



Ehlanzeni District Municipality
Annual Financial Statements
for the year ended 30 June 2025

Audited

By

2025 -11- 30

**Auditor General South Africa
Mpumalanga Business Unit**

Ehlanzeni District Municipality

Annual Financial Statements for the year ended 30 June 2025

General Information

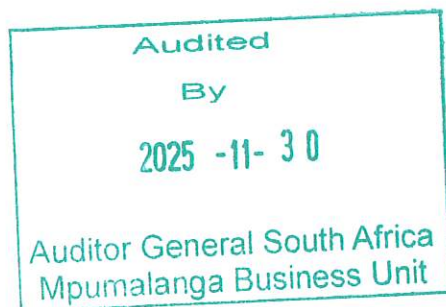
Mayoral committee

Executive Mayor	Shabangu EIT	(Appointed 16/07/2024)
Acting Executive Mayor	Shongwe MR	(Resigned 16/07/2024)
Speaker	Khumalo RE	
Chief Whip	Siwela GS	
MPAC Chairperson	Morema MJ	(Appointed 16/07/2024)

Mayoral committee	Chima PP	(Appointed 04/12/2024)
	Shongwe MR	(Appointed 23/07/2024)
	Hlophe NC	(Appointed 23/07/2024)
	Mabuza ET	(Appointed 23/07/2024)
	Mathe PA	(Appointed 23/07/2024)
	Selowe PT	(Appointed 23/07/2024)
	Shakwane LC	(Appointed 23/07/2024)
	Manana PM	(Appointed 23/07/2024)

Councillors

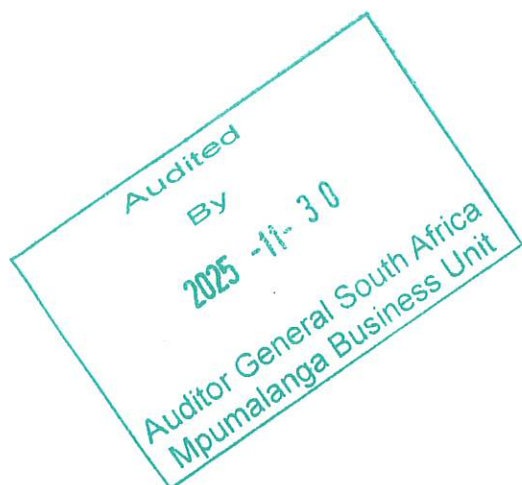
Chuene KC	
Couvaras S	
Chauke SP	
Mathobela NV	
Gwebu VS	
Khoza NC	
Lighthelm JH	
Mabunda EE	
Maganga MN	
Malomane HK	
Makhubela SO	
Robertson KP	(Appointed 29/10/2024)
Manana SJ	
Masilela DC	
Mashigo-Sekgobela S	
Mathebula AM	
Mokoena IT	(Appointed 05/07/2024)
Sibuyi TB	
Mathebula E	
Mashava IS	
Mohlala CM	
Raphiri GP	(Appointed 05/07/2024)
Mbhandze F	
Mashele SJ	(Appointed 16/07/2024)
Mhlaba RB	
Mdhluli ZA	
Ngomane LP	
Ngomane TE	
Nkomo NR	
Nkosi LF	
Nkuna SB	
Preddy MMS	
Robertson FJ	(Resigned 18/09/2024)



Ehlanzeni District Municipality

Annual Financial Statements for the year ended 30 June 2025

General Information



	Sebamba C	
	Sifunda HX	
	Sihlabela HE	
	Sithole SL	
	Minnaar PCW	
	Shabangu R	
	Schormann SR	
	Thobela SA	
	Tshabalala SB	
	Van der Westhuizen M	
	Mahlalela TE	
	Mkansi B	(Appointed 05/07/2024)
	Mnisi MJ	
	Mphika RN	
	Nukeri K	
	Ngobeni-Khumalo B	
	Kubayi SH	(Appointed 23/07/2024)
	Thobakgale HP	
	Monareng ML	
	Nkadimeng F	
Grading of local authority	5	
Municipal demarcation code	DC32	
Acting Accounting Officer	Dr. ENM Mkhatswha	
Chief Financial Officer	PO Mokoena	
Registered office	8 Van Niekerk Street Mbombela Mpumalanga 1200	
Postal address	P O Box 3333 Mbombela Mpumalanga 1200	
Bankers	First National Bank Limited Standard Bank of South Africa	
Auditors	Auditor General South Africa	
Audit committee members	SV Mabilane (Chairperson) SL Lubisi PN Makukule JN Mpjane RM Maboe	
Attorneys	Mahumani Incorporated Attorneys Thenjiwe Nkosi Attorneys WDT Attorneys Kgoroadira Mudau Attorneys Inc. VZLR Attorneys	

Ehlanzeni District Municipality

Annual Financial Statements for the year ended 30 June 2025

Index

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

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Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the 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 were given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with the Municipal Finance Management Act (Act 56 of 2003) and 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 she is ultimately responsible for the system of internal financial control established by the municipality and places considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the 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 2026 and, in the light of this review and the current financial position, she is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

Salaries, allowances and benefits of Councillors as disclosed in the Annual Financial Statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Office Bearers Act and the Minister of Corporative Governance and Traditional Affairs determination in accordance with this Act.

The external auditors are responsible for auditing and reporting on the municipality's annual financial statements.

The annual financial statements set out on pages 6 to 77, which have been prepared on the going concern basis, were approved by the accounting officer on 29 August 2025.

Dr. ENM Mkhathswa
Acting Accounting Officer



Ehlanzeni District Municipality

Annual Financial Statements for the year ended 30 June 2025

Acronyms

CFO	Chief Financial Officer
CPI	Consumer Price Index
COVID-19	Coronavirus
DBSA	Development Bank of Southern Africa
DMC	Disaster Management Centre
EPWP	Expanded Public Works Programme
EDM	Ehlanzeni District Municipality
FNB	First National Bank
GIS	Geographical Information System
GRAP	General Recognised Accounting Practice
IDP	Integrated Development Plan
IGRAP	Interpretation of Generally Recognised Accounting Practice
IAS	International Accounting Standard
IASB	International Accounting Standards Board
IFRS	International Financial Reporting Standards
IPSASB	International Public Sector Accounting Standards
IT	Information Technology
i.t.o	In terms of
LED	Local Economic Development
MFMA	Municipal Finance Management Act, 56 of 2003
MPAC	Municipal Public Accounts Committee
mSCOA	Municipal Standard Chart of Accounts
MSTA	Municipal Structures Act, 117 of 1998
PAYE	Pay As You Earn
RBIG	Regional Bulk Infrastructure Grant
RRAMS	Rural Roads Assets Management System
SALGA	South African Local Government Association
SARS	South African Revenue Services
SCM	Supply Chain Management
SDL	Skills Development Levy
UIF	Unemployment Insurance Fund
VAT	Value Added Tax
WSIG	Water Services Infrastructure Grant

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Annual Financial Statements for the year ended 30 June 2025

Statement of Financial Position as at 30 June 2025

Figures in Rand	Note(s)	2025	2024 Restated
Assets			
Current Assets			
Inventories	5	3,601,125	3,931,871
Investments	7	5,719,719	11,116,047
Statutory receivables	6	1,487,184	604,846
Receivables from exchange transactions	4	57,629,204	57,638,336
Cash and cash equivalents	3	5,376,894	4,196,823
		73,814,126	77,487,923
Non-Current Assets			
Property, plant and equipment	8	185,145,792	187,551,503
Intangible assets	9	2,758,459	3,477,716
Investments	7	1,549,260	1,350,740
		189,453,511	192,379,959
Total Assets		263,267,637	269,867,882
Liabilities			
Current Liabilities			
Current portion of borrowings	12	13,492,229	12,105,270
Finance lease obligation	13	-	489,377
Payables from exchange transactions	10	75,931,508	55,172,756
Statutory payables	6	1,619,774	570,224
Provisions	11	5,027,022	5,958,768
		96,070,533	74,296,395
Non-Current Liabilities			
Non-current portion of borrowings	12	60,546,175	74,038,747
Provisions	11	44,320,383	40,547,314
		104,866,558	114,586,061
Total Liabilities		200,937,091	188,882,456
Net Assets		62,330,546	80,985,426
Accumulated surplus		62,330,546	80,985,426

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Annual Financial Statements for the year ended 30 June 2025

Statement of Financial Performance

Figures in Rand	Note(s)	2025	2024 Restated
Revenue			
Revenue from exchange transactions			
Agency services	33	626,523	109,783
Construction contracts	40	55,536,736	72,851,296
Operational income	33	307,044	252,941
Rental of facilities and equipment	33	-	198,000
Interest received	31	5,707,107	9,052,258
Dividends received	33	204,024	183,392
Licenses and permits	33	1,498,322	1,025,264
Revenue from non-exchange transactions			
Government grants & subsidies	14	316,362,568	311,421,043
Fines & penalties	33	-	661,432
Total revenue		380,242,324	395,755,409
Expenditure			
Employee related cost	15	(174,322,953)	(167,400,846)
Remuneration of councillors	16	(21,201,946)	(19,668,384)
Audit fees	22	(4,953,215)	(5,196,078)
Construction contract costs	40	(55,536,736)	(73,512,727)
Depreciation and amortisation	17	(12,575,971)	(12,090,026)
Provision for debt impairment	4	-	(1,492,499)
Finance costs	18	(13,816,535)	(15,153,310)
Repairs and maintenance	19	(6,782,666)	(5,540,409)
Contracted services	20	(42,292,837)	(41,045,359)
Operational expenses	23	(54,586,030)	(60,324,201)
Total expenditure		(386,068,889)	(401,423,839)
Operating deficit		(5,826,565)	(5,668,430)
Grants and subsidies	21	(15,183,310)	(27,231,086)
Loss on disposal of assets	6,8 & 9	(953,779)	(52,281)
Provision for impairment reversal	4	826,969	-
Gain on fair value adjustment	7	642,896	1,448,201
Actuarial gain	11	1,659,000	4,578,000
Deficit for the year		(18,834,789)	(26,925,596)

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Annual Financial Statements for the year ended 30 June 2025

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	108,091,197	108,091,197
Adjustments		
Prior period adjustments	(172,964)	(172,964)
Balance at 01 July 2023 as restated	107,918,233	107,918,233
Changes in net assets		
Deficit for the year	(26,925,596)	(26,925,596)
Prior period adjustments	(7,211)	(7,211)
Total changes	(26,932,807)	(26,932,807)
Opening balance as previously reported	82,151,298	82,151,298
Adjustments		
Prior period adjustments - note 39	(1,165,872)	(1,165,872)
Balance at 01 July 2024 as restated	80,985,426	80,985,426
Changes in net assets		
Deficit for the year	(18,834,789)	(18,834,789)
Prior period adjustments - note 39	179,909	179,909
Total changes	(18,654,880)	(18,654,880)
Balance at 30 June 2025	62,330,546	62,330,546

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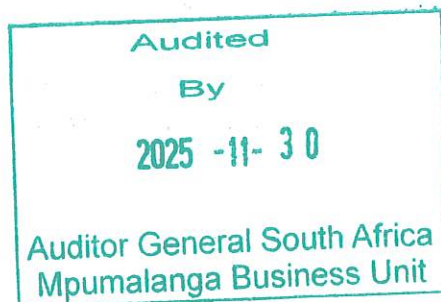
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Annual Financial Statements for the year ended 30 June 2025

Cash Flow Statement

Figures in Rand	Note(s)	2025	2024 Restated
Cash flows from operating activities			
Receipts			
SARS VAT refunds		13,894,164	16,727,339
Grants and subsidies		316,802,523	312,285,826
Interest received		4,835,083	9,288,849
Dividends received		690,012	-
Construction contracts receipts		61,952,339	76,131,529
Other receipts		24,297,114	27,417,984
		<u>422,471,235</u>	<u>441,851,527</u>
Payments			
Employee costs		(199,032,074)	(194,862,842)
Suppliers		(136,794,103)	(170,917,635)
Finance costs		(9,299,305)	(10,529,351)
Construction contracts payments		(59,103,767)	(82,969,866)
		<u>(404,229,249)</u>	<u>(459,279,694)</u>
Net cash flows from operating activities	24	18,241,986	(17,428,167)
Cash flows from investing activities			
Purchase of property, plant and equipment	8	(9,427,912)	(12,127,695)
Proceeds from sale of property, plant and equipment		28,822	629,254
Purchase of intangible assets	9	(1,005,692)	(663,822)
Movement in investments		5,937,857	44,372,488
		<u>(4,466,925)</u>	<u>32,210,225</u>
Cash flows from financing activities			
Repayment of long-term liabilities		(12,105,613)	(10,836,119)
Increase/(decrease) finance leases		(489,377)	(543,432)
		<u>(12,594,990)</u>	<u>(11,379,551)</u>
Net increase/(decrease) in cash and cash equivalents		1,180,071	3,402,507
Cash and cash equivalents at the beginning of the year		4,196,823	794,316
Cash and cash equivalents at the end of the year	3	5,376,894	4,196,823



Ehlanzeni District Municipality

Annual Financial Statements for the year ended 30 June 2025

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 Performance

Revenue

Revenue from exchange transactions

Agency services	-	500,000	500,000	626,523	126,523	Note 38.1
Construction contracts	51,862,646	4,556,872	56,419,518	55,536,736	(882,782)	
Operational income	1,310,515	(650,000)	660,515	307,044	(353,471)	Note 38.2
Rental of facilities and equipment	1,612,875	(1,612,875)	-	-	-	
Interest received	9,640,478	(3,880,000)	5,760,478	5,707,107	(53,371)	
Dividends received	173,141	30,000	203,141	204,024	883	
Licenses and permits	2,000,000	-	2,000,000	1,498,322	(501,678)	Note 38.3
Total revenue from exchange transactions	66,599,655	(1,056,003)	65,543,652	63,879,756	(1,663,896)	

Revenue from non-exchange transactions

Transfer revenue

Fines and penalties	1,000,000	-	1,000,000	-	(1,000,000)	Note 38.4
Government grants & subsidies	314,622,000	1,821,730	316,443,730	316,362,568	(81,162)	
Total revenue from non-exchange transactions	315,622,000	1,821,730	317,443,730	316,362,568	(1,081,162)	
Total revenue	382,221,655	765,727	382,987,382	380,242,324	(2,745,058)	

Expenditure

Employee related cost	(178,537,208)	4,023,880	(174,513,328)	(174,322,953)	190,375	
Remuneration of councillors	(22,509,653)	1,295,556	(21,214,097)	(21,201,946)	12,151	
Audit fees	(4,217,356)	(735,859)	(4,953,215)	(4,953,215)	-	
Construction contract costs	-	(56,419,518)	(56,419,518)	(55,536,736)	882,782	
Depreciation and amortisation	(10,240,566)	(2,335,737)	(12,576,303)	(12,575,971)	332	
Finance costs	(9,259,503)	(4,557,032)	(13,816,535)	(13,816,535)	-	
Repairs and maintenance	(5,995,697)	(787,078)	(6,782,775)	(6,782,666)	109	
Contracted services	(38,021,242)	(4,276,396)	(42,297,638)	(42,292,837)	4,801	
Operational expenses	(45,994,910)	(8,597,953)	(54,592,863)	(54,586,030)	6,833	
Total expenditure	(314,776,135)	(72,390,137)	(387,166,272)	(386,068,889)	1,097,383	
Operating surplus/(deficit)	67,445,520	(71,624,410)	(4,178,890)	(5,826,565)	(1,647,675)	Note 38.5
Grants and subsidies	-	(15,788,929)	(15,788,929)	(15,183,310)	605,619	
Loss on disposal of assets	-	-	-	(953,779)	(953,779)	Note 38.6
Provision for impairment reversal	-	951,014	951,014	826,969	(124,045)	
Gain on fair value adjustment	-	-	-	642,896	642,896	Note 38.7
Actuarial gain	-	1,659,000	1,659,000	1,659,000	-	
	-	(13,178,915)	(13,178,915)	(13,008,224)	170,691	
(Surplus/(deficit) for the year	67,445,520	(84,803,325)	(17,357,805)	(18,834,789)	1,476,984	

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Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Position						
Assets						
Current Assets						
Inventories	2,847,322	752,344	3,599,666	3,601,125	1,459	
Investments	-	-	-	5,719,719	5,719,719	Note 38.8
Statutory receivables	-	-	-	1,487,184	1,487,184	Note 38.14
Receivables from exchange transactions	50,277,205	-	50,277,205	57,629,204	7,351,999	Note 38.9
Statutory receivables	6,451,013	(6,451,013)	-	-	-	
Cash and cash equivalents	68,780,741	(58,032,874)	10,747,867	5,376,894	(5,370,973)	Note 38.10
	128,356,281	(63,731,543)	64,624,738	73,814,126	9,189,388	
Non-Current Assets						
Property, plant and equipment	264,761,206	(68,130,955)	196,630,251	185,145,792	(11,484,459)	
Intangible assets	15,938,979	(12,498,983)	3,439,996	2,758,459	(681,537)	Note 38.11
Investments	4,155,462	1,832,803	5,988,265	1,549,260	(4,439,005)	Note 38.8
	284,855,647	(78,797,135)	206,058,512	189,453,511	(16,605,001)	
Total Assets	413,211,928	(142,528,678)	270,683,250	263,267,637	(7,415,613)	
Liabilities						
Current Liabilities						
Short-term portion of non-current borrowings	12,105,270	-	12,105,270	13,492,229	1,386,959	Note 38.12
Payables from exchange transactions	53,149,490	(33,000,000)	20,149,490	75,931,508	55,782,018	Note 38.13
VAT payable	-	-	-	1,619,774	1,619,774	Note 38.14
Provisions	36,718,837	(22,890,666)	13,828,171	5,027,022	(8,801,149)	Note 38.15
	101,973,597	(55,890,666)	46,082,931	96,070,533	49,987,602	
Non-Current Liabilities						
Non-current portion of borrowings	57,176,842	4,756,635	61,933,477	60,546,175	(1,387,302)	
Provisions	9,411,891	22,890,666	32,302,557	44,320,383	12,017,826	Note 38.15
	66,588,733	27,647,301	94,236,034	104,866,558	10,630,524	
Total Liabilities	168,562,330	(28,243,365)	140,318,965	200,937,091	60,618,126	
Net Assets	244,649,598	(114,285,313)	130,364,285	62,330,546	(68,033,739)	Note 38.16
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	244,649,598	(114,285,313)	130,364,285	62,330,546	(68,033,739)	Note 38.16

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Annual Financial Statements for the year ended 30 June 2025

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Grants	311,983,000	-	311,983,000	316,802,523	4,819,523	
Interest income	9,640,478	(3,880,000)	5,760,478	4,835,083	(925,395)	
Dividends received	173,141	30,000	203,141	690,012	486,871	
Other receipts	25,138,407	16,793,998	41,932,405	38,191,278	(3,741,127)	
Construction contract receipts	54,501,646	-	54,501,646	61,952,339	7,450,693	Note 38.17
	401,436,672	12,943,998	414,380,670	422,471,235	8,090,565	
Payments						
Employee related costs	(197,968,483)	-	(197,968,483)	(199,032,074)	(1,063,591)	
Suppliers	(97,307,573)	(9,289,469)	(106,597,042)	(136,794,103)	(30,197,061)	Note 38.18
Finance costs	(9,259,503)	-	(9,259,503)	(9,299,305)	(39,802)	
Construction contract payments	-	(70,419,518)	(70,419,518)	(59,103,767)	11,315,751	Note 38.17
	(304,535,559)	(79,708,987)	(384,244,546)	(404,229,249)	(19,984,703)	
Net cash flows from operating activities	96,901,113	(66,764,989)	30,136,124	18,241,986	(11,894,138)	
Cash flows from investing activities						
Purchase of property, plant and equipment	(81,617,351)	69,647,463	(11,969,888)	(10,433,604)	1,536,284	
Investment withdrawal	-	(5,988,265)	(5,988,265)	5,937,857	11,926,122	Note 38.8
Proceeds from sale of assets	-	-	-	28,822	28,822	Note 38.6
Net cash flows from investing activities	(81,617,351)	63,659,198	(17,958,153)	(4,466,925)	13,491,228	
Cash flows from financing activities						
Increase/(decrease) in finance leases	-	-	-	(489,377)	(489,377)	Note 38.19
Repayment of long term liabilities	(12,105,270)	-	(12,105,270)	(12,105,613)	(343)	
Net cash flows from financing activities	(12,105,270)	-	(12,105,270)	(12,594,990)	(489,720)	
Net increase/(decrease) in cash and cash equivalents	3,178,492	(3,105,791)	72,701	1,180,071	1,107,370	
Cash and cash equivalents at the beginning of the year	65,602,248	(54,926,903)	10,675,345	4,196,823	(6,478,522)	Note 38.10
Cash and cash equivalents at the end of the year	68,780,740	(58,032,694)	10,748,046	5,376,894	(5,371,152)	

The original budget was mainly adjusted during the year to appropriate unforeseen and unavoidable expenditure, roll-over of unspent funds from prior financial year, in addition to re-allocate and shift savings between line items and votes. Furthermore, the budget was adjusted to align certain line items and transactions to the reporting requirements of GRAP standards.

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1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board as well as the Municipal Finance Management Act 56 of 2003. The annual financial statements meets the requirements of the Municipal Regulations on a Standard Chart of Accounts (mSCOA).

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

A summary of the significant accounting policies, which have been consistently applied, are disclosed below.

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

1.1 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 /Investments and/or other financial assets

The municipality assesses its trade receivables, investments and other financial assets for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, management 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, investments and other financial assets 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.

Impairment testing

Value in use of cash-generating assets

The municipality reviews and tests the carrying value of cash-generating assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. 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 assumptions may change which may then impact our estimations and may then require a material adjustment to the carrying value of assets.

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

Value in use of non-cash-generating assets

The municipality reviews and tests the carrying value of non-cash-generating assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. The recoverable service amounts of non-cash-generating assets have been determined based on the higher of value in use calculations and fair values less costs to sell.

In determining the value in use of assets, the remaining service potential of the asset is determined. The most appropriate approach selected to determine the remaining service potential is dependent on the availability of data and the nature of the impairment.

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1.1 Significant judgements and sources of estimation uncertainty (continued)

Provisions

Provisions were raised and management determined an estimate based on the information available. Management in case of complex provisions estimates for long service awards and post retirement benefits, uses independent actuarial valuers to determine the estimated provision values to ensure credibility of the estimates determination.

Useful lives

The municipality's management determines the estimated useful lives and related depreciation / amortisation charges. This estimate is based on the pattern in which an asset's future economic benefits or service potential is expected to be consumed by the municipality.

Effective interest rate

The municipality uses the prime lending interest rate determined by the South African Reserve Bank applicable at 30 June each year to discount future cash flows.

Allowance for doubtful debts

The determination of the amount to be provided for the debtors or receivable impairment is performed on the basis of the individual or category of customers credit risk profile in addition, also taking into account any payments arrangement or confirmation made by the customers or debtors as at authorisation date. A credit risk assessment and profiling is conducted on the basis of the service and other charges billed during the financial year and prior financial years. The payment history and the previous amounts billed of the customer or debtors during the financial year and also prior financial years since inception of the service agreement shall be taken into consideration in line with the collection rate formula recommended on MFMA Circular 71.

This credit risk assessment determines the ability of the customer to pay for the future amount due as at the reporting date and it is expressed as a percentage of the aggregate amount payment versus the aggregate amount billed by the customer and also into account any bad debts written off.

In case of a debtor being a councillor or employee who is still in the employment of the municipality, no provision for debtors or receivable impairment is made as the conduct of code in terms of Municipal Systems Act, 32 of 2000 will be applied in collecting the undisputed debt owed by either the councillor or employee in the employment of the municipality. Furthermore, in case of a Councillor or Employee no longer in the employment of the municipality a full provision of the debt owed is made.

1.2 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.

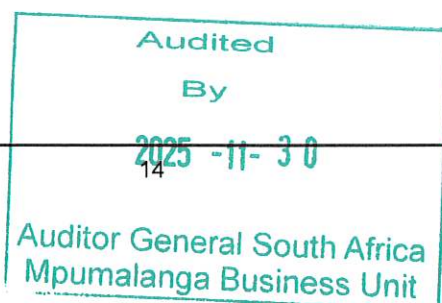
The cost of an item of property, plant and equipment is recognised as an asset when:

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

Initial recognition

Property, plant and equipment is initially measured at cost.

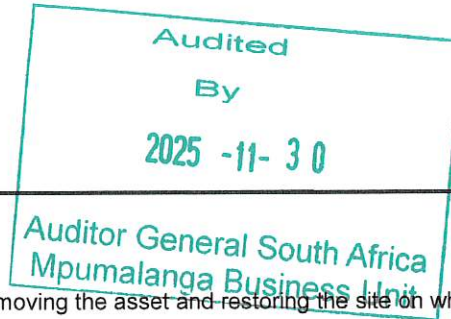
The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.



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1.2 Property, plant and equipment (continued)

The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

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.

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

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

Subsequent measurement - cost model

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Derecognition

Property, plant and equipment is derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of Property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

Depreciation and impairment

The residual value, and the useful life and depreciation method of each asset is reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

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

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 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 tests property, plant and equipment with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of an property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated average asset lives:

Item	Average useful life
Land	Indefinite

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1.2 Property, plant and equipment (continued)

Buildings	50 years
Plant and machinery	5 - 22 years
Furniture and fixtures	5 - 22 years
Motor vehicles	5 - 40 years
Office equipment	3 - 10 years
Air conditioners	15 - 30 years

1.3 Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance.

An asset is identified as an intangible asset when it:

- 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, assets or liability; or
- arises from contractual rights or other legal rights, regardless whether those rights are transferable or separate from the municipality or from other rights and obligations.

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; and
 - the municipality controls the asset..

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1.3 Intangible assets (continued)

Initial recognition

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the municipality has the resources to complete the project; and
- it is probable that the municipality will receive future economic benefits or service potential.

Intangible assets are initially recognised at cost.

Where an intangible asset 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.

Subsequent measurement - cost model

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

Amortisation and impairment

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method.

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at each reporting date and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

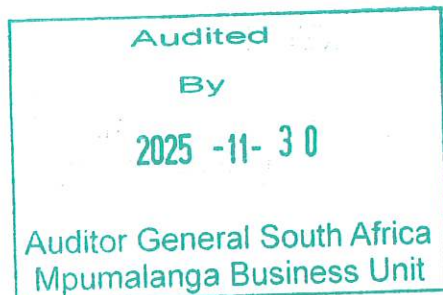
The municipality tests intangible assets with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of an intangible asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

Derecognition

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

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

Item	Useful life
Computer software	3 - 20 years



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1.4 Statutory receivables

Identification

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

Recognition

The municipality recognises statutory receivables as follows:

- if the transaction is an exchange transaction, using the policy on Revenue from exchange transactions;
- if the transaction is a non-exchange transaction, using the policy on Revenue from non-exchange transactions (Taxes and transfers); or
- if the transaction is not within the scope of the policies listed in the above or another Standard of GRAP, the receivable is recognised when the definition of an asset is met and, when it is probable that the future economic benefits or service potential associated with the asset will flow to the municipality and the transaction amount can be measured reliably.

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

Subsequent measurement

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

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

Accrued interest

Where the municipality levies interest on the outstanding balance of statutory receivables, it adjusts the transaction amount after initial recognition to reflect any accrued interest. Accrued interest is calculated using the nominal interest rate. Interest on statutory receivables is recognised as revenue in accordance with the policy on Revenue from exchange transactions or the policy on Revenue from non-exchange transactions (Taxes and transfers), whichever is applicable.

Other charges

Where the municipality is required or entitled in terms of legislation, supporting regulations, by-laws or similar means to levy additional charges on overdue or unpaid amounts, and such charges are levied, the municipality applies the principles as stated in "Accrued interest" above, as well as the relevant policy on Revenue from exchange transactions or the policy on Revenue from non-exchange transactions (Taxes and transfers).

Impairment losses

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

In assessing whether there is any indication that a statutory receivable, or group of statutory receivables, may be impaired, the municipality considers, as a minimum, the following indicators:

- significant financial difficulty of the receivable, which may be evidenced by an application for debt counselling, business rescue or an equivalent;
- it is probable that the receivable will enter sequestration, liquidation or other financial re-organisation;
- a breach of the terms of the transaction, such as default or delinquency in principal or interest payments (where levied); and
- adverse changes in international, national or local economic conditions, such as a decline in growth, an increase in debt levels and unemployment, or changes in migration rates and patterns.

If there is an indication that a statutory receivable, or a group of statutory receivables, may be impaired, the municipality measures the impairment loss as the difference between the estimated future cash flows and the carrying amount. Where the carrying amount is higher than the estimated future cash flows, the carrying amount of the statutory receivable, or group of statutory receivables, is reduced, either directly or through the use of an allowance account. The amount of the losses is

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1.4 Statutory receivables (continued)

recognised in surplus or deficit.

In estimating the future cash flows, the municipality considers both the amount and timing of the cash flows that it will receive in future. Consequently, where the effect of the time value of money is material, the municipality discounts the estimated future cash flows using a rate that reflects the current risk-free rate and, if applicable, any risks specific to the statutory receivable, or group of statutory receivables, for which the future cash flow estimates have not been adjusted.

An impairment loss recognised in prior periods for a statutory receivable is revised if there has been a change in the estimates used since the last impairment loss was recognised, or to reflect the effect of discounting the estimated cash flows.

Any previously recognised impairment loss is adjusted either directly or by adjusting the allowance account. The adjustment does not result in the carrying amount of the statutory receivable or group of statutory receivables exceeding what the carrying amount of the receivable(s) would have been had the impairment loss not been recognised at the date the impairment is revised. The amount of any adjustment is recognised in surplus or deficit.

Derecognition

The municipality derecognises a statutory receivable, or a part thereof, when:

- the rights to the cash flows from the receivable are settled, expire or are waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the receivable; or
- the municipality, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of the receivable to another party and the other party has the practical ability to sell the receivable in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the municipality:
 - derecognises the receivable; and
 - recognises separately any rights and obligations created or retained in the transfer.

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

1.5 Financial instruments

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

A financial asset is:

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

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

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

Initial recognition

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

The municipality recognises financial assets using trade date accounting.

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1.5 Financial instruments (continued)

Initial measurement of financial assets and financial liabilities

The municipality measures a financial asset and financial liability other than those subsequently measured at fair value 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 municipality first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the municipality analyses a concessionary loan into its component parts and accounts for each component separately. The municipality 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.



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1.5 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

The municipality 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.

Fair value measurement considerations

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

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

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

Gains and losses

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

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

Impairment and uncollectibility of financial assets

The municipality 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 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 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:

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1.5 Financial instruments (continued)

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

Derecognition

Financial assets

The municipality derecognises financial assets using trade date accounting.

The municipality derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the municipality, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the municipality :
 - derecognises the asset; and
 - recognises separately any rights and obligations created or retained in the transfer.

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

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

Financial liabilities

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

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

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

1.6 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 municipality assesses the classification of each element separately.

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1.6 Leases (continued)

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.

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

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.

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

1.7 Inventories

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

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

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

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

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

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

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1.7 Inventories (continued)

When inventories are issued, 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.

Work in progress is recognised at cost and not depreciated. It includes all costs incurred in bringing the ultimate assets to their condition and location as intended by management.

Work in progress will be transferred to property, plant and equipment when the assets are available for use.

Work in progress relating to projects on behalf of other entities will be transferred to the specific entity when the assets are available for use.

1.8 Construction contracts

Construction contract is a contract, or a similar binding arrangement, specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and function or their ultimate purpose or use.

Contractor is an entity that performs construction work pursuant to a construction contract.

Cost plus or cost based contract is a construction contract in which the contractor is reimbursed for allowable or otherwise defined costs and, in the case of a commercially-based contract, an additional percentage of these costs or a fixed fee, if any.

Fixed price contract is a construction contract in which the contractor agrees to a fixed contract price, or a fixed rate per unit of output, which in some cases is subject to cost escalation clauses.

A contractor is a municipality that enters into a contract to build structures, construct facilities, produce goods, or render services to the specifications of another entity either itself or through the use of sub-contractors. The term "contractor" thus includes a general or prime contractor, a subcontractor to a general contractor, or a construction manager.

The municipality assesses the terms and conditions of each contract concluded with customers to establish whether the contract is a construction contract or not. In assessing whether the contract is a construction contract, an entity considers whether it is a contractor.

Where the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting date, as measured by .

Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent that contract costs incurred are recoverable. Contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected deficit is recognised as an expense immediately.

1.9 Impairment of non-cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

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

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

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

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

Identification

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

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

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

Value in use

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

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

Depreciated replacement cost approach

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

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

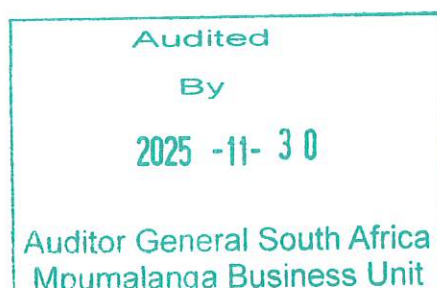
Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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



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

Reversal of an impairment loss

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

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

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

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

1.10 Employee benefits

Short-term employee benefits

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

Short-term employee benefits include items such as:

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

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

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the municipality 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 benefits in the cost of an asset.

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

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



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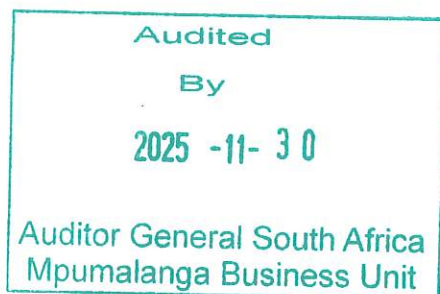
1.10 Employee benefits (continued)

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 municipality provides post-employment benefits for one or more employees.

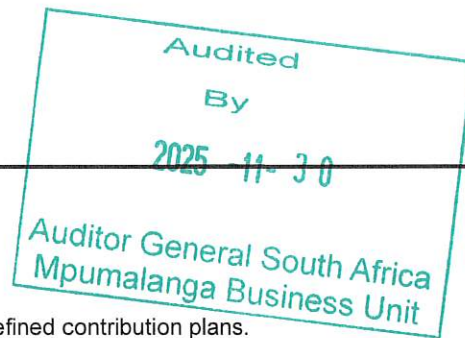
Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees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



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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 municipality recognise 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 municipality) that are held by an municipality (a fund) that is legally separate from the reporting municipality 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 municipality's own creditors (even in liquidation), and cannot be returned to the reporting municipality, unless either:

- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting municipality; or
- the assets are returned to the reporting municipality 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 municipality recognise 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 account not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the municipality's informal practices. Informal practices give rise to a constructive obligation where the municipality has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the municipality'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 municipality measure the resulting asset at the lower of:

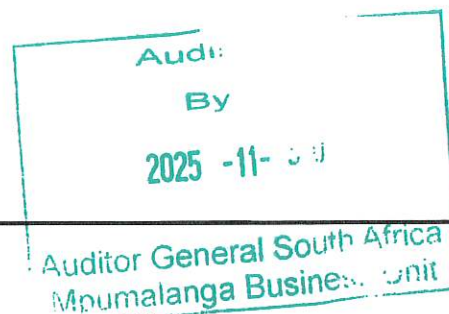
- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

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

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1.10 Employee benefits (continued)

The municipality determine 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.

The municipality 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 municipality 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, a municipality 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, a municipality 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 municipality 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 municipality re-measure the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

Other post retirement obligations

The municipality provides post-retirement health care benefits upon retirement to some retirees.

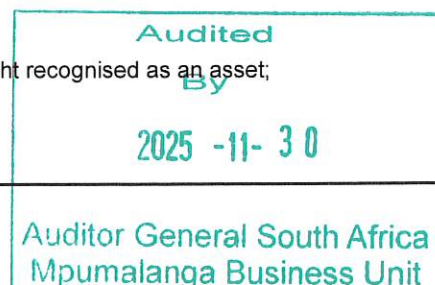
The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations. The municipality also provides a gratuity and housing subsidy on retirement to certain employees. An annual charge to income is made to cover both these liabilities.

The amount recognised as a liability for other long-term employee benefits 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.

The municipality recognises the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

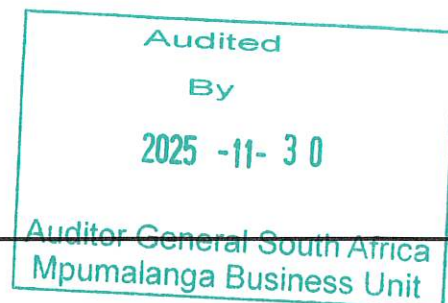
- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement right recognised as an asset;
- actuarial gains and losses, which shall all be recognised immediately;
- past service cost, which shall all be recognised immediately; and
- the effect of any curtailments or settlements.



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1.11 Provisions and contingencies

A provision is defined as a liability of uncertain timing or amount.

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 deficits.

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

A constructive obligation to restructure arises only when a municipality:

- has a detailed formal plan for the restructuring, identifying at least:
 - the activity/operating unit or part of a 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.

A contingent liability is:

- a possible obligation, whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future event(s) not wholly within the control of the entity; or
- a present obligation that is not recognised because, the outflow of economic benefits or service potential is not probable; or
- a real present obligation, that may not be recognised, either because the "when" (timing) or because the how much (measurement) is not known.

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Audited

By

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Auditor General South Africa
Mpumalanga Business Unit

1.11 Provisions and contingencies (continued)

A contingent asset is a possible asset that arises from past events, whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the entity.

1.12 Revenue from exchange transactions

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

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

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

Measurement

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

Sale of goods

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

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

Income from agency services

Revenue arising out of situations where the Municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the Municipality as compensation for executing the agreed services. The income recognised is in terms of the agency agreement.

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

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

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

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

Ehlanzeni District Municipality

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1.12 Revenue from exchange transactions (continued)

Interest and dividends

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

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

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

Dividends or similar distributions are recognised, in surplus or deficit, when the municipality's right to receive payment has been established.

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

1.13 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an 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.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an 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.

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.

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

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.

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1.13 Revenue from non-exchange transactions (continued)

Transfers

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.

Fines & penalties

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Services in-kind

Services in-kind are recognised as assets and the related revenue recognised when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

1.14 Expenditure

Expenses are decreases in economic benefits or service potential during the reporting period in the form of outflows or consumption of assets or incurrence of liabilities that result in decreases in net assets, other than those relating to distributions to owners.

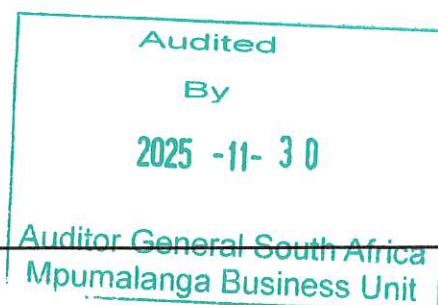
The definition of expense encompasses all cost that arise from the ordinary activities of the municipality, recognised, and classified by type on the statement of financial performance.

Losses also are regarded as expense as long the nature and extent of the losses meet definition of expenses even if may, may not, arise in the course of the ordinary activities of the municipality. When losses are recognised in the statement of financial performance, they would be displayed separately because knowledge of them is useful for the purpose of making economic decisions.

Expense is classified based on either their nature or their function as per the provisions in GRAP 1. The point at which an expense is recognised is dependent on the nature of the transaction or other event that gives rise to the expense.

1.15 Accounting for adjustment to revenue

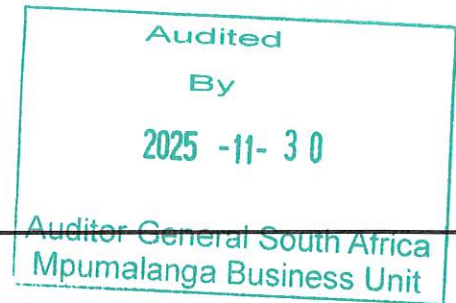
Accounting for adjustment to revenue that correct an error or a prior period error



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1.15 Accounting for adjustment to revenue (continued)

Where an evidence exists during a reporting period that the municipality did not follow proper due processes in terms of the applicable legislative and regulatory, and/or its policies and by-laws framework on the revenue charged and recognised in the current or prior period, the correction of such an error shall be made once all internal due processes have been complied with, including where applicable Council approval of such a correction of the error.

The error discovered within the reporting period which relates to that period shall be corrected before the financial statements are authorised for issue and the principles in GRAP3 shall be applied to account for the adjustment to revenue already recognised as a result of the correction of a prior period error.

Accounting for the adjustment to revenue as a change in accounting estimate

Where an evidence exists during a reporting period that new information becomes known and it can be proven that the municipality would not reasonably have prior knowledge of this new information when the revenue was charged, the adjustment to revenue is treated as a change in an accounting estimate in line with the principles in GRAP3.

1.16 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset until such time as the asset is ready for its intended use. The amount of borrowing costs eligible for capitalisation is determined as follows:

- Actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any investment income on the temporary investment of those borrowings.
- Weighted average of the borrowing costs applicable to the municipality on funds generally borrowed for the purpose of obtaining a qualifying asset. The borrowing costs capitalised do not exceed the total borrowing costs incurred.

The capitalisation of borrowing costs commences when all the following conditions have been met:

- expenditures for the asset have been incurred;
- borrowing costs have been incurred; and
- activities that are necessary to prepare the asset for its intended use or sale are undertaken.

When the carrying amount or the expected ultimate cost of the qualifying asset exceeds its recoverable amount or recoverable service amount or net realisable value or replacement cost, the carrying amount is written down or written off in accordance with the accounting policy on Impairment of Assets as per accounting policy number 1.9. In certain circumstances, the amount of the write-down or write-off is written back in accordance with the same accounting policy.

Capitalisation is suspended during extended periods in which active development is interrupted.

Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

When the municipality completes the construction of a qualifying asset in parts and each part is capable of being used while construction continues on other parts, the municipality ceases capitalising borrowing costs when it completes substantially all the activities necessary to prepare that part for its intended use or sale.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

Ehlanzeni District Municipality

Annual Financial Statements for the year ended 30 June 2025

Accounting Policies



1.17 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 adjusts the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The municipality discloses 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.

1.18 Comparative information

Whenever it is appropriate, the GRAP 1 provision would be applied to reclassify comparative information to enhance inter-period comparability of financial information. This reclassification is done to assist users in making and evaluating decisions, especially to allow the performance of financial trends analysis and assessment for predictable purposes.

The rational and details for this additional comparative information reclassification other than what is a requirement of GRAP 3 provisions would be separately stated on a disclosure note to the annual financial statements.

1.19 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.

1.20 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.

1.21 Irregular expenditure

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

1.22 Presentation of currency

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

Ehlanzeni District Municipality

Annual Financial Statements for the year ended 30 June 2025

Accounting Policies



1.23 Segment Information

A segment is an activity of the municipality:

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

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

Measurement

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

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

1.24 Changes in accounting policy, accounting estimates and correction of error

Changes in accounting policies are applied retrospectively in accordance with the requirements of Generally Recognised Accounting Practise (GRAP) 3, except to the extent that it is impractical to determine the period specific of the cumulative effect of the change in accounting policy. In such instances the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which the retrospective restatement is practical.

Changes in accounting estimates are applied prospectively in accordance with the requirements of Generally Recognised Accounting Practise (GRAP) 3. The detailed information of the change in accounting estimates is disclosed in the notes to the annual financial statements.

Correction of errors is applied retrospectively in the period to which the error has occurred in accordance with the requirements of Generally Recognised Accounting Practise (GRAP) 3, except to the extent that it is impractical to determine the period specific of the cumulative effect of the change in accounting policy. In such instances the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which the retrospective restatement is practical.

1.25 Value Added Tax

The municipality accounts for VAT on the payment basis.

1.26 Budget information

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

The approved budget covers the fiscal period from 1 July 2024 to 30 June 2025.

Management will provide explanations of variances between actual and budgeted amounts of more than 10% based on material significant judgment assertion, refer to note 38.

Ehlanzeni District Municipality

Annual Financial Statements for the year ended 30 June 2025

Accounting Policies

1.27 Related parties

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the local sphere of government are considered to be related parties.

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.

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

1.28 Going concern assumption

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

1.29 Commitments

Items are classified as commitments where the municipality commits itself to non-routine and non-executory future transactions that will normally result in the outflow of resources.

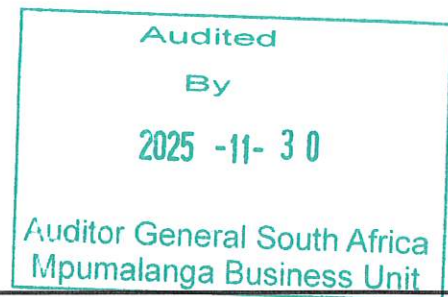
Commitments are not recognised in the statement of financial position as a liability, but are included in the disclosure notes in the following cases:

- approved and contracted commitments;
- where the expenditure has been approved and the contract has been awarded at the reporting date; and
- where disclosure is required by a specific standard of GRAP.



Ehlanzeni District Municipality

Annual Financial Statements for the year ended 30 June 2025



Notes to the Annual Financial Statements

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

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

GRAP 1 (amended): Presentation of Financial Statements

Guidance included in GRAP 1 to explain the application of going concern by public sector entities. The guidance also clarifies that the going concern basis remains appropriate even if some, or all of an entity's functions are transferred to another entity, or when the entity is involved in a merger.

Disclosures on management's assessment of the entity's ability to continue as a going concern expanded. This is in response to the diversity in practice about the information presented in the financial statements on going concern, material uncertainties relating to going concern and actions taken by management to mitigate these.

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

The municipality expects to adopt the amendment for the first time when the Minister sets the effective date for the amendment.

The impact of this standard is currently being assessed.

GRAP 103 (amended): Heritage Assets

The key changes proposed to the Standard are as follows:

Definition of a heritage asset – The definition has been amended to align it more closely with the definition of a heritage asset in legislation. The definition focuses on assets with cultural significance, and explains what cultural significance means in legislation.

Accounting for heritage assets with an alternative use – Heritage assets could have cultural significance while being used for operational or other purposes by an entity. Previously, heritage assets with another purpose were accounted for based on this other use. The new proposal is that all heritage assets should be accounted for using GRAP 103.

Measurement of heritage assets – Stakeholders raised concerns about the measurement of heritage assets. These issues related to:

- (a) initial recognition using fair value, and in what circumstances a reliable measure cannot be determined,
- (b) determining fair value, and
- (c) the valuation process.

Guidance has been added to GRAP 103 to explain when a reliable measure is not available, and additional methods that could be used to determine fair value. The Board also agreed that entities should keep assessing whether a reliable value becomes available after initial recognition.

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

The municipality expects to adopt the amendment for the first time when the Minister sets the effective date for the amendment.

The impact of this standard is currently being assessed.

GRAP 104 (amended): Financial Instruments

Following the global financial crisis, a number of concerns were raised about the accounting for financial instruments. This included that:

- (a) information on credit losses and defaults on financial assets was received too late to enable proper decision-making;
- (b) using fair value in certain instances was inappropriate; and
- (c) some of the existing accounting requirements were seen as too rules based.

Ehlanzeni District Municipality

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

As a result, the IASB amended its existing Standards to deal with these issues. The IASB issued the IFRS Standard on Financial Instruments (IFRS 9) in 2009 to address many of the concerns raised. Revisions were also made to the IFRS Standard on Financial Instruments: Presentation (IAS 32) and the IFRS Standard on Financial Instruments: Disclosures (IFRS 7). The IPSASB issued revised IPSASs in June 2018 so as to align them with the equivalent IFRS Standards. The revisions better align the Standards of GRAP with recent international developments. The amendments result in better information available to make decisions about financial assets and their recoverability, and more transparent information on financial liabilities.

The most significant changes to the Standard affect:

- financial guarantee contracts issued;
- loan commitments issued;
- classification of financial assets;
- amortised cost of financial assets;
- impairment of financial assets; and
- disclosures.

The effective date of the amendment is 1 April 2025.

The impact of this standard is currently being assessed.

GRAP 105 - GRAP 107 (revised): Communique

The communique summarises the revisions to the standards of GRAP on transfer of functions between entities under common control (GRAP 105), transfer of functions between entities not under common control (GRAP 106), and mergers (GRAP 107). These revisions were approved by the Accounting Services Board in December 2023.

The Minister of Finance has not yet determined an effective date for these revisions.

The municipality expects to adopt the amendment for the first time when the Minister sets the effective date for the amendment.

The impact of this standard is currently being assessed.

IGRAP 22: Foreign Currency Transactions and Advance Consideration

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

The Minister of Finance has not yet determined an effective date for these revisions.

The municipality expects to adopt the amendment for the first time when the Minister sets the effective date for the amendment.

The impact of this standard is currently being assessed.

Audited
By
2025 -11- 30
Auditor General South
Mpumalanga Busi

Ehlanzeni District Municipality

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand	2025	2024
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3. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	10,000	4,000
Bank balances	5,366,894	4,192,823
	5,376,894	4,196,823

The municipality had the following bank accounts

Account number / description

	Bank statement balances		
	30 June 2025	30 June 2024	30 June 2023
FNB Cheque account - 62 113 491 419	33,925	330,727	790,316
Standard Bank Cheque account - 25 336 5864 (Primary bank account)	5,332,469	3,861,596	-
Standard Bank Cheque account - 25 336 5791	500	500	-
Total	5,366,894	4,192,823	790,316

4. Receivables from exchange transactions

Trade and other receivables	36,671,873	29,683,080
Construction contract receivables	19,991,838	26,966,455
Prepayments	965,493	988,801
	57,629,204	57,638,336

Trade and other receivables

2025	Gross balance	Allowance for debt impairment	Total
Trade and other receivables	49,254,108	(12,582,235)	36,671,873
2024	Gross balance	Allowance for debt impairment	Total
Trade and other receivables	43,216,329	(13,533,249)	29,683,080

Trade and other receivables: Ageing

Current	971,563	3,464,274
30+days	-	1,685,363
60+days	1,404,666	1,886,698
90+days	1,552,961	1,794,765
120+days	1,346,288	3,347,229
180+days	10,459,287	8,473,241
365+days	20,937,108	9,031,510

Trade and other receivables impaired

Current	(787,368)	(740,061)
30+days	(34,359)	(308,435)
90+days	(108,481)	(6,577)
120+days	(142,621)	(35,125)
180+days	(692,763)	(263,045)
365+days	(10,816,643)	(12,180,006)



Ehlanzeni District Municipality

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand	2025	2024
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4. Receivables from exchange transactions (continued)

Reconciliation of provision for impairment of trade and other receivables

Opening balance	(13,533,249)	(11,816,875)
Provision for impairment	951,014	(1,716,374)
	(12,582,235)	(13,533,249)

The maximum exposure to credit risk at the reporting date is the fair value of each class of debtor mentioned above. The municipality does not hold any collateral as security.

The fair value of trade and other receivables approximates their carrying amounts.

5. Inventories

Work in progress - assets to be transferred
Land to be transferred
Consumable stores

Consumable stores

Opening balance
Additions
Issued
Inventory written off
Closing balance



397,515	575,353
3,080,000	3,080,000
123,610	276,518
3,601,125	3,931,871
276,518	217,280
1,729,781	2,160,320
(1,882,689)	(2,091,490)
-	(9,592)
123,610	276,518

Consumables comprise of office stationery and cartridges.

COVID-19 supplies

Opening balance
Issued
Inventory written off
Closing balance

-	327,653
-	(111,596)
-	(216,057)
-	-

COVID-19 supplies comprise of hand sanitizers and personal protective equipment.

Reconciliation of work in progress - assets to be transferred 2025

	Opening balance	Additions	Transfers	Closing balance
Work in progress - assets to be transferred	575,353	11,396,630	(11,574,468)	397,515

Reconciliation of work in progress - assets to be transferred 2024

	Opening balance	Additions	Transfers	Closing balance
Work in progress - assets to be transferred	1,895,616	10,607,027	(11,927,290)	575,353

Ehlanzeni District Municipality

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand	2025	2024
6. Statutory receivables /(payables)		
VAT receivables/(payables) recognised	(1,619,774)	604,846
VAT receivables/(payables) accrued	1,487,184	(570,224)
	(132,590)	34,622

Statutory receivables/(payables) reconciliation

2025	Gross balance	Allowance for debt impairment	Total
VAT receivables accrued	1,611,229	(124,045)	1,487,184
VAT payables recognised	(1,619,774)	-	(1,619,774)
	(8,545)	(124,045)	(132,590)
2024	Gross balance	Allowance for debt impairment	Total
VAT Receivables recognised	604,846	-	604,846
VAT payables accrued	(794,099)	223,875	(570,224)
	(189,253)	223,875	(34,622)

Statutory receivables/(payables): Ageing

Current	(132,590)	34,622
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Statutory receivables/(payables) arise from legislation, supporting regulations, or similar means, and require settlement by another entity in cash or another financial asset. The transactions that gave rise to the above statutory receivables were in reference to the Value Added Tax Act (VAT). The VAT receivable amount has been determined as prescribed on the VAT Act, which the current prescribed 15% VAT rate was charged on vatable goods or services and the amount disclosed as receivable is the net of VAT input and output.

No interest or other charges were levied on the above amounts. The basis to test impairment would be if there is reasonable doubt that the full amounts above would not be realised by the municipality, of which no such reason exist at this stage, therefore there is no impairment on the above statutory receivables. The receivables are expected to be recovered in a reasonable time hence no discount rate has been applied for future cashflows. The municipality does not hold any form of collateral as security.

The maximum exposure to credit risk at the reporting date is the fair value of each class of debtor mentioned above.

The fair value of statutory receivables and payables approximates their carrying amounts.



Ehlanzeni District Municipality

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand

7. Investments

Current investments

Standard Bank fixed deposit	71,302	16,241
First National Bank fixed deposit	21,053	21,073
ABSA Bank fixed deposit	545,686	6,441,208
Sanlam investment	5,081,678	4,637,525
	5,719,719	11,116,047

Non-current investments

Momentum investment	1,549,260	1,350,740
	1,549,260	1,350,740

Reconciliation of Momentum investment

Opening balance	1,350,740	1,196,241
Fair value adjustment	198,743	154,715
Charges	(223)	(216)
Closing balance	1,549,260	1,350,740

The Momentum Investment is an investor endowment fund which matures on 28 February 2026 and continuation of the investment for a three year period has been approved by Council as per Resolution A70/2025. In addition, this investment portfolio does not expose the municipality to any investment fluctuation risks such as the market and interest rate risks as the annualised investment portfolio rate of return is very stable and has been growing steadily.

Reconciliation of Sanlam Shares

Opening balance	4,637,525	3,344,039
Fair value adjustment	444,153	1,293,486
Closing balance	5,081,678	4,637,525

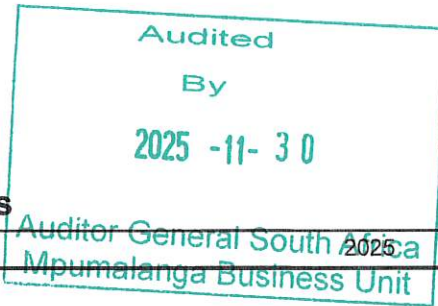
Sanlam listed investments are disclosed at current market value of shares at reporting date (57310) shares at R88,67 per share). The municipality's risk is that the share price of listed investments might devalue significantly during the period under review and result in a substantial loss of the investment. The share price risk is managed by only investing in reputable listed entities with a good track record. There is intention to dispose the shares in the foreseeable future as per resolution taken by Council.

Ehlanzeni District Municipality

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand



2024

8. Property, plant and equipment

	2025			2024		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	8,103,054	-	8,103,054	8,103,054	-	8,103,054
Buildings	241,518,861	(81,461,227)	160,057,634	235,437,473	(76,421,688)	159,015,785
Furniture and fixtures	13,705,794	(11,996,843)	1,708,951	13,453,084	(11,747,840)	1,705,244
Motor vehicles	8,790,413	(5,680,376)	3,110,037	9,025,412	(4,928,108)	4,097,304
Office equipment	38,808,088	(30,070,713)	8,737,375	41,065,736	(31,215,461)	9,850,275
Plant and equipment	4,738,515	(1,309,774)	3,428,741	1,748,164	(733,420)	1,014,744
Work in progress - Buildings	-	-	-	3,765,097	-	3,765,097
Total	315,664,725	(130,518,933)	185,145,792	312,598,020	(125,046,517)	187,551,503

Reconciliation of property, plant and equipment - 2025

	Opening balance	Additions	Disposals	Work in Progress Transfers	Depreciation	Total
Land	8,103,054	-	-	-	-	8,103,054
Buildings	159,015,785	149,556	(18,440)	5,988,533	(5,077,800)	160,057,634
Furniture and fixtures	1,705,244	521,437	(29,539)	-	(488,191)	1,708,951
Motor vehicles	4,097,304	-	(4,509)	-	(982,758)	3,110,037
Office equipment	9,850,275	3,374,768	(328,716)	-	(4,158,952)	8,737,375
Plant and equipment	1,014,744	3,158,715	(10,976)	-	(733,742)	3,428,741
Work in progress - buildings	3,765,097	2,223,436	-	(5,988,533)	-	-
Total	187,551,503	9,427,912	(392,180)	-	(11,441,443)	185,145,792

Reconciliation of property, plant and equipment - 2024

	Opening balance	Additions	Disposals	Depreciation	Total
Land	8,103,054	-	-	-	8,103,054
Buildings	163,440,840	513,745	-	(4,938,800)	159,015,785
Furniture and fixtures	1,817,958	339,781	(20,832)	(431,663)	1,705,244
Motor vehicles	1,556,762	3,729,245	(301,052)	(887,651)	4,097,304
Office equipment	10,624,203	3,797,908	(112,447)	(4,459,389)	9,850,275
Plant and equipment	373,879	794,798	(12,811)	(141,122)	1,014,744
work in progress - buildings	406,770	3,358,327	-	-	3,765,097
Total	186,323,466	12,533,804	(447,142)	(10,858,625)	187,551,503

Profit/(loss) on disposal of assets

Carrying value of assets disposed during the year	(392,180)	(447,142)
Proceeds received from sale of assets disposed during the year	28,822	629,254
	(363,358)	182,112

Ehlanzeni District Municipality

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand	2025	2024
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8. Property, plant and equipment (continued)

Pledged as security

Carrying value of assets pledged as security for the DBSA loan (Refer to note 12):

Total land and buildings	168,160,688	170,071,057
Land and buildings not financed through DBSA loan	(2,084,244)	(2,084,079)
Land and buildings pledged as security	166,076,444	167,986,978

Assets subject to finance lease (Net carrying amount)

Office equipment	-	550,227
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For details on repairs and maintenance cost on fixed assets refer to note 19.

9. Intangible assets

	2025			2024		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	18,167,417	(15,408,958)	2,758,459	19,392,826	(15,915,110)	3,477,716

Reconciliation of intangible assets - 2025

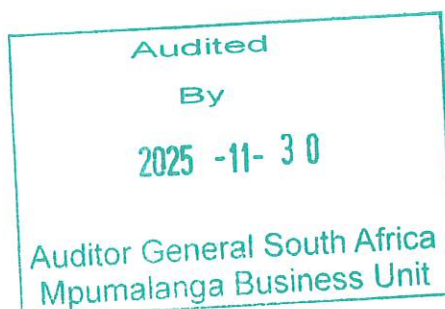
	Opening balance	Additions	Disposals	Amortisation	Total
Computer software	3,477,716	1,005,692	(590,421)	(1,134,528)	2,758,459

Reconciliation of intangible assets - 2024

	Opening balance	Additions	Disposals	Amortisation	Total
Computer software	4,060,966	663,822	(15,671)	(1,231,401)	3,477,716

10. Payables from exchange transactions

Trade payables	32,807,353	16,366,881
Retentions	26,451,771	26,597,068
Other creditors	-	42,661
Construction contract payables	16,672,384	12,166,146
	75,931,508	55,172,756



Ehlanzeni District Municipality

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand

2025

2024

11. Provisions

Reconciliation of provisions - 2025

	Opening Balance	Additions	Utilised during the year	Total
Provision for long service awards	11,976,911	1,984,000	(1,016,590)	12,944,321
Leave provision	8,868,174	1,344,623	(984,798)	9,227,999
Post retirement benefits	22,312,000	3,100,000	(758,000)	24,654,000
Provision for performance bonuses	3,348,997	2,586,905	(3,414,817)	2,521,085
	46,506,082	9,015,528	(6,174,205)	49,347,405

Reconciliation of provisions - 2024

	Opening Balance	Additions	Utilised during the year	Total
Provision for long service awards	11,381,572	1,415,000	(819,661)	11,976,911
Leave provision	8,744,982	1,121,963	(998,771)	8,868,174
Post retirement benefits	22,330,000	761,000	(779,000)	22,312,000
Provision for performance bonuses	3,961,335	2,570,166	(3,182,504)	3,348,997
	46,417,889	5,868,129	(5,779,936)	46,506,082

Non-current liabilities

Long services awards	11,885,321	11,040,911
Post retirement benefits	23,935,000	21,637,000
Leave provision	8,500,062	7,869,403
	44,320,383	40,547,314

Current liabilities

Performance bonus provision	2,521,085	3,348,997
Leave provision	727,937	998,771
Long services awards	1,059,000	936,000
Post retirement benefits	719,000	675,000
	5,027,022	5,958,768

Non-current liabilities

Current liabilities	44,320,383	40,547,314
	5,027,022	5,958,768
	49,347,405	46,506,082



Leave provision

Staff leave accrued to employees according to collective agreement. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave.

Provision for performance bonuses

Performance bonuses are being paid to Municipal Manager, managers and municipal staff after approval of the annual performance appraisal by Council.

Performance bonuses are awarded to permanent employees and fixed term contract employees, subject to certain conditions being met and approval of the performance appraisal by Council.

Provision for performance bonuses are based on Regulation 40(2) of the Municipal Staff Regulations limit of 1.5% of the municipality's salary and wage expenditure.

Ehlanzeni District Municipality

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand	2025	2024
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11. Provisions (continued)

Post retirement benefits

Opening balance of defined benefits	22,312,000	22,330,000
Interest cost	3,049,000	3,116,000
Current service cost	1,211,000	1,200,000
Benefits paid	(758,000)	(779,000)
Actuarial (gain)	(1,160,000)	(3,555,000)
	24,654,000	22,312,000

Net expense recognised in Statement of Financial Performance

Interest cost	3,049,000	3,116,000
Current service cost	1,211,000	1,200,000
Actuarial (gain)	(1,160,000)	(3,555,000)
	3,100,000	761,000

Long service awards

Opening balance of long service awards	11,976,911	11,381,572
Interest cost	1,394,000	1,351,000
Current service cost	1,089,000	1,087,000
Benefits paid	(1,016,589)	(819,661)
Actuarial (gain)	(499,000)	(1,023,000)
	12,944,322	11,976,911

Net expense recognised in Statement of Financial Performance

Interest cost	1,394,000	1,351,000
Current service cost	1,089,000	1,087,000
Actuarial (gain)	(499,000)	(1,023,000)
	1,984,000	1,415,000

Post retirement benefit

The municipality operates an accredited medical aid scheme. Employees who are not on a fixed contract participate in the post retirement medical assistance plan.

The post retirement assistance plan consisting of KeyHealth Medical Scheme (Keyhealth), LA Health Medical Scheme (LA Health), Bonitas Medical Aid Fund (Bonitas), Hosmed Medical Scheme (Hosmed) and SAMWU National Medical Scheme (SAMWUMED). The members are entitled to a 60% retirement subsidy of the total contribution subject to a maximum of R 5,791 per month as from 1 July 2025.

These funds are subject to actuarial valuations. The last valuation was performed by an independent actuarial firm, Alexander Forbes, on 30 June 2025.

The actuarial valuation method used to value the liabilities is the Projected Unit Method prescribed by GRAP25.

Long service awards

The municipality rewards its employees who are in service for an unbroken period of 5 years and longer. Employees are entitled/awarded leave days equivalent to number of years served e.g. 10 years of service, one gets 10 days of leave, which can either be taken as leave or to be paid out in cash.

The awards were subjected to actuarial valuation by an independent actuarial firm, Alexander Forbes, on 30 June 2025.

Ehlanzeni District Municipality

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11. Provisions (continued)

The actuarial valuation method used to value the liabilities is the Projected Unit Method prescribed by GRAP25.



Ehlanzeni District Municipality

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Figures in Rand	2025	2024
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11. Provisions (continued)

Calculation of actuarial gains & losses

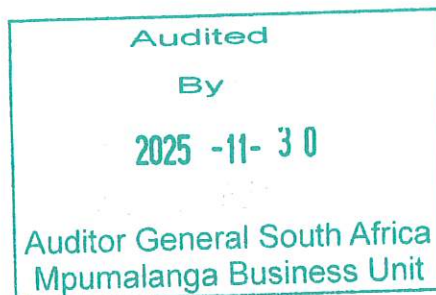
The following key assumptions were used at reporting date:

Post retirement benefits

Discount rate	13.00%	13.90%
CPI Inflation	6.90%	7.70%
Health Care Cost Inflation	8.40%	9.20%
Salary Inflation - July 2025	5.01%	5.00%
Salary Inflation - July 2026	5.35%	
Salary Inflation - July 2027	5.15%	
Salary Inflation - July 2028	7.00%	4.50%
Salary Inflation - July 2029+	7.90%	8.70%
Net Discount rate	4.24%/4.73%	4.30%/4.78%
Duration used to set assumptions	18 years	18 years
Expected retirement age	65 years	65 years
Continuation members	14	14
In-service members	142	144

Long service awards

Discount Rate	9.70%	11.10%
Inflation Rate	3.90%	5.20%
Salary Increase Rate	4.90%	6.20%
Salary Increase Rate 2024/2025	5.01%	5.00%
Voucher Increase Rate	4.90%	6.20%
Members	163	172



12. Borrowings

At amortised cost

DBSA loan	74,038,404	86,144,017
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The municipality has one loan at DBSA during the period. Details of the loan are as follows:

DBSA - 61000886

Maturity date: 31/12/2029

Interest calculated at

11.12%

Non-current liabilities

At amortised cost	60,546,175	74,038,747
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Current liabilities

At amortised cost	13,492,229	12,105,270
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Ehlanzeni District Municipality

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand	2025	2024
13. Finance lease obligation		
Minimum lease payments due		
- within one year	-	528,827
	-	528,827
less: future finance charges	-	(39,450)
Present value of minimum lease payments	-	489,377
Present value of minimum lease payments due		
- within one year	-	489,377

The finance lease is for copiers with a lease term of three years and the average effective borrowing rate is 8.5%.

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Ehlanzeni District Municipality

Annual Financial Statements for the year ended 30 June 2025

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14. Government grants and subsidies

Government grant - Equitable Share	303,325,000	295,254,000
Government grant - Finance Management Grant	1,000,000	1,000,000
Government grant - Sector Education and Training Authority	4,157,518	9,756,826
Government grant - Rural Road Asset Management System Grant	3,126,050	2,415,217
Government grant - Expanded Public Works Program Incentive	1,389,000	2,995,000
Government grant - Infrastructure Skills Development Grant	3,365,000	-



316,362,568 311,421,043

Finance Management Grant

Current-year receipts	1,000,000	1,000,000
Conditions met - transferred to revenue	(1,000,000)	(1,000,000)
	-	-

The purpose of this grant is to promote and support reforms in financial management by building capacity in municipalities to implement the Municipal Finance Management Act.

Rural Road Asset Management System Grant

Current-year receipts	3,258,000	2,525,000
Conditions met - transferred to grants and subsidies revenue	(3,126,050)	(2,415,217)
Conditions met - transferred to agency services revenue	(131,950)	(109,783)
	-	-

The purpose of this grant is to assist rural district municipalities to set up rural RAMS, and collect road and traffic data in line with the Road Infrastructure Strategic Framework for South Africa.

Local Government Sector Education and Training Authority

Current-year receipts	4,465,523	9,756,826
Conditions met - transferred to revenue	(4,157,518)	(9,756,826)
Conditions met - transferred to agency services revenue	(308,005)	-
	-	-

The purpose of the funds is for skills and capacity building within the municipality.

Infrastructure Skills Development Grant

Current-year receipts	3,365,000	-
Conditions met - transferred to revenue	(3,365,000)	-
	-	-

The purpose of the funds is to recruit unemployed graduates into municipalities to be trained and professionally registered, as per the requirements of the relevant statutory councils within the built environment.

Expanded Public Works Program Incentive

Balance unspent at beginning of year	-	-
Current-year receipts	1,389,000	2,995,000
Conditions met - transferred to revenue	(1,389,000)	(2,995,000)

Notes to the Annual Financial Statements

Figures in Rand	2025	2024
14. Government grants and subsidies (continued)	-	-

The purpose of the EPWP grant is to incentivise the municipality to expand temporary work creations for unemployed people through the use of labour intensive mechanisms in compliance with the EPWP guidelines.

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Annual Financial Statements for the year ended 30 June 2025

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15. Employee related costs

Basic salaries	109,475,471	104,034,105
Annual bonus	6,842,393	6,933,756
Medical aid - employer contributions	8,108,815	7,918,479
UIF	458,076	448,047
SDL	1,270,966	1,246,892
Leave pay provision contribution	1,344,623	1,121,963
Post-employment benefits - pension - defined contribution plan	18,434,835	17,974,564
Travel allowances	26,422,431	25,976,672
Overtime payments	618,633	533,326
Acting allowances	521,023	370,290
Housing benefits and allowances	797,724	815,724
Bargaining council	27,963	27,028
	174,322,953	167,400,846

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Remuneration of Municipal Manager - NP Mahlalela (Resigned 31/05/2025)

Annual Remuneration	1,146,605	1,191,980
Car Allowance	306,245	336,000
Performance Bonuses	106,546	62,994
Contributions to UIF, Medical and Pension Funds	287,261	299,514
Non-Pensionable Gratuity	20,340	20,340
Leave Pay	163,718	-
	2,030,715	1,910,828

Remuneration of Chief Financial Officer - PO Mokoena (Re-appointed 01/08/2025)

Annual Remuneration	1,101,380	976,971
Car Allowance	336,858	300,000
Performance Bonuses	77,861	62,994
Contributions to UIF, Medical and Pension Funds	147,533	101,162
Leave pay	36,098	159,622
Non-Pensionable Gratuity	20,340	20,340
	1,720,070	1,621,089

General Manager: Corporate services - RS Makwakwa (Resigned 31/12/2023)

Annual Remuneration	-	443,302
Car Allowance	-	120,000
Contributions to UIF, Medical and Pension Funds	-	120,187
Leave Pay	-	45,643
Acting Allowance	-	80,369
Non-Pensionable Gratuity	-	18,645
	-	828,146

General Manager: Corporate services - GN Zulu (Appointed on acting capacity from 01/09/2023 until 31 July 2024 and subsequently appointed permanently on 01/08/2024)

Annual Remuneration	923,401	421,767
Car Allowance	422,437	148,342
Contributions to UIF, Medical and Pension Funds	181,498	89,585
Leave Pay	133,129	-
Acting Allowance	61,848	51,738
Other	46,572	6,398
	1,768,885	717,830

Ehlanzeni District Municipality

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand	2025	2024
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15. Employee related costs (continued)

General Manager: Economic Planning and Development - SS Madlopha (Appointed 01/12/2023)

Annual Remuneration	1,056,483	480,930
Car Allowance	319,393	175,000
Contributions to UIF, Medical and Pension Funds	211,801	101,053
Acting Allowance	12,953	-
Non-Pensionable Gratuity	11,865	-
	1,612,495	756,983

General Manager: Technical services - ND Malokela (Re-appointed 01/08/2025)

Annual Remuneration	982,700	941,177
Car Allowance	386,119	240,000
Performance Bonuses	77,861	62,994
Contributions to UIF, Medical and Pension Funds	217,730	219,189
Acting Allowances	31,414	31,301
Leave Pay	42,046	146,335
Non-pensionable gratuity	20,340	20,340
	1,758,210	1,661,336



Ehlanzeni District Municipality

Annual Financial Statements for the year ended 30 June 2025

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Figures in Rand	2025	2024
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15. Employee related costs (continued)

Acting General Manager: Community Services - EMM Mahlalela (Appointed 01/02/2023 to 31/07/2023)

Annual Remuneration	-	140,928
Car Allowance	-	24,724
Contributions to UIF, Medical and Pension Funds	-	17,250
Acting Allowances	-	8,833
Other	-	1,066
	-	192,801

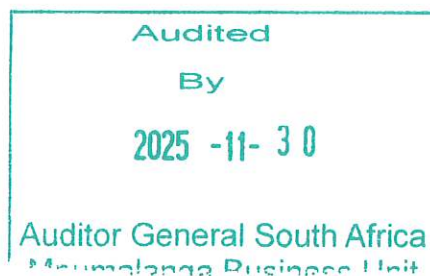
General Manager: Community Services - ENM Mkhathswa (Appointed as Acting Municipal Manager on 01/06/2025)

Annual Remuneration	1,004,510	455,509
Car Allowance	385,117	205,447
Contributions to UIF, Medical and Pension Funds	203,431	96,026
Acting Allowance	7,902	-
Non-Pensionable Gratuity	11,865	-
	1,612,825	756,982

General Manager: Strategic Planning and Social Services - SJ Tibane (Appointed 01/03/2023)

Annual Remuneration	1,080,390	894,603
Car Allowance	255,729	180,000
Performance Bonuses	-	53,262
Contributions to UIF, Medical and Pension Funds	274,094	235,681
Non-Pensionable Gratuity	20,340	-
Other	-	6,780
	1,630,553	1,370,326

Remuneration of staff is within the upper limits of the SALGA Bargaining Council determinations, and the Municipal Manager and General Managers remunerations is in accordance with the Upper Limits Gazette issued by National Cogta.



Ehlanzeni District Municipality

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

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16. Remuneration of councillors

Executive Mayor	1,144,723	1,123,692
Speaker	991,651	939,323
Councillors	10,087,809	9,155,358
Councillors' pension contribution	1,177,831	1,210,695
Chief Whip	932,376	886,773
Councillors other allowances	6,692,116	6,182,248
SDL	175,440	170,295
	21,201,946	19,668,384

Salaries, allowances and benefits of Councillors as disclosed in this note are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Office Bearers Act and the Minister of Corporative Governance and Traditional Affairs determination in accordance with this Act.

In-kind benefits

The Executive Mayor, Speaker, Chief Whip 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 and Speaker have the use of a council owned vehicles for official duties.

The Executive Mayor has a full-time bodyguard, a full-time driver and a mayoral residence, at the cost of the council. The Speaker has a full-time driver at the cost of the council.

Executive Mayor - Cllr J Sidell (Until 13/06/2024)

Annual Remuneration	-	690,291
Car Allowance	-	269,288
Contributions to UIF, Medical and Pension Funds	-	164,113
	-	1,123,692

Executive Mayor - Cllr EIT Shabangu (From 16/07/2024)

Annual Remuneration	700,957	-
Car Allowance	287,298	-
Contributions to UIF, Medical and Pension Funds	156,468	-
	1,144,723	-

Speaker - Cllr RE Khumalo

Annual Remuneration	607,315	572,693
Car Allowance	236,357	223,877
Contributions to UIF, Medical and Pension Funds	147,979	142,753
	991,651	939,323

Chief Whip - Cllr GS Siwela

Annual Remuneration	571,340	544,455
Car Allowance	221,586	209,885
Contributions to UIF, Medical and Pension Funds	139,450	132,433
	932,376	886,773

MMC Community Services - Cllr MR Shongwe (From 23/07/2024)

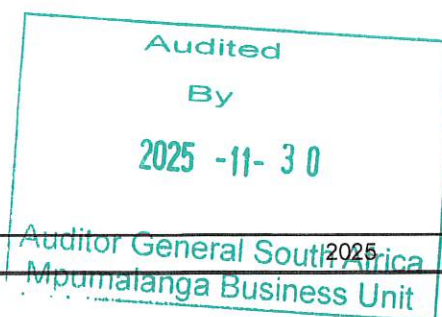


Ehlanzeni District Municipality

Annual Financial Statements for the year ended 30 June 2025

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16. Remuneration of councillors (continued)

Annual Remuneration	571,534	560,824
Car Allowance	214,001	204,201
Contributions to UIF, Medical and Pension Funds	103,744	95,554
Acting Allowance	30,852	10,627
	920,131	871,206

MMC Economic Planning and Development - Cllr PT Selowe (From 23/07/2024)

Annual Remuneration	556,546	532,659
Car Allowance	214,001	204,201
Contributions to UIF, Medical and Pension Funds	128,322	119,685
	898,869	856,545

MMC Technical - Cllr PA Mathe (From 23/07/2024)

Annual Remuneration	604,889	576,398
Car Allowance	214,001	204,201
Contributions to UIF, Medical and Pension Funds	84,388	79,980
	903,278	860,579

MMC Social Services - Cllr S Mashigo-Sekgobela (until 13/06/2024)

Annual Remuneration	-	134,615
Car Allowance	-	52,471
Contributions to UIF, Medical and Pension Funds	-	34,175
	-	221,261

MMC Social Services - Cllr PM Manana (From 23/07/2024)

Annual Remuneration	578,299	317,237
Car Allowance	214,001	113,979
Contributions to UIF, Medical and Pension Funds	109,711	50,263
	902,011	481,479

MMC Corporate Services - Cllr ET Mabuza (From 11/08/2022 until 10/12/2023)

Annual Remuneration	-	148,182
Car Allowance	-	52,471
Contributions to UIF, Medical and Pension Funds	-	20,607
	-	221,260

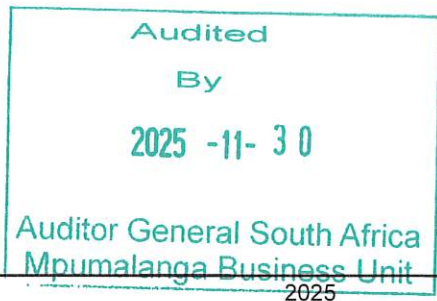
MMC Corporate Services - Cllr S Mashigo-Sekgobela (From 11/12/2023 until 13/6/2024)

Ehlanzeni District Municipality

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

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16. Remuneration of councillors (continued)

Annual Remuneration	-	387,114
Car Allowance	-	151,729
Contributions to UIF, Medical and Pension Funds	-	100,474
	-	639,317

MMC Corporate Services - Cllr PP Chima (From 01/11/2024)

Annual Remuneration	348,686	-
Car Allowance	129,173	-
Contributions to UIF, Medical and Pension Funds	64,063	-
	541,922	-

MMC Financial Services - Cllr M Chembeni-Sahi (Until 29/09/2023)

Annual Remuneration	-	148,182
Car Allowance	-	52,471
Contributions to UIF, Medical and Pension Funds	-	20,031
	-	220,684

MMC Financial Services - Cllr ET Mabuza (From 23/07/2024)

Annual Remuneration	604,889	428,215
Car Allowance	214,001	151,729
Contributions to UIF, Medical and Pension Funds	84,388	59,373
	903,278	639,317

MMC Disaster Management - Cllr LC Shakwane (From 23/07/2024)

Annual Remuneration	553,421	529,382
Car Allowance	214,001	204,201
Contributions to UIF, Medical and Pension Funds	135,856	126,996
	903,278	860,579

MMC Strategic Planning - Cllr EIT Shabangu (From 11/08/2022 until 13/06/2024)

Annual Remuneration	-	521,330
Car Allowance	-	204,201
Contributions to UIF, Medical and Pension Funds	-	135,048
	-	860,579

MMC Strategic Planning - Cllr NC Hlophe (From 23/07/2024)

Annual Remuneration	579,056	-
Car Allowance	212,997	-
Contributions to UIF, Medical and Pension Funds	109,717	-
	901,770	-

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Figures in Rand	2025	2024
17. Depreciation and amortisation (continued)		
17. Depreciation and amortisation		
Property, plant and equipment	11,441,443	10,858,625
Intangible assets	1,134,528	1,231,401
	12,575,971	12,090,026
18. Finance costs		
Interest - actuarial valuations and other	4,517,230	4,532,800
Interest - finance leases	39,449	91,159
Interest - non-current borrowings	9,259,856	10,529,351
	13,816,535	15,153,310
19. Repairs and maintenance		
Buildings	5,178,072	4,716,768
Motor vehicles	1,471,506	764,831
Furniture and fittings	132,947	9,825
Plant and equipment	141	48,985
	6,782,666	5,540,409
20. Contracted services		
Outsourced services		
Occupational health and safety	5,710	-
Organisational	637,792	1,346,725
Commissions and committees	10,800	1,200
Research and advisory	2,762,043	2,826,549
Catering services	5,856,523	6,102,379
Cleaning services	199,380	174,863
Security services	5,666,922	5,259,254
Consultants and professional services		
Audit committee	481,788	477,490
Business and financial management	10,677,638	11,214,180
Organisational	74,640	42,240
Legal cost and litigation	800,713	1,341,965
Contractors		
Aerial surveillance	1,189,876	1,644,904
Event promoters	220,000	205,000
Computer license fees	13,709,012	10,408,610
	42,292,837	41,045,359
21. Grants and subsidies		
Department of Roads & Transport	2,718,303	2,085,869
Thaba Chweu Local Municipality	464,107	8,625,394
Nkomazi Local Municipality	1,666,400	2,757,652
Bushbuckridge Local Municipality	1,156,280	1,941,835
City of Mbombela Local Municipality	9,178,220	11,368,272
Other institutions	-	452,064
	15,183,310	27,231,086



Ehlanzeni District Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2025	2024
22. Auditors' remuneration		
Audit fees	4,953,215	5,196,078
23. Operational expenses		
Bank charges	78,965	167,865
Bursaries	916,278	797,267
Community outreach	6,147,358	8,056,055
Consulting and professional fees	1,964,152	1,972,636
Commission paid to third parties	-	12,000
Disaster management operational cost	1,885,460	1,793,610
Electricity, water and rates	13,226,509	12,968,720
Entertainment	1,214,618	1,248,323
Fuel and oil	1,288,213	1,294,515
GIS operational costs	94,242	59,748
COVID-19 related expenses	-	111,596
IDP review	219,720	28,435
Insurance	1,888,754	1,649,846
Marketing	1,311,297	1,690,140
Municipal health operational cost	796,822	613,601
Other expenses	1,022,206	1,562,239
Programs and campaigns	1,069,243	975,862
Postage and courier	5,597	5,225
Printing and stationery	1,951,822	2,198,564
Protective clothing	325,754	184,553
Telephone and fax	1,502,432	1,864,775
Tourism development	1,608,110	882,340
Training	4,973,857	8,948,919
Travelling and subsistence	11,094,621	11,237,367
	54,586,030	60,324,201
24. Net cash flows from operating activities		
Deficit	(18,834,789)	(26,925,596)
Adjustments for:		
Depreciation and amortisation	12,575,971	12,090,026
Actuarial (gain)	(1,659,000)	(4,578,000)
Loss/(Gain) on fair value adjustments	(642,896)	(1,448,201)
Loss on disposal of assets	953,779	52,281
Finance costs - finance leases	39,449	91,159
Interest accrued on investments	(97,477)	-
Provision for bad debts	(826,969)	1,492,499
Movements in provisions	4,500,323	4,666,193
Other non-cash items	364,558	(317,076)
Bank charges on investments	100	-
Changes in working capital:		
Inventories	330,746	1,182,569
Receivables from exchange transactions	817,494	(6,663,985)
Payables from exchange transactions	20,758,751	1,666,343
Statutory receivables/payables	(38,054)	1,263,621
	18,241,986	(17,428,167)



Ehlanzeni District Municipality

Annual Financial Statements for the year ended 30 June 2025

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25. Financial instruments disclosure

Categories of financial instruments

2025

Financial assets

	At fair value	At amortised cost	Total
Trade and other receivables from exchange transactions	-	56,663,711	56,663,711
Cash and cash equivalents	-	5,376,893	5,376,893
Investments	6,630,938	638,041	7,268,979
	6,630,938	62,678,645	69,309,583

Financial liabilities

	At amortised cost	Total
Current borrowings	13,492,229	13,492,229
Non-current borrowings	60,546,175	60,546,175
Trade and other payables from exchange transactions	75,931,508	75,931,508
	149,969,912	149,969,912

2024

Financial assets

	At fair value	At amortised cost	Total
Trade and other receivables from exchange transactions	-	56,649,535	56,649,535
Cash and cash equivalents	-	4,196,823	4,196,823
Investments	5,988,265	6,478,522	12,466,787
	5,988,265	67,324,880	73,313,145

Financial liabilities

	At amortised cost	Total
Current borrowings	12,105,270	12,105,270
Non-current borrowings	74,038,747	74,038,747
Trade and other payables from exchange transactions	55,172,757	55,172,757
Finance lease liability	489,377	489,377
	141,806,151	141,806,151

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26. Commitments

Authorised expenditure

Already contracted for but not provided for

• Property, plant and equipment	598,431	5,415,961
• Construction contract work in progress	405,066,150	112,963,503
	405,664,581	118,379,464

Commitments source of funding reconciliation

• Implementing Agent Grant Funding (WSIG and RBIG)	405,066,150	112,963,503
• Internal Funding	598,431	5,415,961
	405,664,581	118,379,464

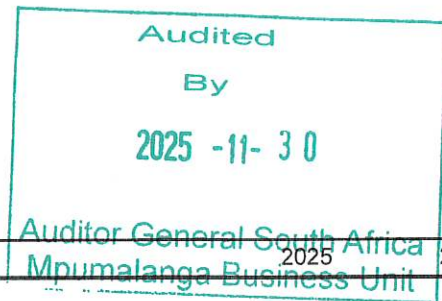
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27. Contingencies

Contingent liabilities

1. Tunica Trading 104

The plaintiff issued summons against Ehlanzeni District Municipality and Mgangatfo (Pty) Ltd for cancellation of contract for Lydenburg Wastewater Treatment Works Refurbishment. The legal fees incurred to date amounts to R95 487 with an additional estimated future legal fees estimated at R200 000.

10,345,150 -

2. P Brown on behalf of M Shekwa

The plaintiff issued summons against City of Mbombela, Ehlanzeni District Municipality and Fairvest Property Holding Limited. The claim relates to injuries suffered by the minor after falling into burning waste generated by the tenants of Fairvest Property Holdings Limited. No legal fees incurred as no attorney appointed.

2,250,000 -

3. Graskop Pale

Graskop Pale CC issued summons against Thaba Chweu Local Municipality and Ehlanzeni District Municipality as 1st and 2nd defendants respectively for R3 million, following a wild, uncontrollable fire. Municipality appointed an Attorney to defend the matter. A notice to defend, as well as a plea were filed. The legal fees paid to date amounts to R 189,630 with an additional estimated legal fees of R400,000.

3,000,000 3,000,000

4. Mpumalanga Copiers

Mpumalanga Copiers issued summons against Oagile Thuto and Ehlanzeni District Municipality as 1st and 2nd defendants respectively for R354,290, claiming payment for rental of copier machines and supplies. No legal fees incurred as no attorney appointed.

354,290 354,290

5. SMC Enterprises 2 CC

SMC Enterprise 2 CC is challenging contract termination by the municipality due to poor performance on Driekoppies Regional Water Scheme project.

- -

The legal fees incurred to date amounts to R925 482 with additional estimated future legal fees estimated at R340 000

Contingent Assets

1. SMC Enterprises 2 CC

The municipality has instituted cost and damages counterclaim against SMC Enterprise 2 for damages suffered due to a contract termination.

6,385,821 6,385,821

2. Hollard Insurance & SMC Enterprise 2 CC

Municipality instituted an action against Hollard Insurance Company as they stand in a position of surety for compliance of SMC Enterprise 2 with their obligations under the GCC agreement.

6,725,198 6,725,198

Ehlanzeni District Municipality

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28. Unauthorised, Irregular, Fruitless and wasteful expenditure

28.1 Unauthorised expenditure

No unauthorised expenditure was incurred in the current reporting period and previous year.

28.2 Irregular expenditure

No irregular expenditure was incurred in the current reporting period and previous year.

28.3 Fruitless and wasteful expenditure

Opening balance	-	1,531
Add: Incurred during the year	76,243	72,809
Less: Amounts recovered	(2,050)	(8,461)
Less: Written off by Council	(74,193)	(65,879)
	-	-

Incidents:

- (a) Traffic fines issued for violation of traffic statutes amounting to R2 050.
- (b) SARS interest charges and penalties of R6,51 for annual EMP501 reconciliation minor discrepancy.
- (c) Nkomazi Local Municipality interest charges of R74 186 for unpaid property rates account on property due to prolonged process of transferring Thankerton Farm property to Nkomazi Local Municipality.

Remedial actions:

- (a) Traffic fines amounting to R2 050 have been recovered from municipal employees.
- (b) The interest charges and penalties of R6,51 has been approved to be written off as per Council Resolution B7/2025 of 29 July 2025 following MPAC investigation.
- (c) The arrear property rates interest charges of R74 186 has been approved for write off as per Council Resolution B7/2025 of 29 July 2025 following MPAC investigation.

29. Risk management

Financial risk management

Exposure to interest rate, liquidity and credit risks arises in the normal course of the Municipality's operations. The municipality has established a risk management committee, which is responsible for developing and monitoring the municipality's risk management policies. The risk management policies are established to identify and analyse the risks faced by the municipality, to set up risk limits and controls and to monitor risks and adherence to limits. Risk management policies are reviewed regularly to reflect changes in the municipality's activities. The municipality conduct risks assessment on a continuous basis throughout the financial year to identify and implement control measures to mitigate emerging risks.



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29. Risk management (continued)

Liquidity risk

Ehlanzeni District Municipality manages its liquidity risks by effectively managing its working capital, capital expenditure and external borrowings. Revolving credit facilities in the form of an R20,000,000 bank overdraft has been negotiated with the main banker and provisionally approved. The overdraft facility will cater for any unexpected temporary shortfall in operating funds.

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.

At 30 June 2025	Less than 1 year	Between 1 and 5 years	Over 5 years	Total
Non-current borrowings	13,492,229	60,546,175	-	74,038,404
Payables from exchange transactions	75,931,508	-	-	75,931,508
At 30 June 2024	Less than 1 year	Between 1 and 5 years	Over 5 years	Total
Non-current borrowings	12,105,270	74,038,747	-	86,144,017
Payables from exchange transactions	55,172,757	-	-	55,172,757
Finance leases	489,377	-	-	489,377

Credit risk

Ehlanzeni District Municipality manages its credit risk in its borrowing and investing activities by dealing with the A+ rated financial institutions and by spreading its exposure over a wide range of financial institutions in accordance with the approved cash and investment policy as was approved by council.

Management evaluated credit risk relating to receivables from exchange transactions on an ongoing basis. If receivables from exchange transactions are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the receivables, taking into account its financial position, past experience and other factors.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	2025	2024
Cash and cash equivalents	5,376,894	4,196,823
Non-current investments	1,549,260	1,350,740
Current investments	5,719,719	11,116,047
Receivables from exchange transactions	56,663,711	56,649,535

Market risk

Interest rate risk

Ehlanzeni District Municipality is not exposed to any interest rate risks on its financial liabilities. As at the end of the financial year, 30 June 2025, Ehlanzeni District Municipality had only one fixed interest bearing loan with the Development Bank of Southern Africa (DBSA) as reflected in APPENDIX A. It should be noted that the interest in this loan is fixed until maturity. Similarly, with financial assets, Ehlanzeni District Municipality invests its surplus funds not immediately required in a fixed interest rate deposit with the A+ rated banks for fixed terms not exceeding one year.

30. Related parties

Relationships

Close family members of key management
Members of key management

None
See note 15 and 16.

Ehlanzeni District Municipality

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31. Interest received

Interest revenue

Current bank account
Fixed deposits
Interest on debtors



175,898	229,584
4,748,274	8,216,045
782,935	606,629
5,707,107	9,052,258

32. Change in accounting estimate

Property, plant and equipment and Intangible assets

The estimated useful life of assets in certain classes of Property, Plant and Equipment and Intangible Assets were assessed during the current financial year. In the current financial year management have extended their estimated useful lives at an average of between 3 and 5 years. The effect of this revision has decreased the depreciation and amortisation charges for the current period and increased for future periods by R 2 995 569.

The effect on Property, Plant and Equipment is a decrease of annual depreciation by R2 630 349, refer to note 8.

The effect on Intangible Assets is a decrease of annual amortisation by R365 220, refer to note 9.

33. Revenue

Agency services	626,523	109,783
Construction contracts	55,536,736	72,851,296
Operational income	307,044	252,941
Rental of facilities and equipment	-	198,000
Interest received	5,707,107	9,052,258
Dividends received	204,024	183,392
Licenses and permits	1,498,322	1,025,264
Government grants & subsidies	316,362,568	311,421,043
Fines & penalties	-	661,432
	380,242,324	395,755,409

The amount included in revenue arising from exchanges of goods or services are as follows:

Agency services	626,523	109,783
Construction contracts	55,536,736	72,851,296
Operational income	307,044	252,941
Rental of facilities and equipment	-	198,000
Interest received	5,707,107	9,052,258
Dividends received	204,024	183,392
Licenses and permits	1,498,322	1,025,264
	63,879,756	83,672,934

The amount included in revenue arising from non-exchange transactions is as follows:

Transfer revenue

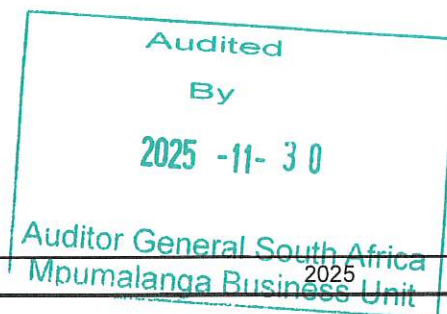
Government grants & subsidies	316,362,568	311,421,043
Fines & penalties	-	661,432
	316,362,568	312,082,475

Ehlanzeni District Municipality

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34. Comparative information

- (a) The contingent asset for SMC Enterprise 2 CC has been split to disclose portion of claim against Hollard Insurance for the construction performance guarantee to improve accuracy of the contingency.

The effects of the restatements are as follows:

SMC Enterprise 2 CC	R 6,385,821
Hollard Insurance	R 6,725,198

- (b) Licenses and permits issued disclosed separate from other operational revenue to improve disclosure.

The effects of the restatements are as follows:

Statement of Financial Performance

Operational income	-	1,025,264
Licenses and permits	-	(1,025,264)

- (c) Segment reporting disclosure information has changed from departmental segments to functional segments to improve quality of the reported information.
- (d) Prior year information on profit or loss on disposal of assets and assets pledged as security expanded in the note to Property, Plant and Equipment to improve disclosure.
- (e) The buildings Work In Progress additions on Note 8 was changed to transfers to improve the quality of the reported information.

The effects of the restatements are as follows:

Buildings Work In Progress - Additions	(R 2,952,218)
Buildings Work In Progress - Transfers	R 2,952,218

- (f) Reconciliation of Statutory VAT accruals on note 6 adjusted with VAT on provision for impairment on trade and other receivables separately to improve disclosure.

35. Events after the reporting date

35.1 Adjusting events

- (a) Council approved the write off of fruitless and wasteful expenditure incurred current financial year amounting to R74 193 on 29 July 2025, refer to Disclosure Note 28.
- (b) Council approved final 2024/25 special adjustment budget on 28 August 2025, refer to the Statement of Comparison of Budget and Actuals.

36. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

SALGA Membership fee	1,940,543	1,956,794
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PAYE, UIF and SDL

Amount paid - current year	39,373,421	37,681,712
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Pension and Medical Aid Deductions

Amount paid - current year	43,689,063	42,647,467
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36. Additional disclosure in terms of Municipal Finance Management Act (continued)

VAT

VAT received - current year	13,894,164	16,727,339
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37. Deviations i.t.o section 36 of Supply Chain Management Policy

Fixed Amount Deviation Procurements - Regulation 36(a)

Impractical	1,463,988	4,220,124
Sole Provider	596,457	1,749,886
	2,060,445	5,970,010

Fixed Rate or Price per Unit Deviation Procurements- Regulation 36(a)

Service Provider	Reason for Deviation	Total Fixed Rates
WDT Attorneys	Impractical	45,338
Kgoroadira Mudau Inc	Impractical	32,515

38. Budget and actual variances

Material differences between budget and actual amounts

Variances in excess of 10% is considered significant and therefore explanations are provided below:

38.1 Agency services revenue

Additional amounts received from the LGSETA discretionary grant resulted in additional agency services revenue during the financial year.

38.2 Operational Income

Less sundry income generated than anticipated.

38.3 Licenses and permits

Customers paid for applications for licenses and permits however the monies received could not be recognised as revenue due to incomplete information on the application submitted, as a result the monies have been recognised as payments received in advance.

38.4 Fines revenue

Delays on a process of approval by the District Magistrate of fines and penalties to be imposed for non-compliance with the Municipal Health By-Laws.

38.5 Operating deficit

The incurred operating deficit is mainly due to recognition of provision for non-cash liability items, and less revenue received than anticipated on fines and penalties, and licenses and permits.

38.6 Loss on disposal of assets

The disposal of assets was not anticipated during the budget process

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38.7 Gains on fair value adjustments

No budget was allocated for the investment fair value adjustment as it is onerous to project the performance of shares and insurance investments.

38.8 Investments

Classification of Sanlam shares investment to current assets due to Council decision to dispose the investment in the foreseeable future.

38.9 Receivables from exchange transactions

Unanticipated delays on payments by organs of state as the District Municipality is implementing infrastructure projects through contractual arrangements and monies owed by local municipalities for support services rendered.

38.10 Cash and Cash Equivalents

The revenue collection targets on licences and permits, and fines and penalties not met as well as slow payment by local municipalities for co-funded support programmes.

38.11 Intangible assets

Disposal of outdated computer software done during the year not provided for on the budget.

38.12 Borrowings

Reclassification of long-term borrowings balance between non-current and current liabilities in accordance with the loan amortisation schedule.

38.13 Payables from exchange transactions

Recognition of accruals, payables, payroll third parties and statutory obligations for June 2025, due and payable in July 2025.

38.14 Statutory receivables & payables

It is onerous to accurately determine and project VAT movement mainly due to not all suppliers are VAT vendors.

38.15 Provisions

Reclassification of non-current portion of leave liability provision to non-current liabilities.

38.16 Net Assets

Substantive decrease in cash and cash equivalent, investments and deficit for the year contributed to the accumulated surplus projection not being realised.

38.17 Construction contract receipts and payments

Payment received for prior year construction contract receivables and construction payables accrued, due and payable in July 2025.

38.18 Payments to suppliers

The retention and prior year payables paid, and provision liabilities or obligations settled during the financial year not factored on the cashflow budget.

38.19 Finance leases

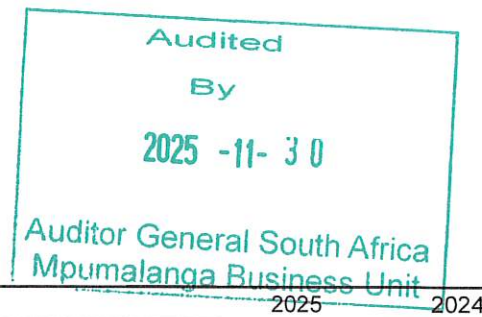
The finance lease payment was initially budgeted on operating activities however, it had to be classified as per GRAP 13 to finance lease.

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39. Prior period adjustments

Prior period adjustments are as follows:

- (a) Agency fees received for implementing projects on behalf of other organs of state re-classified from revenue from non-exchange transactions (Government grants and subsidies) received to revenue from exchange transactions (agency services).
- (b) Expenditure for IT support for the 2023/24 financial year not accrued due to late receipt of invoice.
- (c) Reclassification of long-term leave provision portion from current to non-current liabilities.
- (d) Statutory receivables re-classified between VAT amounts recognised and VAT amounts accrued.
- (e) Correction of VAT portion on provision for impairment of trade and other receivables.
- (f) Re-classification of improvements to municipal offices from Inventory Work in Progress to Property, Plant and Equipment Work in Progress of buildings.

The effect of the restatements are as follows:

Statement of financial position

Inventory - Work in Progress	-	(812,879)
Property, Plant and Equipment - Work in Progress Buildings	-	(812,879)
Current liabilities - Provisions	-	7,869,403
Non-current liabilities - Provisions	-	(7,869,403)
Payables from Exchange Transactions - Accruals	-	(1,083,297)
Statutory receivables accrued	-	141,300
Statutory payables accrued	-	(604,846)
Statutory receivables recognised	-	604,846
Statutory payables accrued	-	223,875

Statement of Financial Performance

Revenue from Non-Exchange Transactions - Government Grants and Subsidies	-	109,783
Revenue from Exchange Transactions - Agency Services	-	(109,783)
Contracted Services	-	941,997
Provision for impairment	-	(223,875)

Prior period adjustments made through accumulated surplus are as follows:

There has been other credit transactions totalling R 316 936 and other debit transactions totalling R137 027 accrued or paid in the financial year under review relating to prior periods. The net adjustment directly through surplus is R179 909.

The details of these credit transactions are as follows:

- (a) Reversal of incorrect accruals relating to the 2023/2024 financial year of R 274 092.
- (b) Refund received of R30 732 relating to the 2023/24 financial year.
- (c) Correction of VAT accrual relating to the 2023/24 financial year of R4 909.
- (d) Recovery of outstanding cellphone account of R 7 203.

The details of these debit transactions are as follows:

- (e) Sundry payments of R137 027 relating to the 2023/24 financial year paid during the current year.

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40. Construction contracts

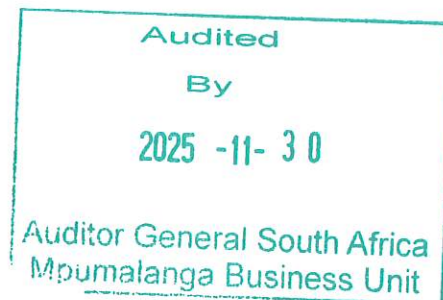
The municipality entered into binding arrangements or agreements with Department of Water and Sanitation, Nkomazi and Thaba Chweu Local Municipalities to implement infrastructure projects funded from RBIG and WSIG on behalf of these entities.

Construction contract revenue

Regional Bulk Infrastructure Grant (RBIG)	10,047,535	9,243,917
Water Services Infrastructure Grant (WSIG)	45,489,201	63,607,379
	55,536,736	72,851,296

Construction contract cost

Driekoppies and Matsulu Water Infrastructure related projects	14,542,553	9,905,349
Lydenburg Wastewater Treatment Work refurbishment and upgrade	40,994,183	63,607,378
	55,536,736	73,512,727



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41. Segment reporting

General information

Identification of segments

The municipality is organised and reports to management on the basis of functional segments namely; Governance and Administration (Council, Corporate Services, Financial Services and Office of the Municipal Manager), Community and Public Safety (Community Services, Social Services), Economic and Environmental Services (Economic Planning and Development and Strategic Planning) and Infrastructure and Basic Services (Technical Services). Management uses these same segments for determining strategic objectives. No segments were aggregated for reporting purposes.

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

Segment surplus or deficit, assets and liabilities



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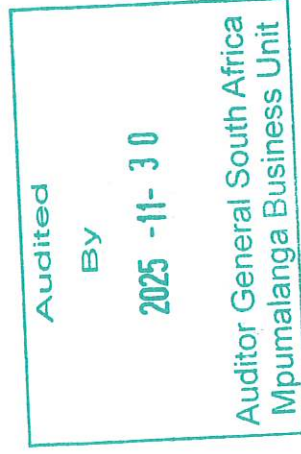
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41. Segment reporting (continued)

2025



	Governance and Administra- tion	Infrastructure and Basic Services	Economic and Environmental Services	Community and Public Safety	Entity Total
Revenue					
Revenue from non-exchange transactions	316,362,568	-	-	-	316,362,568
Revenue from exchange transactions	8,343,020	-	-	-	8,343,020
Construction contracts	55,536,736	-	-	-	55,536,736
Total segment revenue	380,242,324	-	-	-	380,242,324
Expenditure					
Salaries and wages	84,132,391	12,826,844	30,084,220	45,225,021	172,268,476
Council remuneration	21,026,506	-	-	-	21,026,506
Operational expenditure	90,337,563	1,273,753	8,497,499	10,735,850	110,844,665
Construction contract costs	55,536,736	-	-	-	55,536,736
Finance charges	13,816,535	-	-	-	13,816,535
Depreciation and amortisation	10,030,567	458,247	583,069	1,504,088	12,575,971
Total segment expenditure	274,880,298	14,558,844	39,164,788	57,464,959	386,068,889
Total segmental surplus/(deficit)					(5,826,565)
Loss on disposal of assets					(953,779)
Gain on fair value adjustments					642,896
Actuarial gain					1,659,000
Grants and subsidies in-kind					(15,183,310)
Provision for impairment reversal					826,969
Total municipal surplus/(deficit)					(18,834,789)

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41. Segment reporting (continued)

Assets	
Segment assets	
Investments	
Inventories	
Receivables from exchange transactions	
Statutory receivables	
Cash and cash equivalents	
Total assets as per Statement of financial Position	
Payables from exchange transactions	
Statutory payables	
Provisions	
Long term loans	
Total liabilities as per Statement of financial Position	
Accumulated Surplus	

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181,733,009	897,682	1,802,933	3,470,627	187,904,251
				7,268,979
				3,601,125
				57,629,204
				1,487,184
				5,376,894
				263,267,637
				75,931,508
				1,619,774
				49,347,405
				74,038,404
				200,937,091
				62,330,546

2024

	Governance and Administration	Infrastructure and Basic Services	Economic and Environmental Services	Community and Public Safety	Entity Total
Revenue					
Revenue from non-exchange transactions	312,192,258	-	-	-	312,192,258
Revenue from exchange transactions	10,711,855	-	-	-	10,711,855
Construction contracts	72,851,296	-	-	-	72,851,296
Total segment revenue	395,755,409	-	-	-	395,755,409

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41. Segment reporting (continued)

Expenditure

Salaries and wages
Council remuneration
Operational expenditure
Provision for impairment
Construction contract costs
Finance charges
Depreciation and amortisation

Total segment expenditure

Total segmental surplus/(deficit)

Loss on disposal of assets
Gain on fair value adjustments
Actuarial gain
Grants and subsidies in-kind

Total municipal surplus (deficit)

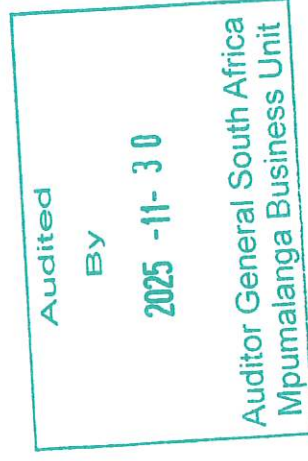
Assets

Segment assets

Investments
Inventories
Receivables from exchange transactions
Statutory receivables
Cash and cash equivalents

Total assets as per Statement of financial Position

Finance leases
Payables from exchange transactions
Statutory payables
Provisions
Long term loans



79,093,205	12,387,520	31,254,657	41,991,171	164,726,553
19,498,089	-	-	-	19,498,089
93,957,547	1,195,104	9,173,210	10,624,774	114,950,635
1,716,374	-	-	-	1,492,499
73,512,727	-	-	-	73,512,727
15,153,310	-	-	-	15,153,310
9,202,169	558,443	425,567	1,903,847	12,090,026
292,133,421	14,141,067	40,853,434	54,519,792	401,423,839
				(5,668,430)
				(52,281)
				1,448,201
				4,578,000
				(27,231,086)
				(26,925,596)

185,475,518	1,236,527	928,020	3,448,444	191,029,219
				12,466,787
				3,931,871
				57,638,336
				604,846
				4,196,823
				269,867,882
				489,377
				55,172,756
				570,224
				46,506,082
				86,144,017

Ehlanzeni District Municipality
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41. Segment reporting (continued)
Total liabilities as per Statement of financial Position
Accumulated Surplus

188,882,456
80,985,426

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41. Segment reporting (continued)

Measurement of segment surplus or deficit, assets and liabilities

Basis of accounting for transactions between reportable segments

The accounting policies of the segments are the same as those described in the summary of significant accounting policies.

Information about geographical areas

The municipality's operations are in the Ehlanzeni District of the Mpumalanga province.



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

Appendix A: Unaudited
June 2025

Schedule of external loans as at 30 June 2025

Loan Number	Redeemable Balance at 1 July 2024	Received during the period	Redeemed during the period	Balance at 30 June 2025	Carrying Value of Property, Plant & Equip	Other Costs in accordance with the MFMA
	Rand	Rand	Rand	Rand	Rand	Rand
Loan Stock						
Structured loans						
Funding facility						
Development Bank of South Africa						
DBSA - 61000886	86,144,017	-	12,105,613	74,038,404	166,076,444	-
Maturity date: 31/12/2029						
Interest calculated at 11.12%						
Bonds						
Other loans						
Lease liability						
Annuity loans						
Government loans						
Total external loans						
Development Bank of South Africa	86,144,017	-	12,105,613	74,038,404	166,076,444	-
	86,144,017	-	12,105,613	74,038,404	166,076,444	-

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Appendix B: Unaudited

Analysis of property, plant and equipment as at 30 June 2025 Cost Accumulated depreciation

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Prior period adjustments Rand	Depreciation Rand	Closing Balance Rand	Carrying value Rand
Land and buildings												
Land	8,103,054	-	-	-	8,103,054	-	-	-	-	-	-	8,103,054
Buildings	238,389,690	3,185,871	(56,700)	-	241,518,861	(75,421,688)	38,261	-	-	(5,077,800)	(81,461,227)	160,057,634
	246,492,744	3,185,871	(56,700)	-	249,621,915	(75,421,688)	38,261	-	-	(5,077,800)	(81,461,227)	168,160,688
Other assets												
Plant & equipment	1,748,164	3,158,715	(168,364)	-	4,738,515	(733,420)	157,386	-	-	(733,742)	(1,309,776)	3,428,739
Furniture & Fittings	13,453,084	521,437	(268,727)	-	13,705,794	(11,747,840)	239,188	-	-	(488,191)	(11,986,843)	1,708,951
Computer equipment	41,065,735	3,374,768	(5,632,415)	-	38,808,088	(31,215,462)	5,303,704	-	-	(4,158,952)	(30,070,710)	8,737,378
Motor vehicles	9,025,412	-	(234,999)	-	8,790,413	(4,928,109)	230,490	-	-	(982,758)	(5,680,377)	3,110,036
	65,292,395	7,054,920	(6,304,505)	-	66,042,810	(48,624,831)	5,930,768	-	-	(6,363,643)	(49,057,706)	16,985,104
Total property plant and equipment	311,785,139	10,240,791	(6,361,205)	-	315,664,725	(125,046,519)	5,969,029	-	-	(11,441,443)	(130,518,933)	185,145,792
Intangible assets												
Computer software	19,392,826	1,005,692	(2,231,101)	-	18,167,417	(15,915,108)	1,640,678	-	-	(1,134,528)	(15,408,958)	2,758,459
	19,392,826	1,005,692	(2,231,101)	-	18,167,417	(15,915,108)	1,640,678	-	-	(1,134,528)	(15,408,958)	2,758,459

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Appendix C: Unaudited

Segmental analysis of property, plant and equipment as at 30 June 2025 Cost Accumulated Depreciation

Municipality	Opening Balance		Additions		Disposals		Transfers		Closing Balance		Opening Balance		Disposals		Transfers		Prior period adjustments		Depreciation		Closing Balance		Carrying value	
	Rand		Rand		Rand		Rand		Rand		Rand		Rand		Rand		Rand		Rand		Rand		Rand	
Office of the Chief Whip	206 401		15 599		(18 550)		-		203 450		(152 122)		10 180		-		-		(16 457)		(158 399)		45 051	
Corporate Services	259 532 394		6 549 823		(2 284 604)		-		263 797 613		(85 883 463)		2 066 772		-		-		(6 855 903)		(90 672 594)		173 125 019	
Disaster management	26 770 780		328 909		(1 044 538)		-		26 055 151		(24 556 856)		1 033 557		-		-		(777 258)		(24 300 557)		1 754 594	
Office of the Executive Mayor	2 353 414		165 025		(214 014)		-		2 304 425		(1 403 476)		202 131		-		-		(294 946)		(1 496 291)		808 134	
Financial Services	23 012 605		1 464 873		(2 692 365)		-		21 785 113		(15 911 717)		2 367 522		-		-		(2 170 950)		(15 715 145)		6 069 968	
Internal Audit	155 313		-		(66 727)		-		88 586		(108 161)		44 030		-		-		(9 858)		(73 969)		14 597	
LED and Tourism	1 707 927		24 900		(273 559)		-		1 458 868		(1 162 972)		241 261		-		-		(197 481)		(1 139 192)		319 676	
Community Services	6 525 069		552 174		(593 354)		-		6 483 889		(4 773 257)		468 027		-		-		(625 036)		(4 930 266)		1 553 623	
Office of the Municipal Manager	3 881 096		376 096		(665 689)		-		3 591 503		(2 929 364)		552 426		-		-		(388 695)		(2 765 633)		825 870	
Strategic Services	627 696		1 447 759		(154 316)		-		1 921 139		(344 074)		112 065		-		-		(307 063)		(539 072)		1 382 067	
Rural Development	335 928		-		(5 155)		-		330 773		(192 180)		2 892		-		-		(40 295)		(229 583)		101 190	
Social Services	931 494		4 500		(128 216)		-		807 778		(663 755)		116 689		-		-		(98 302)		(645 368)		162 410	
Office of the Speaker	2 209 731		186 810		(190 947)		-		2 205 594		(1 200 611)		174 380		-		-		(334 993)		(1 361 224)		844 370	
Technical Services	2 928 116		130 015		(259 872)		-		2 798 259		(1 659 619)		217 776		-		-		(458 734)		(1 900 577)		897 682	
	331 177 964		11 246 483		(8 592 306)		-		333 832 141		(140 961 627)		7 609 708		-		-		(12 575 971)		(145 927 890)		187 904 251	

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Appendix D: Unaudited

Segmental Statement of Financial Performance for the year ended 30 June 2025

Current Year			Prior Year		
Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand	Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand
Municipality					
-	9,177,963	(9,177,963)	-	12,271,310	(12,271,310)
-	3,650,218	(3,650,218)	-	5,165,423	(5,165,423)
-	27,049,798	(27,049,798)	-	26,425,901	(26,425,901)
-	11,445,199	(11,445,199)	-	10,952,259	(10,952,259)
-	21,504,523	(21,504,523)	-	21,585,043	(21,585,043)
380,242,324	155,380,877	224,861,447	395,755,409	185,471,069	210,284,340
-	54,460,778	(54,460,778)	-	47,860,412	(47,860,412)
-	14,558,844	(14,558,844)	-	14,141,067	(14,141,067)
-	34,475,896	(34,475,896)	-	32,034,713	(32,034,713)
-	3,501,263	(3,501,263)	-	3,506,507	(3,506,507)
-	5,368,120	(5,368,120)	-	5,094,210	(5,094,210)
-	28,228,231	(28,228,231)	-	28,364,906	(28,364,906)
-	17,491,949	(17,491,949)	-	17,228,777	(17,228,777)
-	12,783,454	(12,783,454)	-	12,579,408	(12,579,408)
380,242,324	399,077,113	(18,834,789)	395,755,409	422,681,005	(26,925,596)

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Appendix E(1): Unaudited

Actual versus Budget(Revenue and Expenditure) for the year ended 30 June 2025

	Current year		Variance	Explanation of Significant Variances greater than 10% versus Budget
	2025	2025		
	Act. Bal.	Adjusted budget		
	Rand	Rand	Rand	Var
Revenue				
Agency services	626,523	500,000	126,523	25.3 Refer to note 38
Construction contracts	55,536,736	56,419,518	(882,782)	(1.6)
Operational income	307,044	660,515	(353,471)	(53.5) Refer to note 38
Fines and penalties	-	1,000,000	(1,000,000)	(100.0) Refer to note 38
Interest received	5,707,107	5,760,478	(53,371)	(0.9)
Dividends received	204,024	203,141	883	0.4
Government grants & subsidies	316,362,568	316,443,730	(81,162)	-
Licenses and permits	1,498,322	2,000,000	(501,678)	(25.1) Refer to note 38
	380,242,324	382,987,382	(2,745,058)	(0.7)
Expenses				
Employee related cost	(174,322,953)	(174,513,328)	190,375	(0.1)
Remuneration of councillors	(21,201,946)	(21,214,097)	12,151	(0.1)
Audit fees	(4,953,215)	(4,953,215)	-	-
Construction contract costs	(55,536,736)	(56,419,518)	882,782	(1.6)
Depreciation and amortisation	(12,575,971)	(12,576,303)	332	-
Provision for bad debts	-	-	-	-
Finance costs	(13,816,535)	(13,816,535)	-	-
Repairs and maintenance	(6,782,666)	(6,782,775)	109	-
Contracted services	(42,292,837)	(42,297,638)	4,801	-
Operational expenses	(54,586,030)	(54,592,863)	6,833	-
Other revenue and costs	(386,068,889)	(387,166,272)	1,097,383	(0.3)
Grants and subsidies	(15,183,310)	(15,788,929)	605,619	(3.8)

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Appendix E(1): Unaudited

Actual versus Budget(Revenue and Expenditure) for the year ended 30 June 2025

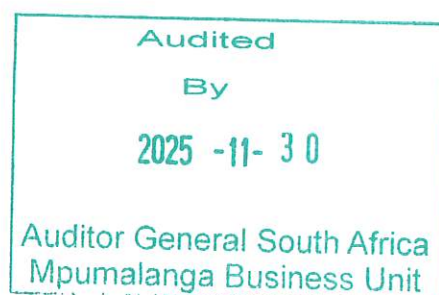
	Current year 2025 Act. Bal.	Current year 2025 Adjusted budget	Variance	Explanation of Significant Variances greater than 10% versus Budget
Loss on disposal of assets	(953,779)	-	(953,779)	-
Provision for impairment reversal	826,969	951,014	(124,045)	(13.0)
Gain on fair value adjustments	642,896	-	642,896	-
Actuarial gain	1,659,000	1,659,000	-	-
	(13,008,224)	(13,178,915)	170,691	(1.3)
Net surplus/ (deficit) for the year	(18,834,789)	(17,357,805)	(1,476,984)	8.5

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Appendix E(2): Unaudited

Budget Analysis of Capital Expenditure as at 30 June 2025

	Additions	Revised Budget	Variance	Variance	Explanation of significant variances from budget
	Rand	Rand	Rand	%	
Municipality					
Office of the Chief Whip	15,598	16,000	402	3	
Corporate Services	6,549,824	7,000,000	450,176	6	
Disaster Management	328,910	330,000	1,090	-	
Office of the Executive Mayor	165,025	170,000	4,975	3	
Financial Services	1,464,872	1,589,388	124,516	8	
Internal Audit	-	-	-	-	
LED & Tourism	24,900	25,000	100	-	
Community Services	552,174	560,000	7,826	1	
Office of the Municipal Manager	376,096	400,000	23,904	6	
Strategic Services	1,447,759	1,550,000	102,241	7	
Rural Development	-	-	-	-	
Social Services	4,500	4,500	-	-	
Office of the Speaker	186,810	190,000	3,190	2	
Technical Services	130,015	135,000	4,985	4	
Mayoral Committee	-	-	-	-	
	-	-	-	-	
	11,246,483	11,969,888	723,405	6	



Appendix F: Unaudited

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