 30 June 2019 and also due to reclassification of a VAT refund that was incorrectly classified.]

Decrease in Property, plant and equipment is as a result of adjustment on work in progress and re-assessment of asset conditions.

Increase in

Increase in Payable from exchange transaction is as a result of reperformance of payable reconciliation and correcting the age analysis.

Increase in Payable from non-exchange transaction is as a result of classification of some payable from exchange.

Increase in VAT Payable was as a result of previous uncaptured transactions relating to the financial year ended 30 June 2019 and also due to reclassification of a VAT refund that was incorrectly classified.

Decrease in Cash and cash equivalent was as a result of correction of petty cash balance per bank confirmation statement.

# Bojanala Platinum District Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

Figures in Rand

2020

2019

### 29. Risk management

#### Liquidity risk

Liquidity risk is the risk that the Municipality will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial assets.

The municipality's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Municipality reputation. The liquidity risk management by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cashflow requirements. Liabilities are managed by ensuring that all contractual payments met on a timeous basis and, if required additional new arrangements are established at a competitive rates to ensure that cashflow requirements are met.

The municipality's managed liquidity through an ongoing review of future commitments and credit facilities.

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities flow requirements. Liabilities are managed by a competitive rates to ensure that the cashflow requirements are met.

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

#### Liquidity risk

107,970,555 211,419,671

#### Credit risk

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

Financial instrument	2020	2019
Payables and exchange	106,506,673	78,462,626
Vat payable	-	309,882
Post employment medical benefits	17,791,000	17,837,000
Unspent conditional grants and receipts	3,379,762	3,024,000
Long service awards	9,745,000	10,603,000
Payable non-exchange	2,024,000	134,097,050

#### Foreign Exchange Risk

##### Foreign exchange risk

The municipality does not hedge foreign exchange fluctuations. The municipality is exposed to one foreign transaction relating to payment of Microsoft licenses that is denominated in US Dollars.

### 30. Going concern

We draw attention to the fact that at 30 June 2020, the municipality had an accumulated deficit of R (91,937,888) and that the municipality's total liabilities exceed its assets by R (69,108,329).

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

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality to restore the solvency of the municipality.

# Bojanala Platinum District Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

Figures in Rand	2020	2019
<b>30. Going concern (continued)</b>		
The COVID-19 pandemic has developed rapidly in 2020, resulting in a significant number of infections and fatalities. Measures taken by the South African government to contain the spread of the virus have affected economic activity. We have taken a few measures to monitor and prevent the effects of the COVID-19 virus such as safety and health measures for our people like social distancing, working from home and securing the supply of materials that are essential for our operations.		
At this stage, the impact on our operations is limited. We are confident that the municipality will continue as a going concern in the foreseeable future. We will continue to follow the government regulations and advice and in parallel will do our utmost to continue our operations in the best and safest way possible without jeopardising the health and safety of our people..		
<b>31. Unauthorised expenditure</b>		
Opening balance as previously reported	264,213,967	178,782,701
<b>Opening balance as restated</b>	<b>264,213,967</b>	<b>178,782,701</b>
Add: Expenditure identified - current	22,427,738	85,431,266
<b>Closing balance</b>	<b>286,641,705</b>	<b>264,213,967</b>
<b>32. Fruitless and wasteful expenditure</b>		
Opening balance as previously reported	5,998,787	5,720,875
<b>Opening balance as restated</b>	<b>5,998,787</b>	<b>5,720,875</b>
Add: Expenditure identified - current	1,103,737	277,912
<b>Closing balance</b>	<b>7,102,524</b>	<b>5,998,787</b>
<b>33. Irregular expenditure</b>		
Opening balance as previously reported	472,347,412	298,643,764
<b>Opening balance as restated</b>	<b>472,347,412</b>	<b>298,643,764</b>
Add: Irregular Expenditure - current year	-	173,703,648
<b>Closing balance</b>	<b>472,347,412</b>	<b>472,347,412</b>
<b>34. Additional disclosure in terms of Municipal Finance Management Act</b>		
<b>Contributions to organised local government ( SALGA)</b>		
Current year subscription / fee	1,870,880	1,807,680
Amount paid - current year	(1,870,880)	(1,807,680)
	-	-
<b>Audit fees</b>		
Current year subscription / fee	1,104,056	3,101,150
Amount paid - current year	(67,348)	(3,101,150)
	<b>1,036,708</b>	-
<b>PAYE and UIF</b>		
Opening balance	7,530,197	(1,024,616)
Current year subscription / fee	37,169,963	34,280,789
Amount paid - current year	(44,700,160)	(25,725,976)
	-	<b>7,530,197</b>

# Bojanala Platinum District Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

Figures in Rand	2020	2019
<b>34. Additional disclosure in terms of Municipal Finance Management Act (continued)</b>		
<b>Pension and Medical Aid Deductions</b>		
Opening balance	-	(1,132,927)
Current year subscription / fee	17,896,356	44,986,158
Amount paid - current year	(17,896,356)	(43,853,231)
	-	-
<b>VAT</b>		
VAT receivable	2,850,592	-
VAT payable	-	309,882
	<b>2,850,592</b>	<b>309,882</b>

The VAT receivables amount disclosed is a net off of SARS refunds, input VAT and out Output VAT movement.

All VAT returns have been submitted by the due date throughout the year 2020.

### 35. Deviation from supply chain management regulations

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

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

Covid 19 emergency procurements was the major deviation during the financial period ended 30 June 2020 as per table below and other. See table below.

Supplier Names	Reasons for Deviations	
Marce Prjoces (LTD)ltd	Marce Projects (pty) ltd is the only approved agent to service fire engines in South Afrcia	17,250
Rustenburg Toyota	The model and make is Toyota corolla	19,924
Chief licensing officer	Chief Licensing (RLM) is the approved agent for roadworthy service in Rustenburg	54,018
Lasba Trading (PTY) Ltd	Covid 19 Emergencies	44,977
Tirafalo CC	Emergencies, for COVID 19 intervention	64,230
TCS Solutions	Emergencies, for COVID 19 intervention	111,445
Payday Software Systems (PTY) Ltd	Sole provider	12,442
		<b>324,286</b>

# Bojanala Platinum District Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

Figures in Rand	2020	2019
<b>36. Payables from non - exchange transaction</b>		
<b>Non - Exchange Payables</b>		
Department of Local Government and Human Settlement	-	134,097,050
Financial Management Grant	444,000	-
Municipal Disaster Grant	234,000	-
Rural Roads Asset Management Systems grant	933,000	-
Expanded Public Works Programme	413,000	-
	<b>2,024,000</b>	<b>134,097,050</b>

**2020** - In the case of your municipality, National Treasury concluded that an amount of R2 million remains unspent and should be repaid to the NRF. The unspent amount is in respect of the Financial Management Grant (R444 thousand), Municipal Disaster Grant (R234 thousand), Rural Roads Asset Management Systems grant (R933 thousand) and the Expanded Public Works Programme (R413 thousand).

**2019** - On 04 March 2019 the department erroneously paid an amount of R134,146,685.00 into the municipal bank account at ABSA - 011-2000-272. The amount was made up of R134 097 050.00 from Rustenburg Local Municipality and R49 635 from Bojanala Platinum District Municipality.