GRAP 104 REVISED AND MFMA FINANCIAL STATEMENTS

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Disclaimer

The views, thoughts, and opinions expressed in this presentation are solely those of the speaker and do not necessarily represent the views of the company, employer, or organization.

Financial instruments

Financial instruments

A Contract

Settle in cash or other financial instrument

Financial asset	Financial liability	Residual interest in another entity

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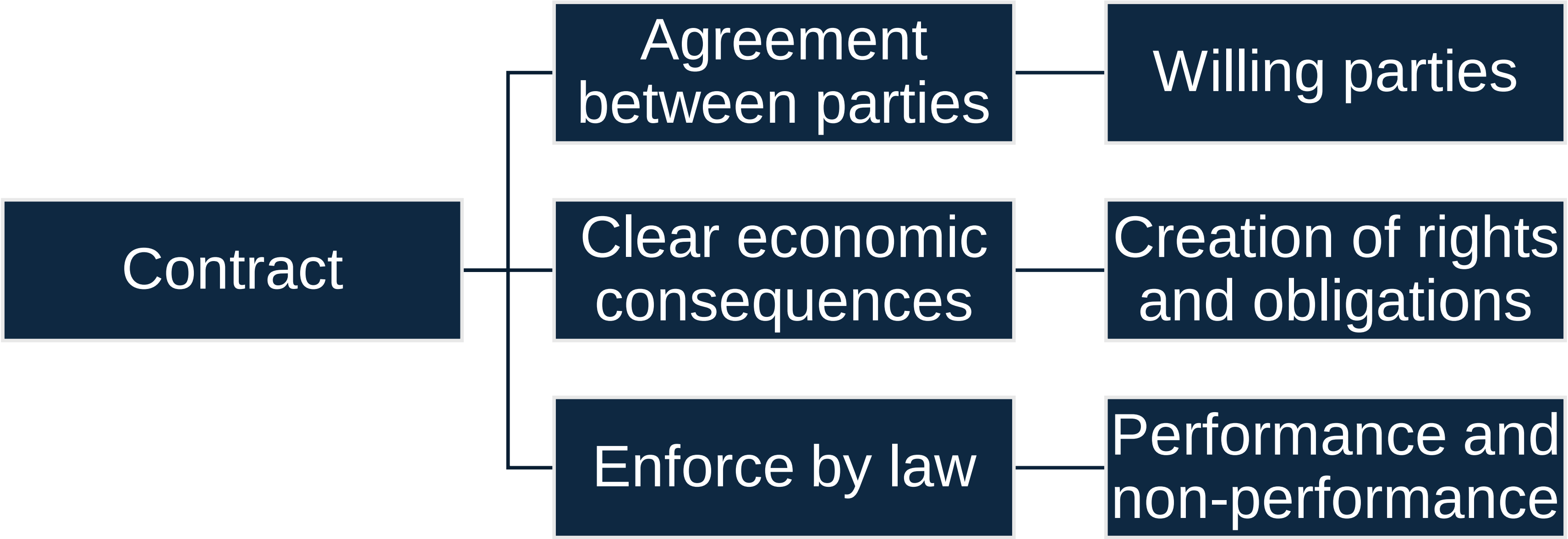
Financial instruments



Financial instruments

Settle in cash

- Trade receivables
- Loans
- Trade payables
- Bank balances

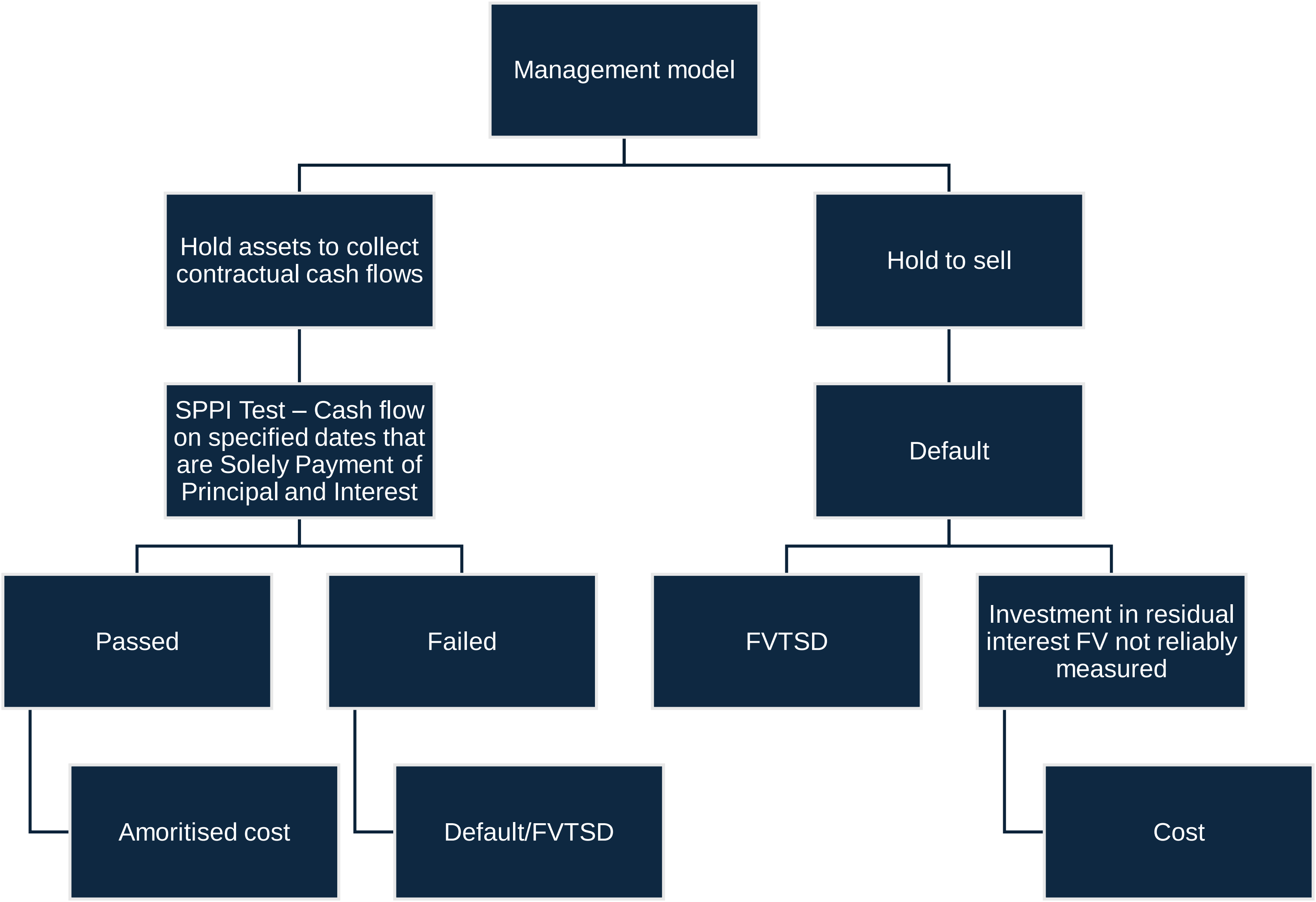
Settle through goods and services

- Prepaid electricity units supplied to customers – Settle via electricity supply (goods)
- Deposit paid for future services – Linked to service delivery
- Advance payments to suppliers – Settle via goods or services
- Deferred revenue – Obligation to provide services

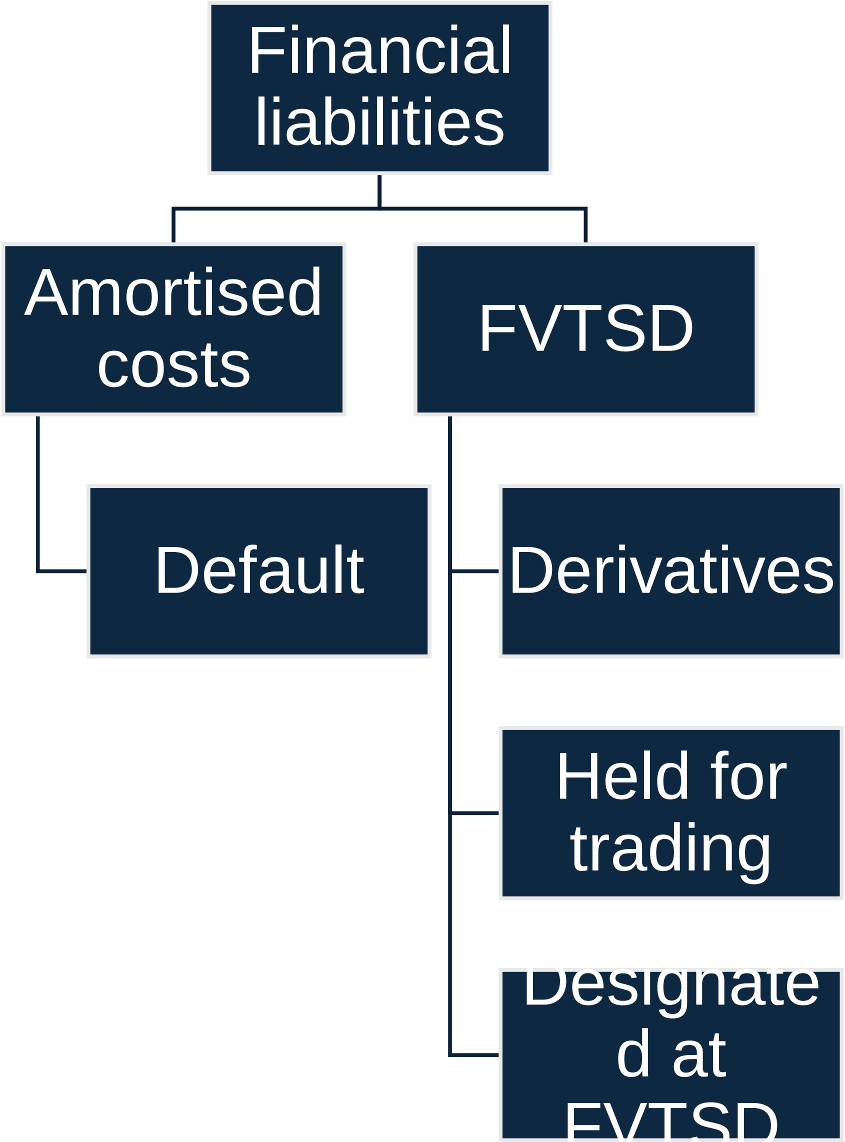
EXCLUDED

- Excluded from scope
  - GRAP 108
    - Property rates
    - Traffic fines
    - Other fines
    - Availability charges*
  - GRAP 25
    - Employee pensions
    - Long service awards
    - Salary liabilities
    - Bonus accruals
  - GRAP 19
    - Money received previously provisioned
    - Rights to payment to reimburse
  - GRAP 32/35/36
    - Transfer of funcions

CLASSIFICATION – FINANCIAL ASSETS



CLASSIFICATION – FINANCIAL LIABILITIES



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WHAT IS RELEVANT

1. Identify Financial Assets
2. Identify Financial Liabilities
3. Do you have Loan commitments?
4. Do you have financial guarantee contracts?
5. Do you have any Financial Assets at FVTSD?
6. Do you have any Financial Liabilities at FVTSD?

Assess SOFP

Assets			
Current Assets			
Cash and cash equivalents	3	464 001 229	484 529 708
Trade and other receivables from exchange transactions	4	270 662 230	270 171 433
Receivables from non-exchange transactions	5	146 834 461	129 690 225
Inventory	6	36 250 570	22 859 269
VAT Receivable	7	25 389 919	24 070 199
Total Current Assets		**943 138 409**	**931 320 834**
Non-Current Assets			
Property, plant and equipment	8	2 383 139 805	2 274 301 042
Investment property	9	49 234 032	49 234 032
Intangible assets	10	12 693 324	11 389 921
Heritage assets	11	18 701	18 701
Total Non-Current Assets		**2 445 085 862**	**2 334 943 696**
Total Assets		**3 388 224 271**	**3 266 264 530**

Assess SOFP

Liabilities			
Current Liabilities			
Trade and other payables from exchange transactions	12	265 268 359	257 980 034
Borrowings	13	27 886 732	22 884 362
Consumer deposits	14	24 692 899	23 657 733
Lease liabilities	15	11 599 851	9 429 633
Unspent conditional grant	16	400 541	101 744
Income received in advance from developer contribution	17	1 750 616	8 075 234
Provisions	18	-	5 000 000
Total Current Liabilities		**331 598 998**	**327 128 740**
Non-Current Liabilities			
Borrowings	13	221 885 121	181 821 853
Provisions	18	80 071 601	75 464 725
Lease liabilities	15	34 107 382	27 731 681
Employee benefits	19	23 201 488	21 312 017
Total Non-Current Liabilities		**359 265 592**	**306 330 276**
Total Liabilities		**690 864 590**	**633 459 016**
Net Assets		**2 697 359 681**	**2 632 805 514**
Net assets presented by:			
Accumulated surplus		2 697 359 681	2 632 805 514

MEASUREMENT

- Initial recognition
  - All
    - Fair value +- transaction costs
  - Short term receivables/payables
    - FV+Trans cost = Transaction price = Invoice amount

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Financial Assets: The Fair Value Blueprint

A GRAP 104 Guide

Step 1: Initial Recognition

Recognize the asset on your statement of financial position only when you become party to the contract's provisions.

Step 2: Initial Measurement

Measure at fair value; unlike other assets, transaction costs for fair value instruments are expensed immediately rather than added to the cost.

Step 3: Subsequent Measurement

At each reporting date, re-measure the asset to its current fair value, with gains or losses recognized in surplus or deficit.

The Fair Value Hierarchy

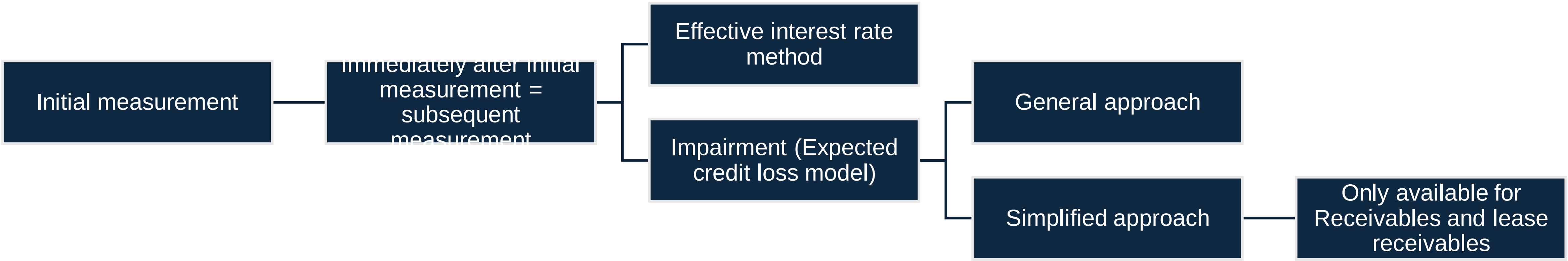
Level 1
Quoted Prices

Level 2
Observable Market Data

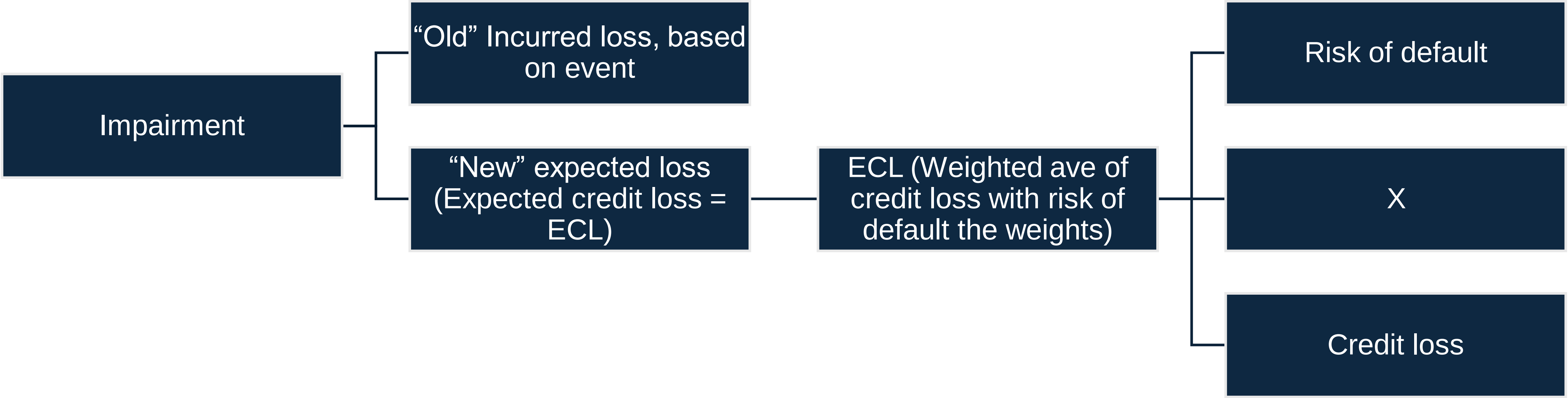
Level 3
Unobservable Inputs

FINANCIAL ASSETS

SUBSEQUENT MEASUREMENT – Amortised cost



SUBSEQUENT MEASUREMENT



CREDIT LOSS

Credit loss

Contractual CF

Minus

Expected CF

CREDIT LOSS - APPROACH

- Impairment (ECL)
  - General
    - 12 month
    - Life time
  - Simplified
    - Life time only
    - EIR – Gross
    - Provision matrix

CREDIT LOSS - GENERAL

Component	Stage1 Performing	Stage 2 – Under performing	Stage 3 – Credit impaired
Credit risk	Performing	Significant increased	Identified as impaired
Loss allowance	12 month ECL	Lifetime ECL	Lifetime ECL
Interest revenue	Gross carrying amount	Gross carrying amount	Amortised carrying amount

CREDIT LOSS - SIMPLIED

Component	Simplified
Credit risk	Not required to assessed
Loss allowance	Lifetime ECL
Interest revenue	Gross carrying amount

PROVISION MATRIX

1. Segment the Portfolio (Remove Property Rates)
2. Establish an Ageing Schedule
3. Calculate Historical Loss Rates
4. Adjust for Forward-Looking Information

PRESENTATION AND DISCLOSURE

1. New Accounting policy for GRAP 104 R
2. Update Significant justments and estimates
3. Change in Accounting policy note
4. Reconciliation to Financial Instruments
5. Financial instruments and risk management

PRESENTATION AND DISCLOSURE - ACP

1.6 Financial instruments - GRAP 104 (revised 2019) - current policy

Applied from the effective date prescribed for the entity by regulation of the Minister of Finance and the applicable Directive (see note "Changes in accounting policy"). Any references to paragraph numbers in this accounting policy relates to paragraphs in GRAP 104 (revised 2019), relating Appendices or relating Basis for Conclusions.

Definitions

Financial assets include:

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

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

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

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

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

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

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

PRESENTATION AND DISCLOSURE - Recon

11. Receivables from exchange transactions (continued)

Consumer debtors		
Consumer debtors - Electricity	35,380,379	36,460,129
Total Receivables from exchange transactions	**44,004,463**	**47,338,300**

Split between non-current and current portions

Non-current assets	1,700,000	750,000
Current assets	42,304,463	46,588,300
	44,004,463	**47,338,300**

Split between financial instruments and non-financial instruments

Statutory related	1,700,000	5,027,000
Other non-financial instruments related	1,700,000	750,000
Carrying amount of non-financial instruments	3,400,000	5,777,000
Carrying amount of financial instruments	40,604,463	41,561,300
Total split between financial instruments and non-financial instruments	**44,004,463**	**47,338,300**

Split of carrying amount of financial instruments into categories

Financial assets measured at amortised cost	40,604,463	41,561,300

Financial instrument disclosure

Additional information on the financial instrument components of this note, as required by GRAP 104, is provided in note 40 Financial Instruments - Risk Management and Other Disclosures.

Statutory receivable disclosure

Additional information on the statutory receivables components of this note, as required by GRAP 108, is provided in note 13 Statutory receivables disclosure.

PRESENTATION AND DISCLOSURE – FI Note

40. Financial Instruments - Risk Management and Other Disclosures

Significance of financial instruments for financial position and financial performance

Statement of financial position

Categories of financial assets and financial liabilities

Carrying amounts of financial assets

Class of financial instrument 2026

	Note(s)	At amortised cost	At fair value through surplus or deficit (mandatory)	At fair value through surplus or deficit (designated)	Total
Investments	6	-	141,169	-	141,169
Other loans receivable	8	7,543,225	-	-	7,543,225
Other financial asset - Specified	7	-	-	3,500,000	3,500,000
Receivables from exchange transactions	11	40,604,463	-	-	40,604,463
Receivables from non-exchange	12	2,500,000	-	-	2,500,000
Cash and cash equivalents	16	50,015,935	-	-	50,015,935
Total carrying amounts		**100,663,623**	**141,169**	**3,500,000**	**104,304,792**

Statement of financial performance

Items of revenue, expenses, gains or losses

2026

	Note(s)	At amortised cost / Not At FVTSD	Total
Net gains or net losses on financial assets and financial liabilities			
Debt impairment - Financial assets	34	46,584	46,584
Bad debts written off - Financial instruments		108,697	108,697
Total net gains or net losses on financial assets and financial		**155,281**	**155,281**

PRESENTATION AND DISCLOSURE

FULL AFS EXAMPLE

THANK YOU

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